A RESPONSIBLE CARE® COMPANY

2018

ANNUAL REPORT

TABLE OF CONTENTS

2 2018 Financial Highlights

3 President's Message to Shareholders

6 Chair's Message to Shareholders

7 Management's Discussion and Analysis

44 Consolidated Financial Statements

53 Notes to Consolidated Financial Statements

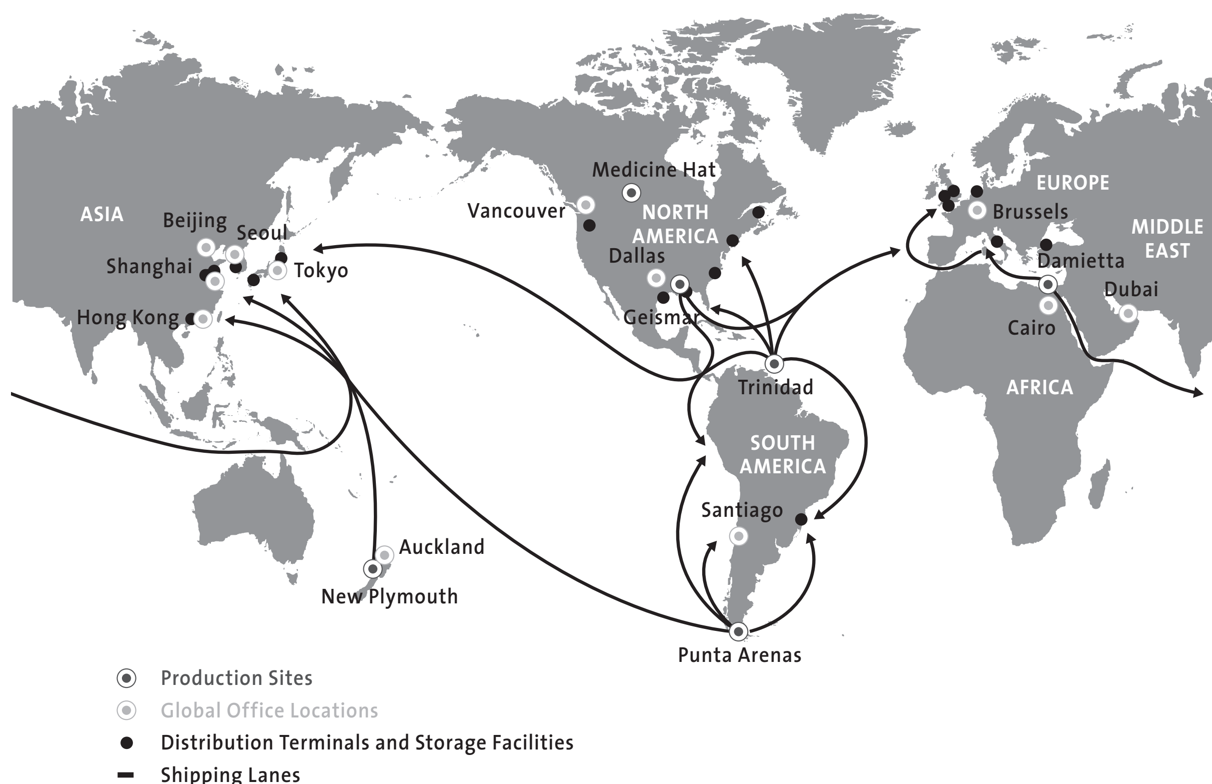
methanex® the power of agility

Methanex Corporation

is the world's largest producer and supplier of methanol to major international markets in North America, Asia Pacific, Europe and South America. Our production sites are located in New Zealand, the United States, Trinidad, Egypt, Canada and Chile. Our primary objective is to create value by maintaining and enhancing our leadership in the global production, marketing and delivery of methanol to customers.

Methanol is a clear, biodegradable liquid commodity chemical that is a key ingredient in a variety of chemical derivatives, and serves as a building block to produce a multitude of everyday consumer and industrial items. Methanol is also used in an increasing number of energy-related applications and is an innovative, clean-burning alternative fuel.

Methanex – Global Methanol Industry Leader



Global Production Facilities

Methanex's global production sites are strategically positioned to supply every major global market.

New Zealand
Our three plants in New Zealand supply methanol primarily to customers in Asia Pacific.

United States
Our two plants in Geismar have the capability to serve customers in all major markets around the globe.

Trinidad
Our two plants in Trinidad, Titan and Atlas (Methanex interest 63.1%), supply all major methanol markets around the globe.

Egypt
Our joint venture in Egypt (Methanex interest 50%) is located on the Mediterranean Sea and primarily supplies methanol to the domestic and European market, but can also supply Asia.

Canada
Our plant in Medicine Hat, Alberta, supplies methanol to customers in North America.

Chile
Our two plants in Punta Arenas, Chile supply methanol to customers in South America and around the globe.

Global Supply Chain

Methanex has an extensive global supply chain and distribution network of terminals and storage facilities throughout Asia Pacific, North America, Europe and South America. Methanex's wholly-owned subsidiary, Waterfront Shipping, operates the largest methanol ocean tanker fleet in the world. The fleet forms a seamless transportation network dedicated to keeping an uninterrupted flow of methanol moving to storage terminals and customers' plant sites around the world. For further information on Waterfront Shipping, please visit www.wfs-cl.com.

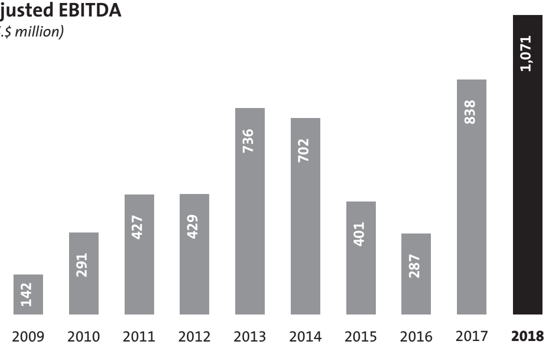
Our Responsible Care Commitment

Methanex is a Responsible Care company. Responsible Care is the umbrella under which Methanex and other leading chemical manufacturers manage issues relating to health, safety, the environment, community involvement, social responsibility, security and emergency preparedness. The total commitment to Responsible Care is an integral part of Methanex's global corporate culture.

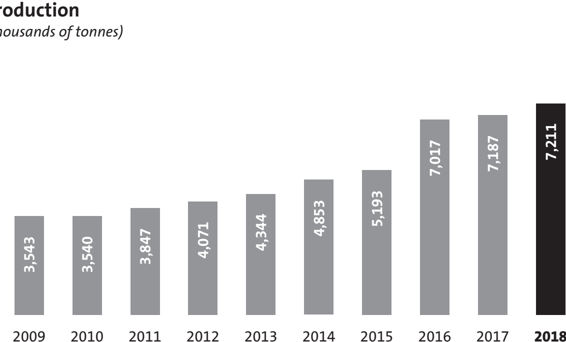
2018 Financial Highlights *(U.S.$ millions, except where noted)*

	2018	2017	2016	2015	2014
Operations					
Revenue	**3,932**	3,061	1,998	2,226	3,223
Adjusted net income (loss)[1]	**556**	409	(15)	110	397
Net income (loss) (attributable to Methanex shareholders)	**569**	316	(13)	201	455
Adjusted EBITDA[1]	**1,071**	838	287	401	702
Cash flows from operating activities	**980**	780	227	297	801
Modified Return on Capital Employed (ROCE)[2]	**18.5%**	12.9%	0.4%	6.2%	16.2%
Diluted Per Share Amounts (U.S.$ per common share)					
Adjusted net income (loss)[1]	**6.86**	4.71	(0.17)	1.20	4.12
Net income (loss) (attributable to Methanex shareholders)	**6.92**	3.64	(0.14)	2.01	4.55
Financial Position					
Cash and cash equivalents	**256**	375	224	255	952
Total assets	**4,609**	4,611	4,557	4,556	4,775
Long-term debt, including current portion	**1,458**	1,502	1,556	1,536	1,722
Net debt to capitalization[3]	**40%**	39%	42%	39%	27%
Net debt to market capitalization[4]	**18%**	20%	30%	22%	10%
Other Information					
Average realized price (U.S.$ per tonne)[5]	**405**	337	242	322	437
Total sales volume (000s tonnes)	**11,208**	10,669	9,478	8,471	8,504
Sales of Methanex-produced methanol (000s tonnes)	**7,002**	7,229	6,828	5,050	4,878
Total production (000s tonnes)	**7,211**	7,187	7,017	5,193	4,853

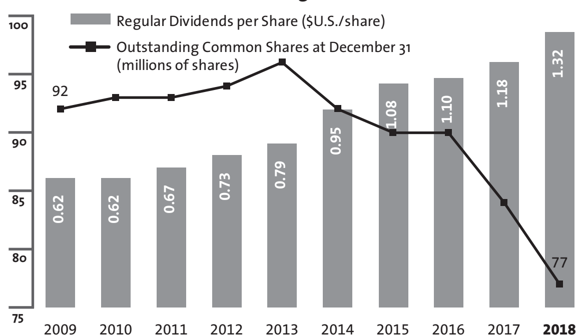
Adjusted EBITDA
(U.S.$ million)



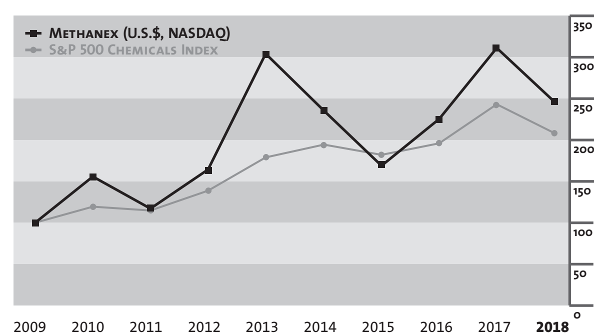
Production
(thousands of tonnes)



Dividends and Shares Outstanding



Share Price Performance *(Indexed at December 31)*



1 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 the *Supplemental Non-GAAP Measures* section on page 38 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

2 Modified ROCE is defined as adjusted earnings before interest and taxes (after-tax) divided by average productive capital employed. Average productive capital employed is the sum of average total assets (excluding plants under construction) less the average of current non-interest bearing liabilities. Average total assets excludes cash held in excess of $50 million. We use an estimated mid-life depreciated cost base for calculating our average assets in use during the period. The calculation of Modified ROCE includes our share of income, assets and liabilities in the Egypt and Atlas methanol facilities.

3 Defined as total debt less cash and cash equivalents divided by the sum of total equity and total debt less cash and cash equivalents (including 100% of debt related to the Egypt methanol facility).

4 Defined as total debt less cash and cash equivalents divided by the sum of the weighted average market capitalization for the year and total debt (including 100% of debt related to the Egypt methanol facility).

5 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 any volume produced in Chile using natural gas supplied from Argentina under a tolling arrangement.

President’s Message to Shareholders

DEAR FELLOW SHAREHOLDERS,

2018 was an excellent year for Methanex. The investments we have made in our business over the last few years have strengthened our asset base, significantly increased our production capacity and substantially improved our earnings capabilities and cash generation potential across a wide range of methanol prices. We achieved record sales and production levels and we were extremely pleased to restart our Chile IV plant, which had been idle since 2007. We reached new records in 2018 for adjusted EBITDA at $1.1 billion and adjusted net income per share of $6.86. Maintaining our long track record of returning excess cash to shareholders, we distributed $550 million through dividends and share repurchases. These results reflect the strength of our Company.

Looking back at 2018: Investments in the business created a stronger company and significantly improved our earnings capability

We were pleased to achieve strong production results again in 2018. This reflects the investments we have been making to increase our production capacity and improve access to natural gas across our network of global production sites.

We made significant progress towards restoring Chile to a two-plant operation. In 2018, we completed the restart of our Chile IV plant and began to receive contracted natural gas from several suppliers in Argentina. These important milestones substantially increase our production capabilities in Chile. In New Zealand, we invested in our plants to sustain operations over the coming years, and we secured a long-term natural gas supply agreement that underpins over half our annual production capacity in the country late into the next decade.

In 2018 we were proud to have successfully completed our seventh third-party verification of our global Responsible Care program through the Chemical Industry Association of Canada. Responsible Care is integral to our culture and we continue to undertake initiatives to advance health and safety, environmental stewardship and sustainability, product stewardship and social responsibility across all facets of our operation and supply chain. We continued to perform well across many areas within Responsible Care in 2018, including process safety, environmental and social responsibility; however, our occupational safety performance did not meet expectations. Our goal is to achieve a zero-injury workplace and we will continue to focus on improving our performance as we go forward in 2019.

We continually look to improve our overall plant reliability to maximize production from our assets. Our overall plant reliability in 2018 was 95%, an improvement over our result of 93% in 2017, although still below our target of 97%. We believe our target is achievable and will enhance our production results and financial performance in the coming years.

Methanol demand remained healthy in 2018, supported by strong growth in traditional applications, steady demand for methanol-to-olefins (“MTO”) and higher energy prices that increased the affordability of methanol for various energy-related applications. Healthy demand combined with methanol industry outages and the delayed start-up of new industry capacity additions created tight market conditions in 2018. These factors supported robust methanol prices throughout most of the year, and we achieved an average realized price of $405 per tonne, which is a 20% increase over 2017.

We were pleased to achieve record earnings again in 2018. Our improved earnings capabilities allow us to generate significant free cash flow across a wide range of prices. Methanex’s approach to allocating excess capital remains unchanged: we aim to profitably grow our production capacity in line with market growth; maintain a meaningful, sustainable and growing dividend; and return excess cash to shareholders through share repurchases.

We demonstrated our balanced approach to capital allocation in 2018 and delivered significant returns to shareholders. Over the year, we made substantial progress on opportunities to increase our production capacity at a low capital cost by restarting our Chile IV plant and advancing work to increase the production capability of our existing Geismar facilities by approximately 10%. We also made significant headway on the front-end engineering and design phase for a potential Geismar 3 project which will enable us to clarify capital cost estimates and de-risk the project. This project is a unique opportunity for us to increase our production capability and we look forward to considering a final investment decision by mid-2019. We increased our dividend by 10% in 2018 and delivered on our long track record of returning excess cash to shareholders by completing a 10% share repurchase program. In total, we returned $550 million to shareholders in 2018 through our dividend and the repurchase of 6.6 million shares.

Looking ahead: Enhancing our leadership position and competitive advantage

We are focused on strengthening our global leadership position in the methanol industry and we believe the future outlook is very positive.

We will continue to invest in our system of integrated capabilities that are specific to methanol and that include a network of global production sites, a fleet of dedicated ocean vessels, an integrated global supply chain and local customer service support. These integrated capabilities enable us to deliver secure, reliable methanol supply, which is our competitive advantage and makes us a preferred supplier to customers around the world.

Forecasts for methanol demand growth are healthy. Today, approximately 55% of methanol is used to make traditional chemical derivatives that are then used to produce everyday products, including building materials, foams, resins, paints and polyester. We expect demand growth for these traditional chemical applications to increase in-line with GDP.

Currently, approximately 45% of methanol goes into MTO and other energy-related applications and we believe there is significant upside potential for future demand growth over the long term. The MTO industry is expected to grow in China as a number of plants are under construction and we expect at least two of those plants to start up in 2019 with the combined capacity to consume 3.6 million tonnes of methanol annually at full operating rates.

Methanol is also a clean-burning, biodegradable fuel that is increasingly used as a environmentally-friendly and economic alternative fuel to power ships, vehicles and other industrial applications. We are working closely with industry stakeholders to identify, develop and support potential emerging energy applications for methanol including marine fuel, automotive fuel blending and methanol-to-power. Our shipping fleet currently includes seven dual-fuel ocean tankers that can run on methanol and we will add another four dual-fuel vessels in 2019 to showcase the viability of methanol as a marine fuel. We have been working with partners in China to pilot the use of high-level blends of methanol as an automotive fuel and we are pleased to see significant interest as two cities recently converted the majority of their taxis to operate on 100% methanol fuel. As well, there is growing interest in clean-burning fuels in China to replace coal and we are excited to see growing demand for methanol as a fuel for industrial boilers and kilns. We expect that as the shift toward clean-burning fuel continues, these and other emerging energy applications for methanol will become more widespread.

The outlook over the next few years is very positive. Methanol demand is expected to be healthy and new industry capacity additions will be needed to fulfill this growing demand. We are extremely fortunate to have multiple advantaged opportunities to profitably grow our production capability. In Chile, we plan to complete the first phase of the refurbishment of our Chile I plant in mid-2019 to support the plant's long-term operation. We will continue to advance the opportunity to increase existing capacity at our Geismar 1 and Geismar 2 facilities by approximately 10% for a very modest capital investment over the next few years. We are also excited about a potential Geismar 3 plant. This project offers significant advantages over other projects being contemplated or under construction in the US Gulf Coast based on its location next to our two Geismar facilities and the potential to integrate the production process with our other existing plants in Geismar. These aspects of the potential Geismar 3 facility significantly reduce capital and operating costs compared to a stand-alone project. We have additional work to complete leading up to a final investment decision in mid-2019. Based on our progress to date, we believe that this project offers a tremendous opportunity to create significant value for our shareholders.

We will continue to prudently manage our business by maintaining a strong balance sheet and appropriate liquidity to navigate the cyclical nature of our industry. We ended 2018 with a strong balance sheet and excellent financial flexibility with $256 million in cash and a $300 million revolving credit facility. 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. In March 2019, we announced that our Board of Directors has approved a new 5% share repurchase program, through a normal course issuer bid.

I would like to take this opportunity to thank our Chair of the Board, Tom Hamilton, who will not be standing for re-election as a Director at this year's Annual General Meeting. Tom has served on Methanex's Board since 2007, holding the position of Chair since 2010. He has provided outstanding leadership to the Company and made a huge contribution to Methanex's strength and success.

I would also like to remember Doug Mahaffy, our former colleague and friend, who passed away earlier this year. Doug was appointed to the Board in May 2006. During his 12 years of dedicated service to the Company, Doug participated on most of the Board's committees, most recently serving on the Corporate Governance and Human Resources Committees.

Doug shared his depth of wisdom and vast knowledge with Methanex and we are incredibly grateful for his many contributions.

Finally, I want to thank our more than 1,400 team members around the world and our Board of Directors for their ongoing commitment to Methanex. Our outstanding operational and financial results this year reflect the strength of our company and the power of working together as one team.

On behalf of the Board and our team members, I want to thank you, our shareholders, for your continued support.

John Floren
President & Chief Executive Officer

Chair's Message to Shareholders

DEAR FELLOW SHAREHOLDERS,

We take a proactive approach to board renewal and believe it is a vital process for ensuring Methanex is overseen by directors who have the right talent mix for executing the Company's strategy. We embark on our board renewal journey by carefully examining the skills, experience and expertise that would be required of Methanex directors in the future and identifying which skill sets we would lose through director retirements.

As a result of our renewal process, since April 2015 five new directors have been appointed to the Board, four directors have left, and in 2019 I will also leave the Board. Having served as a director since May 2007 and as Chair since May 2010, I will not stand for re-election at the 2019 AGM. After communicating my intended retirement date to CEO John Floren and my fellow Board members two years ago, we began a thoughtful process established by the Corporate Governance Committee to select the next Chair. Let me take this opportunity to share some insight into this process.

In the summer of 2017, I asked each director to (i) submit up to two names for successor Chair candidates, excluding themselves, and (ii) declare whether, if nominated, they were willing to serve as Chair and for how long. The directors showed a preference for two candidates. Mr. Doug Arnell was identified as a preferred candidate and was able to commit to serve as Chair for the length of time that matched the needs of the Company. Mr. Arnell is articulate, possesses exceptional interpersonal skills and his personal values align with Methanex's.

In order to further assess his leadership capabilities, as of January 1, 2018, Mr. Arnell was appointed Chair of the Human Resources Committee. In order to gain further exposure to the Board governance processes and role of the Chair, he also shadowed me during my Chair duties, which included attending all committee meetings and participating in meetings with management, shareholders and other external stakeholders. The shadowing process worked as envisaged and, based on Mr. Arnell's performance, in January 2019 the Board re-affirmed its full support for appointing Mr. Arnell as Chair following the 2019 AGM.

On a personal note, it has been a privilege and fantastic experience to serve as a director and Chair of Methanex. I am forever grateful to my fellow directors – a smart, talented group who understand and actively engage in all Board matters. They work as a group and give personal time as appropriate to share their expertise. They enjoy being with each other, whether at Board meetings or site visits. Of course, you cannot have a great board without a great CEO and management team, and Methanex has a history of great leadership. John Floren and his team are no exception. John's openness, as well as nurturing mutual trust, keeps the Board advised and encouraged to exercise our oversight duties. I have visited nearly all of Methanex's major operating sites around the world and without exception the employees exhibit the Company's values and are bound together by a commitment to Responsible Care. This is truly an exceptional company. I am pleased to hand over the Chair responsibilities to Doug Arnell and am confident that he will provide tremendous value to Methanex and its shareholders.

Lastly, I would like to say a few words about our friend and colleague, Mr. Doug Mahaffy. We were shocked and saddened to learn of his sudden passing in January this year. Doug was appointed to the Methanex Board in May 2006 and served as an integral member of the Corporate Governance and Human Resources committees. We will miss Doug's contributions to the Board and his ability to respectfully debate key Methanex issues but, most of all, we will miss his kindness and compassion. Doug loved life and family, and as he often told me, he loved Methanex. He leaves as a legacy an enduring spirit to act in the best interest of all Methanex stakeholders.

Tom Hamilton
Chair of the Board

Management's Discussion and Analysis

Index

07 Overview of the Business
09 Our Strategy
11 Financial Highlights
12 Production Summary
13 How We Analyze Our Business
14 Financial Results
20 Liquidity and Capital Resources
26 Risk Factors and Risk Management
35 Critical Accounting Estimates
37 Anticipated Changes to International Financial Reporting Standards
38 Supplemental Non-GAAP Measures
40 Quarterly Financial Data (Unaudited)
40 Selected Annual Information
41 Controls and Procedures
42 Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") is dated March 11, 2019 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2018. Except where otherwise noted, the financial information presented in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). We use the United States dollar as our reporting currency and, except where otherwise noted, all currency amounts are stated in United States dollars. In this MD&A, a reference to the "Company" refers to Methanex Corporation and a reference to "Methanex", "we", "our" and "us" refers to the Company and its subsidiaries or any one of them as the context requires, as well as their respective interests in joint ventures and partnerships.

As at March 11, 2019, we had 77,265,973 common shares issued and outstanding and stock options exercisable for 1,236,299 additional common shares.

Additional information relating to Methanex, including our Annual Information Form, 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.

OVERVIEW OF THE BUSINESS

Methanol is a clear liquid commodity chemical that is predominantly produced from natural gas and is also produced from coal, particularly in China. Approximately 55% of all methanol demand is used to produce traditional chemical derivatives, including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a large number of chemical derivatives for which demand is influenced by levels of global economic activity. The remaining 45% of methanol demand comes from a range of energy-related applications. These include methanol-to-olefins ("MTO"), methyl tertiary-butyl ether ("MTBE"), direct blending of methanol into gasoline (primarily in China), di-methyl ether ("DME"), biodiesel, methanol-to-gasoline ("MTG"), industrial boilers and marine fuel.

We are the world's largest producer and supplier of methanol to the major international markets in Asia Pacific, North America, Europe and South America. Our total annual production capacity, including Methanex interests in jointly owned plants, is currently 9.4 million tonnes and is located in New Zealand, the United States, Trinidad, Egypt, Canada and Chile. In addition to the methanol produced at our sites, we purchase methanol produced by others under methanol offtake contracts and on the spot market. This gives us flexibility in managing our supply chain while continuing to meet customer needs and support our marketing efforts. We have marketing rights for 100% of the production from the jointly-owned plants in Trinidad and Egypt, which provides us with an additional 1.3 million tonnes per year of methanol offtake supply when the plants are operating at full capacity.

Refer to the *Production Summary* section on page 12 for more information.

2018 Industry Overview & Outlook

Methanol is a global commodity and our earnings are significantly affected by fluctuations in the price of methanol, which is directly impacted by changes in methanol supply and demand. Demand for methanol is driven primarily by levels of industrial production, energy prices and the strength of the global economy.

Demand

Demand for methanol grew by approximately 3.5% or 3 million tonnes in 2018, resulting in total demand of approximately 81 million tonnes in 2018, excluding demand from integrated coal-to-olefins facilities.

Energy-related demand, which represented approximately 45% of total demand, grew by approximately 4% in 2018. Included in that sector, MTO demand represented approximately 14% of total methanol demand and was steady in 2018. The MTO industry is expected to grow in China as a number of plants are under construction and we expect at least two of those plants to start up in 2019 with the combined capacity to consume 3.6 million tonnes of methanol annually at full operating rates. 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 the olefin industry feedstock costs, including naptha, on relative competitiveness and plant maintenance schedules.

Global regulations to promote the use of clean-burning fuels support long-term demand growth for a number of emerging energy applications for methanol.

In China, stricter air quality emissions regulations are leading to a phase-out of coal-fueled industrial boilers in favour of cleaner fuels, creating a growing market for methanol as an alternative fuel. We estimate that this growing demand segment already represents approximately 2.0 million tonnes of methanol demand.

Demand for other fuel applications in China remains healthy with interest from other countries growing. China's high blend (M85-M100) methanol vehicle pilot program led by the Ministry of Industry and Information Technology achieved positive results during the official review in 2017. We are pleased to see significant interest in high level methanol fuel blends with two provinces recently converting the majority of their taxis to operate on 100% methanol fuel. Blending continues to gain momentum outside of China. Several other countries are in the assessment or near-commercial stage for low-level methanol fuel blending.

Regulatory changes are playing an increasing role in encouraging new applications for methanol due to its emissions benefits as a fuel. As a result of the International Maritime Organization's expansion of future sulphur limits from ocean-going vessels, methanol has emerged as a promising competitive alternative fuel. A number of projects are underway with cruise ships and ferries as well as tug boats and barges. In China, Methanex has partnered with the Ministry of Transport on a successful marine fuel pilot and is working with relevant stakeholders to support the application of methanol as a marine fuel.

Demand from traditional applications for methanol grew by approximately 3% in 2018 and we estimate that traditional chemical derivatives consume approximately 55% of methanol globally.

Supply

Approximately 3.5 million tonnes of new annualized capacity outside of China was introduced in 2018, including the 1.8 million tonne Natgasoline methanol plant which commenced operation late in the second quarter in Beaumont, Texas and the 1.7 million tonne Marjan methanol plant that started up late in the third quarter in Iran. In China, we estimate that approximately 2.0 million tonnes of net new production capacity was added in 2018, excluding methanol production that is integrated with production of other downstream products and not sold on the merchant market.

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 announced production targeted for late 2019. Yuhuang Chemical Industries Inc. announced it is progressing plans to complete a 1.7 million tonne project in St. James Parish, Louisiana with an announced target completion date in 2020. There are other large-scale projects under discussion in North America; however, we believe that there has been limited committed capital to date. There are other projects under construction in Iran that we continue to monitor including the Kaveh and Bushehr plants. 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 production from new capacity in China will be consumed in that country.

Price

Methanex's average realized price in 2018 increased to $405 per tonne from $337 per tonne in 2017. The strength in methanol pricing was supported by healthy methanol demand combined with a variety of methanol industry outages and the delayed start-up

of new industry capacity additions that created tight market conditions for most of the year. There was significant volatility in methanol pricing during the fourth quarter as prices increased early in the quarter before declining later in the quarter due to concerns around global economic growth, unresolved trade tensions and a steep decline in oil prices which reduced affordability of methanol into energy applications.

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.

OUR STRATEGY

Our primary objective is to create value by maintaining and enhancing our leadership in the global production, marketing and delivery of methanol to customers. To achieve this objective we have a simple, clearly defined strategy: global leadership, low cost and operational excellence. We also pride ourselves in being a leader in Responsible Care. Our brand differentiator "*The Power of Agility*®" defines our culture of flexibility, responsiveness and creativity that allows us to capitalize on opportunities quickly as they arise, and swiftly respond to customer needs.

Global Leadership

Global leadership is a key element of our strategy. We are focused on maintaining and enhancing our position as the major producer and supplier in the global methanol industry, improving our ability to cost-effectively deliver methanol to customers and supporting both traditional and energy-related global methanol demand growth.

We are the leading producer and supplier of methanol to the major international markets in Asia Pacific, North America, Europe and South America. Our 2018 sales volume of 11.2 million tonnes of methanol represented approximately 14% of global methanol demand. Our leadership position has enabled us to play an important role in the industry, which includes publishing Methanex reference prices that are used in each major market as the basis of pricing for our customer contracts.

The geographically diverse locations of our production sites allow us to deliver methanol cost-effectively to customers in all major global markets, while investments in global distribution and supply infrastructure, which include a fleet of ocean-going vessels and terminal capacity within all major international markets, enable us to enhance value to customers by providing reliable and secure supply.

A key component of our global leadership strategy is the strength of our asset position with over 8.5 million tonnes of operating capacity in 2018. We achieved a second consecutive year of record production in 2018 with 7.2 million tonnes. For a number of years, our Chile operations have been operating at less than full production capacity. The restart of our Chile IV plant in late 2018 returns Chile to a two plant operation and provides further potential to increase production over the near term.

Another key component of our global leadership strategy is our ability to supplement methanol production with methanol purchased from third parties to give us flexibility in our supply chain to meet customer commitments. We purchase methanol through a combination of methanol offtake contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply chain infrastructure, which allows us to purchase methanol in the most cost-effective region while still maintaining overall security of supply.

The Asia Pacific region continues to lead global methanol demand growth and we have invested in and enhanced our presence in this important region. We have storage capacity in China, South Korea and Japan that allows us to cost-effectively manage supply to customers and we have offices in Hong Kong, Shanghai, Tokyo, Seoul and Beijing to enhance customer service and industry positioning in the region. This enables us to participate in and improve our knowledge of the rapidly evolving and high growth methanol markets in China and other Asian countries. Our expanding presence in Asia Pacific has also helped us identify several opportunities to support the development of applications for methanol in the energy-related sector.

Low Cost

A low cost structure is an important competitive advantage in a commodity industry and is a key element of our strategy. Our approach to major business decisions is guided by a drive to improve our cost structure and create value for shareholders. The most significant components of total costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers. Our cost structure per tonne continues to benefit from significant leverage on our fixed costs as production increases.

The New Zealand, Trinidad and Egypt facilities are underpinned by natural gas purchase agreements where the natural gas price varies with methanol prices. This pricing relationship enables these facilities to be competitive throughout the methanol price cycle. We have a fixed price contract to supply substantially all our Geismar 1 facility and forward contracts to hedge natural gas prices for approximately 40% of the natural gas requirements of our Geismar 2 facility through 2025 with the remainder of natural gas requirements at Geismar purchased in the spot market. We have entered into fixed price contracts to supply the majority of our natural gas requirements for our Medicine Hat facility through 2031. We have natural gas contracts for our Chile facility from Chilean and Argentine suppliers with varying terms including both fixed price contracts and a portion of the supply where the natural gas price varies with methanol prices.

Our production facilities are well located to supply global methanol markets. Still, the cost to distribute methanol from production locations to customers is a significant component of total operating costs. These include costs for ocean shipping, in-market storage facilities and in-market distribution. We are focused on identifying initiatives to reduce these costs, including optimizing the use of our shipping fleet, third-party backhaul arrangements and taking advantage of prevailing conditions in the shipping market by varying the type and length of term of ocean vessel contracts. In 2018, we had seven vessels in our fleet equipped with flex-fuel engines that can run on conventional fuel or methanol, which provides us flexibility in our supply chain. In 2019, 40% of our fleet will be able to run on methanol as four new vessels will be added with flex-fuel engines. We also look for opportunities to leverage our global asset position by entering into geographic product exchanges with other methanol producers to reduce distribution costs.

Operational Excellence

We maintain a focus on operational excellence in all aspects of our business. This includes excellence in manufacturing and supply chain processes, marketing and sales, human resources, corporate governance practices and financial management.

To differentiate ourselves from competitors, we strive to be the best operator in all aspects of our business and to be the preferred supplier to customers. We believe that reliability of supply is critical to the success of our customers' businesses and our goal is to deliver methanol reliably and cost-effectively. We have a commitment to Responsible Care (an operating ethic and set of principles developed by the Chemistry Industry Association of Canada) and we use it as the umbrella under which we manage issues related to employee health and safety, environmental protection, community involvement, social responsibility, sustainability, security and emergency preparedness at each of our facilities and locations. Through the International Council of Chemical Associations, over 60 countries have adopted the Responsible Care Ethic and Principles for Sustainability. We believe a commitment to Responsible Care helps us achieve an excellent overall environmental and safety record.

Product stewardship is a vital component of a Responsible Care culture and guides our actions through the complete life cycle of our product. We aim for the highest safety standards to minimize risk to employees, customers and suppliers as well as to the environment and the communities in which we do business. We promote the proper use and safe handling of methanol at all times through a variety of internal and external health, safety and environmental initiatives, and we work with industry colleagues to improve safety standards. We readily share technical and safety expertise with key stakeholders, including customers, end-users, suppliers, logistics providers and industry associations in the methanol and methanol applications marketplace through active participation in local and international industry associations, seminars and conferences and online education initiatives.

As a natural extension of the Responsible Care ethic, we have a Social Responsibility policy that aligns corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy.

Our strategy of operational excellence also includes the financial management of the Company. We operate in a highly competitive commodity industry. Accordingly, we believe it is important to maintain financial flexibility and we have adopted a prudent approach to financial management. We have an undrawn $300 million credit facility provided by highly rated financial institutions that expires in December 2022. As at December 31, 2018, we had a strong balance sheet and a cash balance of $256 million. 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.

FINANCIAL HIGHLIGHTS

($ Millions, except as noted)	2018	2017
Production (thousands of tonnes) (attributable to Methanex shareholders)	**7,211**	7,187
Sales volume (thousands of tonnes)		
Methanex-produced methanol	**7,002**	7,229
Purchased methanol	**3,032**	2,289
Commission sales	**1,174**	1,151
Total sales volume[1]	**11,208**	10,669
Methanex average non-discounted posted price ($ per tonne)[2]	**481**	396
Average realized price ($ per tonne)[3]	**405**	337
Revenue	**3,932**	3,061
Adjusted revenue[4]	**4,033**	3,227
Adjusted EBITDA[4]	**1,071**	838
Cash flows from operating activities	**980**	780
Adjusted net income[4]	**556**	409
Net income (attributable to Methanex shareholders)	**569**	316
Adjusted net income per common share ($ per share)[4]	**6.86**	4.71
Basic net income per common share ($ per share)	**7.07**	3.64
Diluted net income per common share ($ per share)	**6.92**	3.64
Common share information (millions of shares)		
Weighted average number of common shares	**80**	87
Diluted weighted average number of common shares	**81**	87
Number of common shares outstanding, end of period	**77**	84

[1] Methanex-produced methanol represents our equity share of volume produced at our facilities and excludes volume marketed on a commission basis related to 36.9% of the Atlas facility and 50% of the Egypt facility that we do not own. Methanex-produced methanol includes any volume produced in Chile using natural gas supplied from Argentina under a tolling arrangement ("Tolling Volume"). A total of 108,000 MT Tolling Volume was produced in 2018, and none in 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.

[4] 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 the *Supplemental Non-GAAP Measures* section on page 38 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

PRODUCTION SUMMARY

The following table details the annual production capacity and actual production of our facilities in 2018 and 2017:

(Thousands of tonnes)	Annual production capacity[1]	Annual operating capacity[2]	**2018 Production**	2017 Production
New Zealand[3]	2,430	2,430	**1,606**	1,943
Geismar (USA)	2,000	2,000	**2,078**	1,935
Trinidad (Methanex interest)[4]	2,000	2,000	**1,702**	1,768
Egypt (50% interest)	630	630	**613**	534
Medicine Hat (Canada)	600	600	**600**	593
Chile[5]	1,720	880	**612**	414
	9,380	8,540	**7,211**	7,187

[1] Annual production capacity reflects, among other things, average expected plant outages, turnarounds and average age of the facility's catalyst. As a result, the actual production of a facility may be higher or lower than the stated annual production capacity.

[2] Annual 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.

[3] 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).

[4] 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).

[5] The production 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 is 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. Chile operating capacity will be updated in 2019 to reflect the two plant operation (refer to the *Chile* section below).

New Zealand

In New Zealand, we produced 1.6 million tonnes of methanol in 2018 compared with 1.9 million tonnes in 2017. Planned turnarounds and maintenance activities at both the Motunui and Waitara Valley sites and gas supply constraints due to planned and unplanned gas field and pipeline maintenance and repairs impacted production in 2018. The plants are able to produce at an annual production capacity of up to 2.4 million tonnes of methanol, depending on natural gas composition. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market. Refer to the *Risk Factors and Risk Management - New Zealand* section on page 28 for more information.

United States

The Geismar facilities produced 2.1 million tonnes of methanol in 2018 compared with 1.9 million tonnes in 2017. Higher production in 2018 compared with 2017 was a result of planned maintenance activities undertaken at both Geismar plants in 2017 that was not required in 2018. Refer to the *Risk Factors and Risk Management – United States* section on page 28 for more information.

Trinidad

Our ownership interest in the methanol facilities in Trinidad represents 2.0 million tonnes of annual capacity. The Titan and Atlas facilities in Trinidad are well located to supply global methanol markets and are underpinned by natural gas purchase agreements where the natural gas price varies with methanol prices. The Trinidad facilities produced a total of 1.7 million tonnes of methanol (Methanex share) in 2018 compared with 1.8 million tonnes in 2017. Production in Trinidad was lower in 2018 compared to 2017 primarily as a result of interruptions to the electricity supply to the site and mechanical issues at both plants during the third quarter of 2018.

During 2017 and 2018, we continued to experience natural gas curtailments to our Trinidad facilities due to a mismatch between upstream supply to the National Gas Company of Trinidad and Tobago Limited ("NGC") and downstream demand from NGC's customers. We are engaged with key stakeholders to find a solution to this issue, but expect to continue to experience gas curtailments to the Trinidad site. Refer to the *Risk Factors and Risk Management – Trinidad* section on page 28 for more information.

Egypt

We operate the 1.26 million tonne per year methanol facility in Egypt and have marketing rights for 100% of the production. The Egypt methanol facility is well located to supply the domestic, European and Asia Pacific methanol markets. We produced 1.2 million tonnes of methanol (Methanex share of 0.6 million) at the plant during 2018, compared to 1.1 million tonnes (Methanex share of 0.5 million) in 2017. Production in 2017 was impacted by a planned turnaround.

The Egypt facility has previously experienced periodic natural gas supply restrictions. The strong efforts by Egyptian governmental entities to fast-track existing and new upstream gas supply in Egypt has led to improved gas deliveries in 2017 and 2018. As a result, we expect to receive 100% of contracted gas deliveries for the foreseeable future. Refer to the *Risk Factors and Risk Management - Egypt* section on page 29 for more information.

Canada

The Medicine Hat facility produced 600,000 tonnes of methanol in 2018 compared to 593,000 tonnes in 2017. Refer to the *Risk Factors and Risk Management – Canada* section on page 29 for more information.

Chile

The Chile facilities, Chile I and IV, produced 612,000 tonnes of methanol in 2018 from a combination of Chile and Argentina sourced natural gas, including 108,000 tonnes produced through a tolling arrangement. This compares to 414,000 tonnes for Chile I in 2017, produced solely from Chile sourced natural gas. Production increased for 2018 as compared to 2017 as a result of improved natural gas availability from Chilean and Argentine suppliers and due to the restart of our Chile IV plant in the fourth quarter of 2018 that had been idle since 2007.

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 in the near-term. 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. Refer to the *Risk Factors and Risk Management – Chile* section on page 29 for more information.

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 the *Supplemental Non-GAAP Measures* section on page 38 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 resell 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, 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 then 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.

FINANCIAL RESULTS

For the year ended December 31, 2018, we reported net income attributable to Methanex shareholders of $569 million ($6.92 income per common share on a diluted basis), compared with net income attributable to Methanex shareholders of $316 million ($3.64 income per common share on a diluted basis) for the year ended December 31, 2017.

For the year ended December 31, 2018, we reported Adjusted EBITDA of $1,071 million and Adjusted net income of $556 million ($6.86 Adjusted net income per common share), compared with Adjusted EBITDA of $838 million and Adjusted net income of $409 million ($4.71 Adjusted net income per common share) for the year ended December 31, 2017.

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.

In 2017, we recorded a non-cash charge of $37 million to net income from the revaluation of a net deferred tax asset as a result of tax reform in the United States.

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

($ Millions, except number of shares and per share amounts)	**2018**	2017
Net income attributable to Methanex shareholders	**$ 569**	$ 316
U.S. tax reform charge	**–**	37
Mark-to-market impact of share-based compensation, net of tax	**(13)**	56
Adjusted net income	**$ 556**	$ 409
Diluted weighted average shares outstanding (millions)	**81**	87
Adjusted net income per common share	**$ 6.86**	$ 4.71

A summary of our consolidated statements of income for 2018 and 2017 is as follows:

($ Millions)	**2018**	2017
Consolidated statements of income:		
Revenue	**$ 3,932**	$ 3,061
Cost of sales and operating expenses	**(2,857)**	(2,352)
Mark-to-market impact of share-based compensation	**(17)**	68
Adjusted EBITDA (attributable to associate)	**140**	148
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	**(127)**	(87)
Adjusted EBITDA (attributable to Methanex shareholders)	**1,071**	838
U.S. tax reform charge	**–**	(37)
Mark-to-market impact of share-based compensation	**17**	(68)
Depreciation and amortization	**(245)**	(232)
Finance costs	**(94)**	(95)
Finance income and other expenses	**4**	13
Income tax expense	**(153)**	(59)
Earnings of associate adjustment[1]	**(69)**	(72)
Non-controlling interests adjustment[1]	**38**	28
Net income attributable to Methanex shareholders	**$ 569**	$ 316
Net income	**$ 658**	$ 375

[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.

Revenue

There are many factors that impact our global and regional revenue. The methanol business is a global commodity industry affected by supply and demand fundamentals. Due to the diversity of the end products in which methanol is used, demand for methanol largely depends upon levels of industrial production, energy prices and changes in general economic conditions, which can vary across the major international methanol markets. Revenue increased to $3.9 billion in 2018 from $3.1 billion in 2017. The higher revenue reflects an increase in our average realized price and higher sales volume in 2018.

We publish regional non-discounted reference prices for each major methanol market and these posted prices are reviewed and revised monthly or quarterly based on industry fundamentals and market conditions. Most of our customer contracts use published Methanex reference prices as a basis for pricing, and we offer discounts to customers based on various factors. Our average non-discounted published reference price in 2018 was $481 per tonne compared with $396 per tonne in 2017. Our average realized price in 2018 increased to $405 per tonne from $337 per tonne in 2017.

Distribution of Revenue

The geographic distribution of revenue by customer location for 2018 was similar to 2017. Details are as follows:

($ Millions, except where noted)	2018		2017	
China	$ 1,122	29%	$ 802	26%
Europe	708	18%	609	20%
United States	762	19%	570	19%
South Korea	444	11%	348	11%
South America	353	9%	279	9%
Canada	171	4%	168	6%
Other Asia	372	10%	285	9%
	$ 3,932	100%	$ 3,061	100%

Adjusted EBITDA (Attributable to Methanex Shareholders)

2018 Adjusted EBITDA was $1,071 million compared with 2017 Adjusted EBITDA of $838 million, an increase of $233 million. The key drivers of change in our Adjusted EBITDA are average realized price, sales volume and cash costs as described below (refer to the *How We Analyze Our Business* section on page 13 for more information).

($ Millions)	2018 vs. 2017
Average realized price	$ 679
Sales volume	44
Total cash costs	(490)
Increase in Adjusted EBITDA	$ 233

Average Realized Price

Our average realized price for the year ended December 31, 2018 increased to $405 per tonne from $337 per tonne for 2017, and this increased Adjusted EBITDA by $679 million (refer to the *Financial Results – Revenue* section on page 15 for more information).

Sales Volume

Methanol sales volume, excluding commission sales volume, for the year ended December 31, 2018 increased by 0.5 million tonnes to 10.0 million tonnes from 9.5 million tonnes in 2017, and this increased Adjusted EBITDA by $44 million. Including commission sales volume from the Atlas and Egypt facilities, our total methanol sales volume was 11.2 million tonnes in 2018 compared with 10.7 million tonnes in 2017.

Total Cash Costs

The primary drivers of change 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 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 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 for 2018 compared with 2017 were due to the following:

($ Millions)	2018 vs. 2017
Methanex-produced methanol costs	$ (123)
Proportion of Methanex-produced methanol sales	(93)
Purchased methanol costs	(210)
Logistics costs	(21)
Other, net	(43)
Decrease in Adjusted EBITDA due to changes in total cash costs	$ (490)

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 natural gas purchase agreements where the unique terms of each contract include a base price and a variable price component linked to the price of methanol 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. Methanex-produced methanol costs were higher in 2018 compared with 2017 by $123 million, primarily due to the impact of higher realized methanol prices on the variable portion of our natural gas costs and changes in the mix of production sold from inventory. For additional information regarding our natural gas supply agreements, refer to the *Liquidity and Capital Resources – Summary of Contractual Obligations and Commercial Commitments* section on page 23.

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. The proportion of Methanex-produced methanol sales decreased in 2018 due to total sales volume increasing more than Methanex-produced volume and this decreased Adjusted EBITDA by $93 million for 2018 compared with 2017.

Purchased Methanol Costs

A key element of our corporate strategy is global leadership and, as such, we have built a leading market position in each of the major global markets where methanol is sold. We supplement our production with purchased methanol through methanol offtake contracts and on the spot market to meet customer needs and support our marketing efforts within the major global markets. In structuring purchase agreements, we look for opportunities that provide synergies with our existing supply chain that allow us to purchase methanol in the most cost effective region. The cost of purchased methanol consists principally of the cost of the methanol itself, which is directly related to the price of methanol at the time of purchase. As a result of higher methanol prices in 2018 and the timing of inventory flows and purchases, the cost of purchased methanol per tonne increased and this decreased Adjusted EBITDA by $210 million compared with 2017.

Logistics costs

Our investment in global distribution and supply infrastructure includes a dedicated fleet of ocean-going vessels. We utilize these vessels to enhance value to customers by providing reliable and secure supply and to optimize supply chain costs overall, including through third-party backhaul arrangements when available. Logistics costs can also 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 2018 were $21 million higher than in 2017, decreasing Adjusted EBITDA. Logistics costs were primarily higher due to increased bunker fuel prices.

Other, Net

Other, net relates to unabsorbed fixed costs, tolling margins, selling, general and administrative expenses and other operational items. For the year ended December 31, 2018 compared with the same period in 2017, other costs were higher by $43 million, primarily due to higher selling, general and administrative expenses primarily associated with performance based incentives, higher unabsorbed fixed costs at our manufacturing sites and other operational items including an insurance settlement recorded in 2017.

Mark-to-Market Impact of Share-Based Compensation

We grant share-based awards as an element of compensation. Share-based awards granted include stock options, share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. For all share-based awards, share-based compensation is recognized over the related vesting period for the proportion of the service that has been rendered at each reporting date. Share-based compensation includes an amount related to the grant-date value and a mark-to-market impact as a result of subsequent changes in the 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)	**2018**	2017
Methanex Corporation share price[1]	**$ 48.17**	$ 60.55
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income	**11**	11
Mark-to-market impact due to change in share price	**(17)**	68
Total share-based compensation expense (recovery), before tax	**$ (6)**	$ 79

[1] U.S. dollar share price of Methanex Corporation as quoted on the NASDAQ Global Select Market on the last trading day of the respective period.

For stock options, the cost is measured based on an estimate of the fair value at the date of grant using the Black-Scholes option pricing model, and this grant-date fair value is recognized as compensation expense over the related vesting period with no subsequent re-measurement in fair value. Accordingly, share-based compensation expense associated with stock options will not vary significantly from period to period.

Share appreciation rights ("SARs") are non-dilutive units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price that is determined at the date of grant. Tandem share appreciation rights ("TSARs") give the holder the choice between exercising a regular stock option or a SAR. The fair values of SARs and TSARs are re-measured each quarter using the Black-Scholes option pricing model, which considers the market value of the Company's common shares on the last trading day of each quarter.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. Performance share units have an additional feature where the ultimate number of units that vest will be determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. The number of performance share units that will ultimately vest will be in the range of 25% to 150% based on the weighted-average closing share price for the 90 calendar days on the NASDAQ Global Select Market immediately preceding the year end date that the performance share units vest. For deferred, restricted and performance share units, the value is initially measured at the grant date and subsequently re-measured based on the market value of the Company's common shares on the last trading day of each quarter. The price of the Company's common shares as quoted on the NASDAQ Global Select Market decreased from $60.55 per share at December 31, 2017 to $48.17 per share at December 31, 2018. As a result of the decrease in the share price and the resulting impact on the fair value of the outstanding units, we recorded a $17 million mark-to-market recovery related to share-based compensation during 2018.

Depreciation and Amortization

Depreciation and amortization was $245 million for the year ended December 31, 2018 compared with $232 million for the year ended December, 31 2017. The increase in depreciation and amortization in 2018 compared with 2017 is primarily the result of higher unabsorbed depreciation associated with production outages in 2018.

U.S. Tax Reform

In 2017, we recorded a non-cash charge of $37 million to net income related to the revaluation of a net deferred tax asset as a result of tax reform in the United States (refer to the *Financial Results – Income Taxes* section on page 19 for more information).

Finance Costs

Finance costs are primarily comprised of interest on borrowings and finance lease obligations and were $94 million for the year ended December 31, 2018 compared to $95 million for the year ended December 31, 2017. Finance costs are comparable for the periods presented.

Finance Income and Other Expenses

Finance income and other expenses was a gain of $4 million for the year ended December 31, 2018 compared to a gain of $13 million for the year ended December 31, 2017. The change in finance income and other expenses in 2018 compared with 2017 is primarily related to the impact of changes in foreign exchange rates.

Income Taxes

A summary of our income taxes for 2018 compared with 2017 is as follows:

($ Millions, except where noted)	**2018**		2017	
	Net Income	**Adjusted Net Income**	Net Income	Adjusted Net Income
Amount before income tax	**$ 811**	**$ 737**	$ 471	$ 524
U.S. tax reform charge	**–**	**–**	(37)	–
Income tax expense	**(153)**	**(181)**	(59)	(115)
Amount after income tax	**$ 658**	**$ 556**	$ 375	$ 409
Effective tax rate	**19%**	**25%**	20%	22%

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 related to Adjusted net income was 25% for the year ended December 31, 2018 compared with 22% on an Adjusted net income for the year ended December 31, 2017. Adjusted net income represents the amount that is attributable to Methanex shareholders and excludes the mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events. The effective tax rate differs from period to period depending on the source of earnings and the impact of foreign exchange fluctuations against the United States dollar on our tax balances. In periods with low income levels, the distribution of income and loss between jurisdictions can result in income tax rates that are not indicative of the longer term corporate tax rate. In addition, the effective tax rate is impacted by changes in tax legislation in the jurisdictions in which we operate.

For additional information regarding income taxes, refer to note 15 of our 2018 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

A summary of our consolidated statements of cash flows is as follows:

($ Millions)	2018	2017
Cash flows from / (used in) operating activities:		
Cash flows from operating activities before changes in non-cash working capital	$ 974	$ 830
Changes in non-cash working capital	6	(50)
	980	780
Cash flows from / (used in) financing activities:		
Dividend payments	(106)	(101)
Interest paid	(90)	(86)
Repayment of long-term debt	(214)	(57)
Payments for the repurchase of shares	(444)	(286)
Net proceeds on issue of long-term debt	166	–
Distributions to non-controlling interests	(104)	(4)
Other	(1)	11
	(793)	(523)
Cash flows from / (used in) investing activities:		
Property, plant and equipment	(244)	(103)
Restricted cash for vessels under construction	(61)	–
Changes in non-cash working capital relating to investing activities	(1)	(3)
	(306)	(106)
Increase (decrease) in cash and cash equivalents	(119)	151
Cash and cash equivalents, end of year	$ 256	$ 375

Cash Flow Highlights

Cash Flows from Operating Activities

Cash flows from operating activities for the year ended December 31, 2018 were $980 million compared with $780 million for the year ended December 31, 2017. The increase in cash flows from operating activities is primarily due to higher net income resulting from a higher realized methanol price. The following table provides a summary of these items for 2018 and 2017:

($ Millions)	2018	2017
Net income	$ 658	$ 375
Deduct earnings of associate	(72)	(76)
Add dividends received from associate	63	85
Add (deduct) non-cash items:		
Depreciation and amortization	245	232
Income tax expense	153	96
Share-based compensation expense (recovery)	(6)	79
Finance costs	94	95
Income taxes paid	(106)	(36)
Other	(55)	(20)
Cash flows from operating activities before changes in non-cash working capital	974	830
Changes in non-cash working capital:		
Trade and other receivables	22	(49)
Inventories	(78)	(20)
Prepaid expenses	(3)	(6)
Accounts payable and accrued liabilities, including long-term payables	65	26
	6	(49)
Cash flows from operating activities	$ 980	$ 780

For a discussion of the changes in net income, depreciation and amortization, share-based compensation recovery and finance costs, refer to the *Financial Results* section on page 14.

Changes in non-cash working capital increased cash flows from operating activities by $6 million for the year ended December 31, 2018, compared with a decrease of $49 million for the year ended December 31, 2017. Trade and other receivables decreased in 2018 and this increased cash flows from operating activities by $22 million, primarily due to the the timing of sales in 2018 compared to 2017. Inventories increased primarily due to the impact of higher methanol prices in 2018 compared to 2017 and the increase in inventory levels in line with business growth which decreased cash flows from operating activities by $78 million.

Cash Flows from Financing Activities

During 2018, we increased our regular quarterly dividend to $0.33 per common share from $0.30 per common share. Total dividend payments in 2018 were $106 million compared with $101 million in 2017 and total interest payments in 2018 were $90 million compared with $86 million in 2017.

In December 2018, we completed a 10% normal course issuer bid initiated in March 2018, repurchasing the maximum 6,590,095 common shares for approximately $444 million.

During 2018, we repaid $214 million of other limited recourse debt, including $142 million relating to our limited recourse Egypt debt facility and $61 million relating to other limited recourse debt facilities for ocean vessels compared to $57 million of other limited recourse debt repayments in 2017.

The Company issued other limited recourse debt for $86 million bearing an interest rate of 5.35% with principal repayments due through September 2033. This debt will be used to acquire two ocean going vessels currently under construction. The Company also issued $80 million of other limited recourse debt facilities bearing an interest rate of 5.58% with principal repayments due through June 2031, using the proceeds to repay $61 million of other limited recourse debt facilities noted above. Total debt issuances in 2018 were $166 million and all through 50% owned entities.

Distributions to non-controlling interests including the 50% ownership of the Egypt entity and the 50% ownership in multiple ocean going vessels not attributable to Methanex were $104 million in 2018 compared to $4 million in 2017.

Cash Flows from Investing Activities

During 2018, we incurred capital expenditures relating to our consolidated operations of $244 million primarily related to regular maintenance projects in New Zealand, Geismar and Trinidad and project work for the restart of our Chile IV plant. The Chile IV project was completed on time and on budget. In addition $61 million has been restricted for use for two ocean going vessels currently under construction with anticipated delivery in 2019.

Liquidity and Capitalization

Our objectives in managing liquidity and capital are to provide financial capacity and flexibility to meet our strategic objectives, to provide an adequate return to shareholders commensurate with the level of risk and to return excess cash through a combination of dividends and share repurchases.

The following table provides information on our liquidity and capitalization position as at December 31, 2018 and December 31, 2017:

($ Millions, except where noted)	2018	2017
Liquidity:		
Cash and cash equivalents	$ 256	$ 375
Undrawn credit facilities	300	300
Total liquidity	$ 556	$ 675
Capitalization:		
Unsecured notes, including current portion	$ 1,190	$ 1,188
Egypt limited recourse debt facilities, including current portion	101	241
Other limited recourse debt facilities, including current portion	167	73
Total debt	1,458	1,502
Non-controlling interests	297	244
Shareholders' equity	1,511	1,501
Total capitalization	$ 3,266	$ 3,247
Total debt to capitalization[1]	45%	46%
Net debt to capitalization[2]	40%	39%

[1] Defined as total debt (including 100% of Egypt limited recourse debt facilities) divided by total capitalization.

[2] Defined as total debt (including 100% of Egypt limited recourse debt facilities) less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

We manage our liquidity and capital structure and make adjustments to it in light of changes to economic conditions, the underlying risks inherent in our operations and the capital requirements to maintain and grow our business. The strategies we have employed include the issue or repayment of general corporate debt, the issue of project debt, the payment of dividends and the repurchase of shares.

We are not subject to any statutory capital requirements and have no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options and TSARs.

We operate in a highly competitive commodity industry and believe that it is appropriate to maintain a strong balance sheet and maintain financial flexibility. As at December 31, 2018, we had a cash balance of $256 million and access to a $300 million undrawn credit facility with a syndicate of highly rated financial institutions that expires in December 2022. We do not have any debt maturities until December 2019 other than normal course obligations for principal repayments related to our Egypt and other limited recourse debt facilities. We intend to refinance the $350 million notes due December 2019. 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 covenant and default provisions under our long-term debt obligations and we also have certain covenants that could restrict access to the credit facility. The covenants governing the unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding the Egypt entity, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or sale of all or substantially all of our assets. The indenture also contains customary default provisions. The significant covenants and default provisions under the credit facility include:

a) the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 calculated on a four-quarter trailing basis and a debt to capitalization ratio of less than or equal to 55%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments related to the limited recourse subsidiaries;

b) a default if payment is accelerated by a creditor on any indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries; and

c) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

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

deliveries over the prior 12 months are greater than 70% of gas nominations. In addition, the amended terms required that the first $100 million of shareholder distributions must be matched with $100 million of principal repayments on the Egypt limited recourse debt facilities. During 2018 early principal repayments of $100 million were made under the amended terms. Future distributions from the Egypt entity to shareholders and distributions do not require an equal early principal repayment.

The Egypt limited recourse debt facilities contain covenants to complete certain mortgage registrations. The Company has sought and received waivers from lenders relating to these covenants until March 31, 2020. The Company does not believe that the finalization of these mortgage registrations are material. Whilst these covenants have been waived multiple times by the lenders, and circumstances have not materially changed the Company cannot provide assurance that we will be able to obtain future waivers from the lenders.

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

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

Capital Projects and Growth Opportunities

During the fourth quarter of 2018 we restarted our 0.8 million tonne Chile IV plant that has been idle since 2007. The Chile IV project was completed on time and on budget. Our planned capital maintenance expenditure program directed towards maintenance, turnarounds and catalyst changes for existing operations, including our 63.1% share of Atlas and 50% of Egypt, is currently estimated to be approximately $125 million for 2019. We anticipate spending approximately $25 million to complete the first phase of the Chile I refurbishment in 2019 during the southern hemisphere winter months when we receive lower gas deliveries. Based on our ability to secure sufficient longer-term natural gas, we will complete the second phase of the refurbishment over the coming years.

We have made good progress on a potential Geismar 3 production facility and expect to spend approximately $50 to $60 million on this project prior to reaching a final investment decision with approximately $45 million remaining to be spent in the first half of 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 Coast.

In March 2019, we announced that our Board of Directors has approved a new 5% share repurchase program, through a normal course issuer bid.

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.

Summary of Contractual Obligations and Commercial Commitments

A summary of the amount and estimated timing of cash flows related to our contractual obligations and minimum commercial commitments as at December 31, 2018 is as follows:

($ Millions)	2019	2020-2021	2022-2023	After 2023	Total
Long-term debt repayments	$ 386	$ 81	$ 288	$ 722	$ 1,477
Long-term debt interest obligations	67	107	78	401	653
Repayments of other long-term liabilities	44	74	65	261	444
Natural gas and other	457	741	660	1,502	3,360
Operating lease commitments	80	120	103	124	427
	$ 1,034	$ 1,123	$ 1,194	$ 3,010	$ 6,361

Long-Term Debt Repayments and Long-Term Debt Interest Obligations

We have $350 million of unsecured notes that mature in 2019, $250 million of unsecured notes that mature in 2022, $300 million of unsecured notes that mature in 2024 and $300 million of unsecured notes that mature in 2044. The remaining debt repayments represent the normal course obligations for principal repayments related to our limited recourse debt facilities. Interest obligations

related to variable interest rate long-term debt were estimated using current interest rates in effect as at December 31, 2018. For additional information, refer to note 8 of our 2018 consolidated financial statements.

Repayments of Other Long-Term Liabilities

Repayments of other long-term liabilities represent contractual payment dates or, if the timing is not known, we have estimated the timing of repayment based on management's expectations.

Natural Gas and Other

We have commitments under take-or-pay contracts to purchase natural gas, to pay for transportation capacity related to the delivery of natural gas and to purchase oxygen and other feedstock requirements. Take-or-pay means that we are obliged to pay for the supplies regardless of whether we take delivery. Such commitments are common in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The amounts disclosed in the table above represent only the minimum take-or-pay quantity.

The natural gas supply contracts for our facilities in New Zealand, Trinidad and Egypt are take-or-pay contracts denominated in United States dollars and include base and variable price components to reduce our commodity price risk exposure. The variable price component of each natural gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle. The amounts disclosed in the table for these contracts represent only the base price component.

We also have multi-year fixed price natural gas contracts to supply one production facility in Geismar and Medicine Hat, and natural gas hedges in Geismar and Medicine Hat to manage exposure to natural gas price risk. We believe that the long-term natural gas dynamics in North America will support the long-term operation of these facilities. In the above table, we have included natural gas commitments in North America for Geismar and Medicine Hat at the contractual volume and prices.

The above table does not include costs for planned capital maintenance or expansion expenditures or any obligations with original maturities of less than one year.

The Company's natural gas supply agreements with Argentine suppliers are on an interruptible basis and as such, the potential future purchase obligations under these agreements have been excluded from the table above.

We have marketing rights for 100% of the production from our jointly owned Atlas and Egypt plants which results in purchase commitments of up to an additional 1.3 million tonnes per year of methanol offtake supply when these plants operate at capacity. As at December 31, 2018, the Company also had commitments to purchase methanol from other suppliers for approximately 1.2 million tonnes for 2019 and 1.2 million tonnes in aggregate thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the table above.

Operating Lease Commitments

We have future minimum lease payments under operating leases relating primarily to vessel charter, terminal facilities, office space and equipment. For additional information refer to the *Anticipated Changes to International Financial Reporting Standards* section on page 37 and note 21 of our 2018 consolidated financial statements.

Off-Balance Sheet Arrangements

As at December 31, 2018, we did not have any off-balance sheet arrangements, as defined by applicable securities regulators in Canada and the United States, that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are either measured at amortized cost or fair value.

In the normal course of business, the Company's assets, liabilities and forecasted transactions, as reported in U.S. dollars, are impacted by various market risks including, but not limited to, natural gas prices and currency exchange rates. The time frame and

manner in which the Company manages those risks varies for each item based on the Company's assessment of the risk and the available alternatives for mitigating risks.

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions.

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

The following table shows the carrying value of each of our categories of financial assets and liabilities and the related balance sheet items as at December 31, 2018 and December 31, 2017:

($ Millions)	**2018**	2017
Financial assets:		
Financial assets measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ –**	$ –
Financial assets not measured at fair value:		
Cash and cash equivalents	**256**	375
Trade and other receivables, excluding tax receivable	**505**	527
Restricted cash included in other assets	**19**	28
Restricted cash and cash equivalents for vessels under construction	**66**	—
Total financial assets[2]	**$ 846**	$ 930
Financial liabilities:		
Financial liabilities measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ 106**	$ 91
Financial liabilities not measured at fair value:		
Trade, other payables and accrued liabilities, excluding tax payable	**524**	528
Long-term debt, including current portion	**1,458**	1,502
Total financial liabilities	**$ 2,088**	$ 2,121

[1] The Geismar 2 and Medicine Hat natural gas hedges and euro foreign currency hedges designated as cash flow hedges are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.
[2] The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

As at December 31, 2018, all of the financial instruments were recorded on the consolidated statements of financial position at amortized cost with the exception of derivative financial instruments, which are recorded at fair value unless exempted.

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

The Company has elected to manage its exposure to changes in natural gas prices for the Geismar 2 and Medicine Hat facilities by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast natural gas purchases in North America.

The Company also designates as cash flow hedges forward exchange contracts to sell certain foreign currencies at a fixed U.S. dollar exchange rate to hedge its exposure to exchange rate fluctuations on certain foreign currency denominated transactions.

RISK FACTORS AND RISK MANAGEMENT

We are subject to risks that require prudent risk management. We believe the following risks, in addition to those described in the *Critical Accounting Estimates* section on page 35, to be among the most important for understanding the issues that face our business and our approach to risk management.

Methanol Price

The methanol business is a highly competitive commodity industry and prices are affected by supply and demand fundamentals. Methanol prices have historically been, and are expected to continue to be, characterized by cyclicality. Factors influencing supply and demand for methanol and related risks are found below. We are not able to predict future methanol supply and demand balances, global economic activity, methanol prices or energy prices, all of which are affected by numerous factors beyond our control. Since methanol is the only product we produce and market, a decline in the price of methanol has a significant negative effect on our results of operations and financial condition.

Methanol Demand

Demand for methanol largely depends upon the level of energy prices, global economic growth rates and government regulations and policies.

Energy Prices

Approximately 45% of methanol demand is from energy-related applications. Over the past number of years, methanol demand growth has been led by strong demand from these applications, in part, as relatively high oil prices generated an economic incentive to substitute lower cost methanol for petroleum products or as a feedstock in energy-related products. The fastest growing application where methanol serves as a substitute for an energy product is MTO, where methanol is an alternative feedstock in the production of olefins. Olefins have historically been made from ethane and naptha which are energy based feedstocks. Methanol can be blended directly with gasoline, and DME (a methanol derivative) can be blended with liquefied petroleum gas (propane). Because of this relationship, methanol demand is sensitive to the pricing of these energy products, which in turn are generally linked to global energy prices. We cannot provide assurance that energy prices will not negatively impact methanol demand growth, which could have an adverse effect on our results of operations and financial condition.

Global Economic Growth Rates

Approximately 55% of methanol demand is from traditional chemical applications. As these applications manufacture products used in a wide variety of industrial products and consumer goods, the rate of growth in demand for methanol from these applications tends to be correlated with overall global economic growth. Any slowdown in the global or regional economies can negatively impact demand for methanol and have a detrimental impact on methanol prices.

Government Regulations and Policies

Changes in environmental, health and safety laws, regulations or requirements could impact methanol demand. The United States Environmental Protection Agency ("EPA") is currently evaluating the human health effects of methanol as part of a standard review of chemicals under its Integrated Risk Information System ("IRIS"), a database of chemical health effects. No authoritative body has classified methanol as a carcinogen. A draft assessment for methanol was released by the EPA in 2010 classifying methanol as "Likely to be Carcinogenic to Humans." In 2011, the EPA divided the draft assessment for methanol into cancer and non-cancer assessments. In September 2013, the EPA released the final non-cancer assessment, in which it established the maximum ingestion and inhalation levels for methanol that it claims will not result in adverse health impacts. The timeline for the final cancer assessment remains unknown, and no activity on the cancer assessment for methanol is currently contained on the EPA's work plan. We are unable to determine whether the current draft classification will be maintained in the final cancer assessment or if this will lead other government agencies to reclassify methanol. Any reclassification could reduce future methanol demand, which could have an adverse effect on our results of operations and financial condition.

In 2018, methanol demand for the production of formaldehyde represented approximately 30% of global demand. The largest use for formaldehyde is as a component of urea-formaldehyde and phenol-formaldehyde resins, which are used in adhesives for plywood, particleboard, oriented strand board, medium-density fibreboard and other reconstituted or engineered wood products.

There is also demand for formaldehyde as a raw material for engineering plastics and in the manufacture of a variety of other products, including elastomers, paints, building products, foams, polyurethane and automotive products.

The current EPA IRIS carcinogenicity classification for formaldehyde is "Likely to be Carcinogenic to Humans;" however, the EPA is reviewing this classification for formaldehyde as part of a standard review of chemicals. There is no firm time-line for the final assessment. In 2010, the EPA released its draft formaldehyde assessment, proposing formaldehyde as "Known to be Carcinogenic to Humans." The National Toxicology Program ("NTP") lists formaldehyde as "Known to be a Human Carcinogen" under the NTP Report on Carcinogens. EPA uses IRIS assessments as a basis for regulatory actions such as restricting emissions from products containing formaldehyde. The EPA continues to develop a revised IRIS assessment of formaldehyde.

In 2009, the US National Cancer Institute ("NCI") published a report on the health effects of occupational exposure to formaldehyde and a possible link to leukemia, multiple myeloma and Hodgkin's disease. The NCI report concluded that there may be an increased risk of cancers of the blood and bone marrow related to a measure of peak formaldehyde exposure. The NCI report was the first part of an update of the 2004 NCI study that indicated possible links between formaldehyde exposure and nasopharyngeal cancer and leukemia. The International Agency for Research on Cancer also concluded that there is sufficient evidence in humans of a causal association of formaldehyde with leukemia. In 2011, the U.S. Department of Health and Human Services' National Toxicology Program released its 12th Report on Carcinogens, modifying its listing of formaldehyde from "Reasonably Anticipated to be a Human Carcinogen" to "Known to be a Human Carcinogen."

We are unable to determine at this time if the EPA or other governments or government agencies will reclassify formaldehyde or what limits could be imposed related to formaldehyde emissions in the United States or elsewhere. Any such actions could reduce future methanol demand for use in producing formaldehyde, which could have an adverse effect on our results of operations and financial condition.

Methanol Supply

An increase in competitively priced methanol supply, all else equal, can displace supply from higher cost producers and have a negative impact on methanol price. Methanol supply is influenced by the cost of production including the availability and cost of raw materials including coal and natural gas, freight costs, capital costs and government policies. Methanol supply can become available from the construction of new methanol plants, by restarting idle methanol plants, by carrying out major expansions of existing plants or by debottlenecking existing plants to increase their production capacity.

Approximately 3.5 million tonnes of new annualized capacity outside of China was introduced in 2018, including the 1.8 million tonne Natgasoline methanol plant which commenced operation late in the second quarter in Beaumont, Texas and the 1.7 million tonne Marjan methanol plant that started up late in the third quarter in Iran. In China, we estimate that approximately 2.0 million tonnes of net new production capacity was added in 2018.

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 announced production targeted for late 2019. Yuhuang Chemical Industries Inc. announced it is progressing plans to complete a 1.7 million tonne project in St. James Parish, Louisiana with an announced target completion date in 2020. There are other large-scale projects under discussion in North America; however, we believe that there has been limited committed capital to date. There are other projects under construction in Iran that we continue to monitor including the Kaveh and Bushehr plants. 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 production from new capacity in China will be consumed in that country.

We cannot provide assurance that new supply additions will not outpace the level of future demand growth thereby contributing to negative pressure on methanol price.

Security of Natural Gas Supply and Price

Natural gas is the principal feedstock for producing methanol and it accounts for a significant portion of our operating costs. Accordingly, our results from operations depend in large part on the availability and security of supply and the price of natural gas. If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms or we

experience interruptions in the supply of contracted natural gas, we could be forced to curtail production or close such plants, which could have an adverse effect on our results of operations and financial condition.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.4 million tonnes of methanol per year, depending on natural gas composition. Two plants are located at Motunui and the third is located at nearby Waitara Valley. We have entered into several agreements with various natural gas suppliers to underpin our New Zealand operations with terms that range in length up to 2029. All agreements in New Zealand are take-or-pay agreements and include U.S. dollar base and variable price components where the variable price component is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive at all points in the methanol price cycle and provides gas suppliers with attractive returns. Certain of these contracts require the supplier to deliver a minimum amount of natural gas with additional volume dependent on the success of exploring and developing the related natural gas field.

We continue to pursue opportunities to contract additional natural gas to supply our plants in New Zealand.

The future operation of our New Zealand facilities depends on the ability of our contracted suppliers to meet their commitments and the success of ongoing exploration and development activities in the region. We cannot provide assurance that our contracted suppliers will be able to meet their commitments or that their ongoing exploration and development activities in New Zealand will be successful to enable our operations to operate at capacity. We cannot provide assurance that we will be able to obtain natural gas at economic terms or with the optimal CO_2 composition. These factors could have an adverse impact on our results of operations and financial condition.

United States

We have two plants in Geismar, Louisiana with a total production capacity of 2.0 million tonnes. The Geismar facilities commenced first methanol production in 2015.

We have a fixed price agreement for the supply of substantially all of the natural gas requirements for the Geismar 1 facility that expires in 2025. We have forward contracts to hedge approximately 40% of the natural gas prices for the Geismar 2 facility through 2025 with the remainder of natural gas requirements at Geismar purchased in the spot market.

We believe that the long-term natural gas dynamics in North America will support the long-term operations of these facilities; however, we cannot provide assurance that our contracted suppliers will be able to meet their commitments or that we will be able to secure additional natural gas on commercially acceptable terms and this could have an adverse impact on our results of operations and financial condition.

Trinidad

Natural gas for our two methanol production facilities in Trinidad, with our share of total production capacity being 2.0 million tonnes per year, is supplied under take-or-pay contracts with the National Gas Company of Trinidad and Tobago Limited (“NGC”), which purchases the natural gas from upstream gas producers. Gas paid for, but not taken, in any year may be received in subsequent years subject to certain limitations. The contracts for Titan and Atlas have U.S. dollar base and variable price components, where the variable portion is adjusted by a formula related to methanol prices above a certain level. The contract for Atlas expires in 2024 and the contract for Titan expires at the end of 2019.

Since 2011, large industrial consumers in Trinidad, including our Titan and Atlas facilities, have experienced curtailments of natural gas supply due to a mismatch between upstream supply to NGC and downstream demand from NGC’s customers. Although in 2018, Trinidad has commissioned certain upstream facilities and taken measures to optimize the gas transportation network, we expect that gas curtailments to our facilities will continue for the foreseeable future. While, we believe the supply and demand fundamentals for natural gas in Trinidad will support the continued operation of these facilities, we cannot provide assurance that we will be able to renew gas contracts at economic terms. Additionally, we cannot provide assurance that our contracted gas suppliers will be able to fully meet their commitments, that we will not experience longer or greater than anticipated curtailments due to upstream outages or other issues in Trinidad and that these curtailments will not be material. These factors could have an adverse impact on our results of operations and financial condition.

Egypt

We have a 25-year, take-or-pay natural gas supply agreement expiring in 2036 for the 1.26 million tonne per year methanol plant in Egypt in which we have a 50% equity interest. The price paid for gas is based on a U.S. dollar base price plus a variable price component that is adjusted by a formula related to methanol prices above a certain level. Under the contract, the gas supplier is obligated to supply, and we are obliged to take or pay for, a specified annual quantity of natural gas. Gas paid for, but not taken, in any year may be received in subsequent years subject to limitations. In addition, the natural gas supply agreement has a mechanism whereby we are partially compensated when gas delivery shortfalls in excess of a certain threshold occur. Natural gas is supplied to this facility from the same gas delivery grid infrastructure that supplies other industrial users in Egypt, as well as the general Egyptian population.

Since the plant commenced operations in 2011, Egypt has experienced periods of significant social unrest, including acts of sabotage and government transitions. We believe that these factors previously contributed to constraints in the development of new supplies of natural gas coming to market resulting in our Egypt plant operating below full capacity before late-2016.

Since late-2016, gas deliveries have improved significantly and we have received 100% of contracted gas supply. This is largely a result of the Egyptian government's significant efforts to improve the gas supply situation in the country by encouraging natural gas exploration. These efforts coupled with continuing natural gas discoveries have successfully strengthened the natural gas supply and demand balance in Egypt which has resulted in the Egyptian government declaring natural gas self-sufficiency in late 2018.

In spite of these positive developments in Egypt, the restrictions experienced in past years may persist in the future. We cannot provide assurance that we will not experience natural gas restrictions and that this would not have an adverse impact on our results of operations and financial condition.

Canada

We have entered into fixed price contracts to supply substantially all of our natural gas requirements for our Medicine Hat facility through 2031. In addition to hedges in place through 2022, we have a long-term, fixed price physical supply contract with a progressively growing supply commitment that started in 2018 and increases to 80-90% of the plant's natural gas requirements from 2023 through 2031.

We cannot provide assurance that our contracted suppliers will be able to meet their commitments or that we will be able to continue to secure sufficient natural gas for our Medicine Hat facility on commercially acceptable terms and that this will not have an adverse impact on our results of operations and financial condition.

Chile

Natural gas for our two plants in Chile is supplied by various producers in Chile and Argentina. A portion of the contracted gas is subject to deliver or pay and take or pay provisions. We believe 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 in the near-term. The price paid for natural gas is a mix of both fixed price and a U.S. dollar base price plus a variable price component that is adjusted by a formula related to methanol prices above a certain level.

Our primary Chilean natural gas supplier is Empresa Nacional del Petróleo ("ENAP"). ENAP has made significant investments in the development of natural gas from unconventional reservoirs and this effort has resulted in increased gas deliveries from ENAP to our facilities. In January 2016, the U.S. Geological Survey assessed a technically recoverable mean resource of 8.3 trillion cubic feet of unconventional tight gas in the Chilean Magallanes Province. However, the potential for a sustained increase in gas deliveries to our plants depends on the economics of the development of gas discoveries and, ultimately, the price at which we can obtain gas.

During 2018, we received natural gas from Argentina under a tolling arrangement whereby the natural gas received was converted into methanol and then re-delivered to Argentina. This tolling arrangement has now expired.

In September 2018, we started receiving natural gas from Argentina under four new gas supply agreements. These contracts supply gas under interruptible conditions until mid-2020.

We are continuing to work with gas suppliers in Chile and Argentina to secure sufficient natural gas to sustain our Chile operations into the future.

The future of our Chile operations is primarily dependent on the level of exploration and development of natural gas in southern Chile and our ability to secure a sustainable natural gas supply to our facilities on economic terms from Chile and Argentina. We cannot provide assurance that we will be able to continue to secure a sustainable natural gas supply to our facilities on economic terms and that this will not have an adverse impact on our results of operations or financial condition.

Global Economic Conditions

In addition to the potential influence of global economic activity levels on methanol demand and price, changing global economic conditions can result in changes in capital markets. A deterioration in economic conditions could have a negative impact on our investments, diminish our ability to access existing or future credit and increase the risk of defaults by customers, suppliers, insurers and other counterparties.

Foreign Operations

A significant portion of our operations and investments are located outside of North America, in New Zealand, Trinidad, Egypt, Chile, Europe and Asia. We are subject to risks inherent in foreign operations such as loss of revenue, property and equipment as a result of expropriation; import or export restrictions; anti-dumping measures; nationalization, war, insurrection, civil unrest, sabotage, terrorism and other political risks; increases in duties, taxes and governmental royalties; renegotiation of contracts with governmental entities; as well as changes in laws or policies or other actions by governments that may adversely affect our operations, including lack of certainty with respect to foreign legal systems, corruption and other factors inconsistent with the rule of law. Many of the foregoing risks related to foreign operations may also exist for our domestic operations in North America. The Company is committed to doing business in accordance with all applicable laws and its code of business conduct, but there is a risk that it, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents could act in violation of its codes and applicable laws. Any such violation could severely damage our reputation and could result in substantial civil and criminal fines or penalties. Such damage to our reputation and fines and penalties could materially affect the Company's business and have an adverse impact on our results of operations and financial condition.

Because we derive a significant portion of our revenues from production and sales by subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances.

The dominant currency in which we conduct business is the United States dollar, which is also our reporting currency. The most significant components of our costs are natural gas feedstock and ocean-shipping costs and substantially all of these costs are incurred in United States dollars. Some of our underlying operating costs, capital expenditures and purchases of methanol, however, are incurred in currencies other than the United States dollar, principally the Canadian dollar, the Chilean peso, the Trinidad and Tobago dollar, the New Zealand dollar, the euro, the Egyptian pound and the Chinese yuan. We are exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales, operating expenses and capital expenditures. A portion of our revenue is earned in euros, Canadian dollars and Chinese yuan. We are exposed to declines in the value of these currencies compared to the United States dollar, which could have the effect of decreasing the United States dollar equivalent of our revenue.

Trade in methanol is subject to duty in a number of jurisdictions. Methanol sold in certain markets from our producing regions is currently subject to import duties ranging from 0% to 5.5%. As well, an additional 10% tariff was enacted in 2018 on methanol imported from the US to China and from China to the US. There can be no assurance that the duties will not increase, that duties will not be levied in other jurisdictions in the future or that we will be able to mitigate the impact of future duties, if levied, or that future duties will not have a significant negative effect.

Methanol is a globally traded commodity that is produced by many producers at facilities located around the world. Some producers and marketers may have direct or indirect contacts with countries that may, from time to time, be subject to international trade sanctions or other similar prohibitions ("Sanctioned Countries"). In addition to the methanol we produce, we purchase methanol from third parties under purchase contracts or on the spot market in order to meet our commitments to customers, and we also engage in product exchanges with other producers and marketers. We believe that we are in compliance with all applicable laws with respect to sales and purchases of methanol and product exchanges. However, as a result of the participation of Sanctioned

Countries in our industry, we cannot provide assurance that we will not be exposed to reputational or other risks that could have an adverse impact on our results of operations and financial condition.

Taxation Risk

The Company is subject to taxes, duties, levies, governmental royalties and other government-imposed compliance costs in numerous jurisdictions. New taxes and/or increases to the rates at which these amounts are determined could have an adverse impact on our results of operations and financial condition.

We have organized our operations in part based on certain assumptions about various tax laws (including capital gains, withholding taxes and transfer pricing), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot provide assurance that foreign taxation or other authorities will reach the same conclusion. The results of audit of prior tax filings and the final determination of these events may have a material impact on the Company. Refer to *Litigation Risk and Legal Proceedings* on page 35 for more information related to current legal matters. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

Liquidity Risk

As at December 31, 2018, we had a cash balance of $256 million. We have an undrawn $300 million revolving credit facility with a syndicate of banks that expires in December 2022 and our ability to maintain access to the facility is subject to meeting certain financial covenants, including an EBITDA to interest coverage ratio and a debt to capitalization ratio, both ratios calculated in accordance with definitions in the credit agreement that include adjustments related to the Company's limited recourse subsidiaries.

As at December 31, 2018, our long-term debt obligations include $1,190 million in unsecured notes, $101 million related to the Egypt limited recourse debt facilities (100% basis) and $167 million related to other limited recourse debt (100% basis). We intend to refinance the $350 million of the unsecured notes due December 15, 2019.

The covenants governing the unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding the Egypt entity, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or a sale of all or substantially all of the Company's assets. The indenture also contains customary default provisions. The Egypt limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the Egypt entity. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other distributions.

For additional information regarding long-term debt, refer to note 8 of our 2018 consolidated financial statements.

We cannot provide assurance that we will be able to access new financing in the future on commercially acceptable terms or at all, or that the financial institutions providing the credit facility will have the ability to honour future draws. Additionally, failure to comply with any of the covenants or default provisions of the long-term debt facilities described above could result in a default under the applicable credit agreement that would allow the lenders to not fund future loan requests, accelerate the due date of the principal and accrued interest on any outstanding loans or restrict the payment of cash or other distributions. Any of these factors could have a significant negative effect on our results of operations, our ability to pursue and complete strategic initiatives or on our financial condition.

Customer Credit Risk

Our customers are large global or regional petrochemical manufacturers or distributors and a number are highly leveraged. We monitor our customers' financial status closely; however, some customers may not have the financial ability to pay for methanol in the future and this could have an adverse effect on our results from operations and financial condition. Credit losses have not been significant in the past.

Operational Risks

Production Risks

Most of our earnings are derived from the sale of methanol produced at our plants. Our business is subject to the risks of operating methanol production facilities, such as equipment breakdowns, interruptions in the supply of natural gas and other feedstocks, power failures, longer-than-anticipated planned maintenance activities, loss of port facilities, natural disasters or any other event, including unanticipated events beyond our control, that could result in a prolonged shutdown of any of our plants or impede our ability to deliver methanol to customers. A prolonged plant shutdown at any of our major facilities could have an adverse effect on our results of operations and financial condition.

Joint Arrangement Risk

Certain Methanex assets are jointly held and are governed by partnership and shareholder agreements. As a result, certain decisions regarding these assets require a simple majority, while others require 100 percent approval of the owners. In addition, certain of these assets (ocean going vessels) are operated by unrelated third party entities. The operating results of these assets is to some extent dependent on the effectiveness of the business relationship and decision making among Methanex and the other joint owner(s) and the expertise and ability of these third party operators to successfully operate and maintain the assets. While Methanex believes that there are prudent governance and contractual rights in place, there can be no assurance that Methanex will not encounter disputes with partners. Such events could impact operations or cash flows of these assets which, in turn, could have an adverse effect on our results of operations and financial condition.

Purchased Product Price Risk

In addition to the sale of methanol produced at our plants, we also purchase methanol produced by others on the spot market and through purchase contracts to meet our customer commitments and support our marketing efforts. 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 purchase. Consequently, we have the risk of holding losses on the resale of this product to the extent that methanol prices decrease from the date of purchase to the date of sale. Holding losses, if any, on the resale of purchased methanol could have an adverse effect on our results of operations and financial condition.

Distribution Risks

Excess capacity within our fleet of ocean vessels resulting from a prolonged plant shutdown or other event could have an adverse effect on our results of operations and financial condition as our vessel fleet is subject to fixed time charter costs. In the event we have excess shipping capacity, we may be able to mitigate some of the excess costs by entering into sub-charters or third-party backhaul arrangements, although the success of this mitigation is dependent on conditions within the broader global shipping industry. If we suffer any disruptions in our distribution system and are unable to mitigate these costs, this could have an adverse effect on our results from operations and financial condition.

Insurance Risks

Although we maintain operational and construction insurance, including business interruption insurance, we cannot provide assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance or that insurers will be financially capable of honouring future claims. From time to time, various types of insurance for companies in the chemical and petrochemical industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. We cannot provide assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

New Capital Projects

As part of our strategy to strengthen our position as the global leader in the production and marketing of methanol, we intend to continue pursuing new opportunities to enhance our strategic position in the methanol industry. Our ability to successfully identify, develop and complete new capital projects is subject to a number of risks, including finding and selecting favourable locations for new facilities where sufficient natural gas and other feedstock is available with acceptable commercial terms, obtaining project or

other financing on satisfactory terms, constructing and completing the projects within the contemplated budgets and schedules and other risks commonly associated with the design, construction and start-up of large complex industrial projects. We cannot provide assurance that we will be able to identify or develop new methanol projects.

Climate Change

Climate change poses a number of potential risks and impacts to Methanex which remain uncertain today, however these potential risks and impacts may increase over time. The prospective impact of climate change may have an adverse impact on our operations, our suppliers or customers and thus impact Methanex. The impacts of climate change may include water shortages, changing sea levels, changing storm patterns and intensities, and changing temperature levels, and the impact of these changes could be severe. We cannot predict the prospective impact of climate change on our operations, suppliers or customers, which could have an adverse impact on our results of operations and financial condition.

Environmental Regulation

The countries in which we operate and international and jurisdictional waters in which our vessels operate have laws, regulations, treaties and conventions in force to which we are subject, governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials. We are also subject to laws and regulations governing emissions and the import, export, use, discharge, storage, disposal and transportation of toxic substances. The products we use and produce are subject to regulation under various health, safety and environmental laws. Non-compliance with these laws and regulations may give rise to compliance orders, fines, injunctions, civil liability and criminal sanctions.

Laws and regulations with respect to climate change and protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by others or for our own acts even if we complied with applicable laws at the time such acts were performed. To date, environmental laws and regulations have not had a significant adverse effect on our capital expenditures, earnings or competitive position. However, operating petrochemical manufacturing plants and distributing methanol exposes us to risks in connection with compliance with such laws and we cannot provide assurance that we will not incur significant costs or liabilities in the future.

Management of Emissions

Carbon dioxide ("CO_2") is a by-product of the methanol production process. The amount of CO_2 generated by the methanol production process depends on the production technology, plant age, feedstock and any export of the by-product hydrogen. CO_2 emissions are also generated from our marine operations when fuel is consumed during the global transport of methanol. We monitor and manage our CO_2 emissions intensity, defined as the quantity of CO_2 released per unit of production or transported tonne, relating to both methanol production and marine operations. Our CO_2 emissions intensity has decreased over time due to newer technology and higher efficiency at our plants and in our vessel fleet. Plant efficiency, and thus CO_2 emissions, is highly dependent on the design of the methanol plant, and accordingly the CO_2 emission figure may vary from year to year depending on the mix of production assets and vessels in operation.

Under the United Nations Framework Convention on Climate Change through the Kyoto Protocol and more recently the Paris Agreement (in effect from 2020), many of the countries we operate in have agreed to put forth efforts to reduce GHG emissions.

We are currently subject to GHG regulations in New Zealand, Canada and Chile, but our production in the United States, Trinidad and Egypt are not subject to such regulations.

In New Zealand, an Emissions Trading Scheme ("ETS") imposes a carbon price on producers of fossil fuels, including natural gas, which is passed on to Methanex, increasing the cost of gas that Methanex purchases in New Zealand. However, as a trade-exposed company, Methanex is entitled to a free allocation of emissions units to partially offset those increased costs.

In 2018, the New Zealand government initiated a series of policy reviews that could impact the price of carbon in New Zealand and began consultations on proposed changes to the ETS that could impact our entitlements to free allocations. The changes that have been announced to date do not have a material impact on our New Zealand business. We cannot provide assurance that unanticipated changes to the ETS will not have a material impact on our business beyond 2019.

Our Medicine Hat facility is in the Canadian province of Alberta, which implemented a new GHG reduction regulation in 2018. The Carbon Competitiveness Incentive Regulation ("CCIR") establishes a benchmark emission intensity for GHG emissions from methanol production. To address the concerns of industries determined to be energy intensive and trade exposed, this benchmark provides an 80% free emission allocation based on three baseline years of data from our Medicine Hat facility. The new regulation also gives a full 1:1 credit for the injection of CO_2 into our methanol production process. The recognition of CO_2 injection under the new regulations results in a compliance obligation that is less than the obligation under former regulations in previous years. Compliance costs may further decrease in 2020 when the CCIR is fully implemented. We manage the cost of compliance through the selective purchase of off-set credits. Nevertheless, we cannot provide assurance that GHG legislation changes will not have a material impact on our business beyond 2019.

Chile has imposed a carbon tax of $5/tonne since 2017 on certain CO_2 emissions. However, the cost could increase if the scope of the legislation changes.

Although we have formal and proactive compliance management systems in place, we cannot provide assurance over ongoing compliance with existing legislation or that future laws and regulations to which we are subject governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials will not have an adverse effect on our results of operations and financial condition.

Reputational Risk

Damage to our reputation could result from the actual or perceived occurrence of any number of events, and could include any negative publicity (for example, with respect to our handling of environmental, health or safety matters), whether true or not. Although we believe that we conduct our operations in a prudent manner and that we take care in protecting our reputation, we do not ultimately have direct control over how we are perceived by others. Reputation loss may result in decreased investor confidence, an impediment to our overall ability to advance our projects or increased challenges in maintaining our social license to operate, which could have an adverse impact on our results of operations and financial condition.

Cyber Security

Our business processes rely on Information Technology ("IT") systems that are interconnected with external networks, which increases the threat of cyber attack and the importance of cyber security. In particular, if a cyber attack was targeted at our production facilities or our ability to transport methanol, the result could harm our plants, people and our ability to meet customer commitments for a period of time. In addition, targeted attacks on our systems (or third parties that we rely on), failure of a key IT system or a breach in security measures designed to protect our IT systems could have an adverse impact on our results of operations, financial condition and reputation. We have previously been the subject of cyber attacks on our internal systems, but these incidents have not had a significant negative impact on our results of operations.

We have a comprehensive program to protect our assets, detect an intrusion and respond in the event of a cyber security incident. As the cyber threat landscape continues to evolve, we implement continuous mitigation efforts, including: cyber education for our staff, risk prioritized controls to protect against known and emerging threats; tools to provide automated monitoring and alerting; and backup and recovery systems to restore systems and return to normal operations. We may be required to commit additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cyber attacks.

Methanex collects, uses and stores sensitive data in the normal course of business, including intellectual property, proprietary business information and personal information of Methanex's employees and third parties. Despite our security measures in place, our IT systems may be vulnerable to cyber attacks or breaches. Any such breach could compromise information used or stored on our IT systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to our operations and damage to Methanex's reputation, which could have an adverse impact on our results of operations and financial condition.

Litigation Risk and Legal Proceedings

The Company is subject, from time to time, to litigation and may be involved in disputes with other parties in the future, which may result in litigation and claims under such litigation may be material. Various types of claims may be raised in these proceedings, including, but not limited to breach of contract, product liability, tax, employment matters and in relation to an attack, breach or unauthorized access to Methanex's information technology and infrastructure, environmental damage, climate change and the impact thereof, antitrust, bribery, and other forms of corruption. The Company cannot predict the outcome of any litigation. Defense and settlement costs may be substantial, even with respect to claims that have no merit. If the Company cannot resolve these disputes favourably, its business, financial condition, results of operations and future prospects may be materially adversely affected.

Trinidad

The Board of Inland Revenue of Trinidad and Tobago has audited and issued assessments against our 63.1% owned joint venture, Atlas, in respect of the 2005 to 2012 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed-price sales contracts with affiliates that commenced in 2005 and continue through 2019. The long-term fixed-price sales contracts with affiliates were established as part of the formation of Atlas and management believes were reflective of market considerations at that time. Atlas had partial relief from corporation income tax until late July 2014.

During the periods under assessment and continuing through 2014, approximately 50% of Atlas produced methanol was sold under these fixed-price contracts. From late 2014 through 2019 fixed-prices sales represent approximately 10% of Atlas produced methanol.

Management believes it is impractical to disclose a reasonable estimate of the potential contingent liability due to the wide range of assumptions and interpretations implicit in the assessments.

The Company has lodged objections to the assessments. Although there can be no assurance that these tax assessments will not have a material adverse impact, based on the merits of the cases and advice from legal counsel, we believe our position should be sustained, that Atlas has filed its tax returns and paid applicable taxes in compliance with Trinidadian tax law, and as such has not accrued for any amounts relating to these assessments. Contingencies inherently involve the exercise of significant judgment, and as such the outcomes of these assessments and the financial impact to the Company could be material.

We anticipate the resolution of this matter in the court system to be lengthy and, at this time, cannot predict a date as to when we expect this matter to be resolved.

CRITICAL ACCOUNTING ESTIMATES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. Certain of our accounting policies, including depreciation and amortization, recoverability of asset carrying values and income taxes require us to make assumptions about the price and availability of natural gas feedstock. See additional discussion of the risk factors and risk management by region in the *Security of Natural Gas Supply and Price* section on page 27. See note 2 to our 2018 consolidated financial statements for our significant accounting policies.

Property, Plant and Equipment

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. As at December 31, 2018, the net book value of our property, plant and equipment was $3.0 billion.

Capitalization

Property, plant and equipment are initially recorded at cost. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on self-constructed assets that meet certain criteria. Routine repairs and maintenance costs are expensed as incurred.

As at December 31, 2018, we had accrued $28 million for site restoration costs relating to the decommissioning and reclamation of our methanol production sites. Inherent uncertainties exist in this estimate because the restoration activities will take place in the future and there may be changes in governmental and environmental regulations and changes in removal technology and costs. It is difficult to estimate the future costs of these activities as our estimate of fair value is based on current regulations and technology. Because of uncertainties related to estimating the cost and timing of future site restoration activities, future costs could differ materially from the amounts estimated.

Depreciation and Amortization

Depreciation and amortization is generally provided on a straight-line basis at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value.

The estimated useful lives of the Company's buildings, plant installations and machinery at installation, excluding costs related to turnarounds, initially range from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to our various production facilities. The estimated useful life of production facilities may be adjusted from time-to-time based on turnarounds, plant refurbishments and gas availability. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas and the expected price of securing natural gas supply. We review the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

Recoverability of Asset Carrying Values

Long-lived assets are tested for recoverability whenever events or changes in circumstances, either internal or external, indicate that the carrying amount may not be recoverable ("triggering events"). Examples of such triggering events related to our long-lived assets include, but are not restricted to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a change in management's intention or strategy for the asset, which includes a plan to dispose of or idle the asset; a significant adverse change in our long-term methanol price assumption or in the price or availability of natural gas feedstock required to manufacture methanol; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use.

When a triggering event is identified, recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less costs to sell or its value in use. Value in use is determined by measuring the pre-tax cash flows expected to be generated from the cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded if the carrying value exceeds the estimated recoverable amount. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For the purposes of recognition and measurement of an impairment writedown or reversal, we group our long-lived assets with other assets and liabilities to form a "cash-generating unit" at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. To the extent that our methanol facilities in a particular location are interdependent as a result of common infrastructure and/or feedstock from shared sources that can be shared within a facility location, we group our assets based on site locations for the purpose of determining impairment.

There are two key variables that impact our estimate of future cash flows from producing assets: (1) the methanol price and (2) the price and availability of natural gas feedstock. Short-term methanol price estimates are based on current supply and demand fundamentals and current methanol prices. Long-term methanol price estimates are based on our view of long-term supply and demand, and consideration is given to many factors, including, but not limited to, estimates of global industrial production rates, energy prices, changes in general economic conditions, the ability for the industry to add further global methanol production

capacity and earn an appropriate return on capital, industry operating rates and the global industry cost structure. Our estimate of the price and availability of natural gas takes into consideration the current contracted terms, as well as factors that we believe are relevant to supply under these contracts and supplemental natural gas sources. Other assumptions included in our estimate of future cash flows include the estimated cost incurred to maintain the facilities, estimates of transportation costs and other variable costs incurred in producing methanol in each period. Changes in these assumptions will impact our estimates of future cash flows and could impact our estimates of the useful lives of property, plant and equipment. Consequently, it is possible that our future operating results could be adversely affected by further asset impairment charges or by changes in depreciation and amortization rates related to property, plant and equipment. In relation to previous impairment charges, we do not believe that there are significant changes in events or circumstances that would support their reversal.

Income Taxes

We calculate current and deferred tax provisions for each of the jurisdictions in which we operate. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant tax authorities. This occurs subsequent to the issuance of the financial statements and the final determination of actual amounts may not be completed for a number of years. Transactions may be challenged by tax authorities and the Company's operations may be assessed in subsequent periods, which could result in significant additional taxes, penalties and interest.

Deferred income tax assets and liabilities are determined using enacted or substantially enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We recognize deferred tax assets to the extent it is probable that taxable profit will be available against which the asset can be utilized. In making this determination, certain judgments are made relating to the level of expected future taxable income and to available tax-planning strategies and their impact on the use of existing loss carryforwards and other income tax deductions. Judgment is required in the application of income tax legislation. We are subject to assessments by various taxation authorities who may interpret tax legislation differently. These differences may affect the final amount or timing of the payment of taxes. We also consider historical profitability and volatility to assess whether we believe it is probable that the existing loss carryforwards and other income tax deductions will be used to offset future taxable income otherwise calculated. Management routinely reviews these judgments. As at December 31, 2018, we had recognized deferred tax assets of $60 million relating to non-capital loss carryforwards and $354 million of unrecognized deductible temporary differences all in the United States. If judgments or estimates in the determination of our current and deferred tax provision prove to be inaccurate, or if certain tax rates or laws change, or new interpretations or guidance emerge on the application of tax legislation, our results from operations and financial position could be materially impacted.

Financial Instruments Measured at Fair Value

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions. Assessment of contracts as derivative instruments, applicability of the own use exemption, the valuation of financial instruments and derivatives and hedge effectiveness assessments require a high degree of judgment and are considered critical accounting estimates due to the complex nature of these products and the potential impact on our financial statements.

ANTICIPATED CHANGES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 16 may be applied using a retrospective or modified retrospective approach on transition. The Company plans to transition to IFRS 16 in accordance with the modified retrospective approach and as such will not be required to restate comparative periods.

Upon adoption, the incremental lease liability for leases currently classified as operating under IAS 17 will be measured at the present value of lease payments remaining in the lease term discounted using the Company's incremental borrowing rates on the date of transition. The lease asset will be measured as if IFRS 16 was always in effect, resulting in an adjustment to retained earnings on transition.

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

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

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

In addition, the nature and timing of certain expenses related to leases previously classified as operating and presented in cost of sales and operating expenses will now change and be presented in depreciation and amortization and finance costs. As a result, depreciation and amortization and finance costs will increase and cost of sales and operating expenses will decrease. Overall the adoption of IFRS 16 is not expected to materially impact net income.

The Company does not expect that any other new or amended standards or interpretations that are effective as of January 1, 2019 will have a significant impact on the Company's results of operations or financial position.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental measures that are not defined terms under IFRS (non-GAAP measures). These are Adjusted EBITDA, Adjusted net income, Adjusted net income per common share, Adjusted revenue, cash flow from operating activities before changes in non-cash working capital, and Operating income. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in assessing the operating performance and liquidity of the Company's ongoing business. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies.

These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with IFRS.

Adjusted EBITDA (attributable to Methanex shareholders)

Adjusted EBITDA differs from the most comparable GAAP measure, net income attributable to Methanex shareholders, because it excludes finance costs, finance income and other expenses, income tax expense, depreciation and amortization, mark-to-market impact of share-based compensation and the Argentina gas settlement. 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)	2018	2017
Net income attributable to Methanex shareholders	$ 569	$ 316
U.S. tax reform charge	–	37
Mark-to-market impact of share-based compensation	(17)	68
Depreciation and amortization	245	232
Finance costs	94	95
Finance income and other expenses	(4)	(13)
Income tax expense	153	59
Earnings of associate adjustment[1]	69	72
Non-controlling interests adjustment[1]	(38)	(28)
Adjusted EBITDA (attributable to Methanex shareholders)	$ 1,071	$ 838

[1] These adjustments represent finance costs, finance income and other expenses, income tax expense, and depreciation and amortization 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, including the U.S. tax reform charge and the Argentina gas settlement. The following table shows a reconciliation from net income attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted diluted net income per common share:

($ Millions, except number of shares and per share amounts)	2018	2017
Net income attributable to Methanex shareholders	$ 569	$ 316
U.S. tax reform charge	–	37
Mark-to-market impact of share-based compensation, net of tax	(13)	56
Adjusted net income	$ 556	$ 409
Diluted weighted average shares outstanding (millions)	81	87
Adjusted net income per common share	$ 6.86	$ 4.71

Adjusted Revenue (attributable to Methanex shareholders)

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

($ Millions)	2018	2017
Revenue	$ 3,932	$ 3,061
Methanex share of Atlas revenue[1]	355	347
Non-controlling interests' share of revenue[1]	(250)	(175)
Other adjustments	(4)	(6)
Adjusted revenue (attributable to Methanex shareholders)	$ 4,033	$ 3,227

[1] Excludes intercompany transactions with the Company.

Operating Income and Cash Flows from Operating Activities before Changes in Non-Cash Working Capital

Operating income and cash flows from operating activities before changes in non-cash working capital are reconciled to GAAP measures in our consolidated statements of income and consolidated statements of cash flows, respectively.

QUARTERLY FINANCIAL DATA (UNAUDITED)

($ Millions, except per share amounts)	Three months ended Dec 31	Sep 30	Jun 30	Mar 31
2018				
Revenue	**$ 977**	**$ 1,044**	**$ 950**	**$ 962**
Adjusted EBITDA	**197**	**293**	**275**	**306**
Adjusted net income	**90**	**152**	**143**	**171**
Net income (attributable to Methanex shareholders)	**161**	**128**	**111**	**169**
Adjusted net income per common share	**1.15**	**1.92**	**1.75**	**2.03**
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**
2017				
Revenue	$ 861	$ 720	$ 669	$ 810
Adjusted EBITDA	254	143	174	267
Adjusted net income	143	52	74	140
Net income (attributable to Methanex shareholders)	68	32	84	132
Adjusted net income per common share	1.70	0.60	0.85	1.56
Basic net income per common share	0.81	0.38	0.96	1.47
Diluted net income per common share	0.81	0.38	0.89	1.46

A discussion and analysis of our results for the fourth quarter of 2018 is set out in our fourth quarter of 2018 Management's Discussion and Analysis filed with the Canadian Securities Administrators on SEDAR at www.sedar.com and the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov and is incorporated herein by reference.

SELECTED ANNUAL INFORMATION

($ Millions, except per share amounts)	**2018**	2017	2016
Revenue	**$ 3,932**	$ 3,061	$ 1,998
Adjusted EBITDA	**1,071**	838	287
Adjusted net income (loss)	**556**	409	(15)
Net income (loss) (attributable to Methanex shareholders)	**569**	316	(13)
Adjusted net income (loss) per common share	**6.86**	4.71	(0.17)
Basic net income (loss) per common share	**7.07**	3.64	(0.14)
Diluted net income (loss) per common share	**6.92**	3.64	(0.14)
Cash dividends declared per common share	**1.320**	1.175	1.100
Total assets	**4,609**	4,611	4,557
Total long-term financial liabilities	**1,473**	1,851	1,853

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As of December 31, 2018, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of that date.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2018, based on the framework set forth in Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

KPMG LLP, an independent registered public accounting firm that audited and reported on our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2018. The attestation report is included in our consolidated financial statements on page 46.

Changes in Internal Control over Financial Reporting

There have been no changes during the year ended December 31, 2018 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This 2018 Management's Discussion and Analysis ("MD&A") contains 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 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,
- 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,
- worldwide economic conditions, and
- other risks described in this 2018 MD&A.

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 in forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

Responsibility for Financial Reporting

The consolidated financial statements and all financial information contained in the annual report are the responsibility of management.

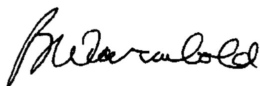
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates based on the best judgment of management.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the internal control framework set out in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The Board of Directors ("the Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee ("the Committee").

The Committee consists of four non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibility relating to: the integrity of the Company's financial statements, news releases and securities filings; the financial reporting process; the systems of internal accounting and financial controls; the professional qualifications and independence of the external auditor; the performance of the external auditors; risk management processes; financing plans; pension plans; and the Company's compliance with ethics policies and legal and regulatory requirements.

The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Professional Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG LLP has full and unrestricted access to the Committee. KPMG LLP audited the consolidated financial statements and the effectiveness of internal controls over financial reporting. Their opinions are included in the annual report.



Benita Warmbold
Chair of the Audit,
Finance and Risk Committee
March 11, 2019

John Floren
President and Chief Executive Officer

Ian Cameron
Senior Vice President, Finance and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Methanex Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Methanex Corporation (the Company) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and 2017, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 11, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in note 2 to the consolidated financial statements, the Company has changed its accounting policies for revenue as of January 1, 2018 due to the adoption of IFRS 15 – Revenue from Contracts with Customers.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Chartered Professional Accountants
We have served as the Company's auditor since 1992.
Vancouver, Canada
March 11, 2019

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of Methanex Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Methanex Corporation's (the Company) internal control over financial reporting as of December 31, 2018, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018 and the related notes (collectively, the consolidated financial statements), and our report dated March 11, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Chartered Professional Accountants
Vancouver, Canada
March 11, 2019

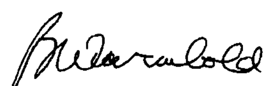
Consolidated Statements of Financial Position

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

As at	Dec 31 2018	Dec 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 256,077**	$ 375,479
Trade and other receivables (note 3)	**514,568**	536,636
Inventories (note 4)	**387,959**	304,464
Prepaid expenses	**32,541**	26,548
Other assets (note 7)	**60,931**	—
	1,252,076	1,243,127
Non-current assets:		
Property, plant and equipment (note 5)	**3,025,095**	2,998,326
Investment in associate (note 6)	**197,821**	188,922
Deferred income tax assets (note 15)	**59,532**	102,341
Other assets (note 7)	**74,475**	78,026
	3,356,923	3,367,615
	$ 4,608,999	$ 4,610,742
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	**$ 617,414**	$ 626,817
Current maturities on long-term debt (note 8)	**383,793**	55,905
Current maturities on other long-term liabilities (note 9)	**46,146**	65,226
	1,047,353	747,948
Non-current liabilities:		
Long-term debt (note 8)	**1,074,493**	1,446,366
Other long-term liabilities (note 9)	**398,098**	404,885
Deferred income tax liabilities (note 15)	**281,214**	266,432
	1,753,805	2,117,683
Equity:		
Capital stock		
25,000,000 authorized preferred shares without nominal or par value		
Unlimited authorization of common shares without nominal or par value		
Issued and outstanding common shares at December 31, 2018 were 77,263,273 (2017 – 83,770,254)	**446,544**	480,331
Contributed surplus	**1,597**	2,124
Retained earnings	**1,145,476**	1,088,150
Accumulated other comprehensive loss	**(82,404)**	(69,841)
Shareholders' equity	**1,511,213**	1,500,764
Non-controlling interests	**296,628**	244,347
Total equity	**1,807,841**	1,745,111
	$ 4,608,999	$ 4,610,742

Commitments and contingencies (notes 6 and 21)
See accompanying notes to consolidated financial statements.

Approved by the Board:



Benita Warmbold (Director)

John Floren (Director)

Consolidated Statements of Income

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

For the years ended December 31		2018		2017
Revenue	$	**3,931,847**	$	3,060,642
Cost of sales and operating expenses (note 10)		**(2,856,920)**		(2,351,949)
Depreciation and amortization (note 10)		**(245,303)**		(232,225)
Operating income		**829,624**		476,468
Earnings of associate (note 6)		**72,001**		75,995
Finance costs (note 11)		**(94,416)**		(94,955)
Finance income and other expenses		**4,266**		13,377
Income before income taxes		**811,475**		470,885
Income tax expense (note 15):				
Current		**(91,027)**		(85,504)
Deferred		**(62,464)**		(10,284)
		(153,491)		(95,788)
Net income	$	**657,984**	$	375,097
Attributable to:				
Methanex Corporation shareholders	$	**568,982**	$	316,135
Non-controlling interests (note 23)		**89,002**		58,962
	$	**657,984**	$	375,097
Income per common share for the period attributable to Methanex Corporation shareholders:				
Basic net income per common share (note 12)	$	**7.07**	$	3.64
Diluted net income per common share (note 12)	$	**6.92**	$	3.64
Weighted average number of common shares outstanding		**80,494,302**		86,768,589
Diluted weighted average number of common shares outstanding		**80,889,525**		86,824,948

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(thousands of U.S. dollars)

For the years ended December 31	2018	2017
Net income	$ 657,984	$ 375,097
Other comprehensive income:		
Items that may be reclassified to income:		
Change in fair value of cash flow hedges (note 18)	362	(74,790)
Forward elements excluded from hedging relationship (note 18)	(14,874)	45,416
Items that will not be reclassified to income:		
Actuarial gains (losses) on defined benefit pension plans (note 20(a))	(1,483)	564
Taxes on above items	3,980	674
	(12,015)	(28,136)
Comprehensive income	$ 645,969	$ 346,961
Attributable to:		
Methanex Corporation shareholders	$ 556,967	$ 287,999
Non-controlling interests (note 23)	89,002	58,962
	$ 645,969	$ 346,961

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

	Number of common shares	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity	Non-controlling interests	Total equity
Balance, December 31, 2016	89,824,338	$ 511,465	$ 2,568	$ 1,124,104	$ (41,302)	$ 1,596,835	$ 208,515	$ 1,805,350
Net income	–	–	–	316,135	–	316,135	58,962	375,097
Other comprehensive income (loss)	–	–	–	403	(28,539)	(28,136)	–	(28,136)
Compensation expense recorded for stock options	–	–	488	–	–	488	–	488
Issue of shares on exercise of stock options	98,274	3,059	–	–	–	3,059	–	3,059
Reclassification of grant-date fair value on exercise of stock options	–	932	(932)	–	–	–	–	–
Payment for shares repurchased	(6,152,358)	(35,125)	–	(250,995)	–	(286,120)	–	(286,120)
Dividend payments to Methanex Corporation shareholders ($1.175 per common share)	–	–	–	(101,497)	–	(101,497)	–	(101,497)
Distributions made and accrued to non-controlling interests	–	–	–	–	–	–	(31,300)	(31,300)
Equity contributions by non-controlling interests	–	–	–	–	–	–	8,170	8,170
Balance, December 31, 2017	83,770,254	$ 480,331	$ 2,124	$ 1,088,150	$ (69,841)	$ 1,500,764	$ 244,347	$ 1,745,111
Net income	**–**	**–**	**–**	**568,982**	**–**	**568,982**	**89,002**	**657,984**
Other comprehensive income (loss)	**–**	**–**	**–**	**548**	**(12,563)**	**(12,015)**	**–**	**(12,015)**
Compensation expense recorded for stock options	**–**	**–**	**362**	**–**	**–**	**362**	**–**	**362**
Issue of shares on exercise of stock options	**83,114**	**3,210**	**–**	**–**	**–**	**3,210**	**–**	**3,210**
Reclassification of grant-date fair value on exercise of stock options	**–**	**889**	**(889)**	**–**	**–**	**–**	**–**	**–**
Payment for shares repurchased	**(6,590,095)**	**(37,886)**	**–**	**(406,528)**	**–**	**(444,414)**	**–**	**(444,414)**
Dividend payments to Methanex Corporation shareholders ($1.320 per common share)	**–**	**–**	**–**	**(105,676)**	**–**	**(105,676)**	**–**	**(105,676)**
Distributions made and accrued to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(36,721)**	**(36,721)**
Balance, December 31, 2018	**77,263,273**	**$ 446,544**	**$ 1,597**	**$ 1,145,476**	**$ (82,404)**	**$ 1,511,213**	**$ 296,628**	**$ 1,807,841**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of U.S. dollars)

For the years ended December 31	2018	2017
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Net income	**$ 657,984**	$ 375,097
Deduct earnings of associate	**(72,001)**	(75,995)
Dividends received from associate	**63,102**	84,553
Add (deduct) non-cash items:		
Depreciation and amortization	**245,303**	232,225
Income tax expense	**153,491**	95,788
Share-based compensation expense	**(6,289)**	78,821
Finance costs	**94,416**	94,955
Other	**3,681**	4,034
Income taxes paid	**(106,035)**	(35,890)
Other cash payments, including share-based compensation	**(59,444)**	(24,000)
Cash flows from operating activities before undernoted	**974,208**	829,588
Changes in non-cash working capital (note 16(a))	**5,998**	(49,368)
	980,206	780,220
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Payments for repurchase of shares	**(444,414)**	(286,120)
Dividend payments to Methanex Corporation shareholders	**(105,676)**	(101,497)
Interest paid	**(90,008)**	(86,041)
Repayment of long-term debt and financing fees	**(213,622)**	(56,997)
Finance leases	**(8,293)**	(6,880)
Restricted cash for debt service accounts	**3,804**	7,522
Equity contributions by non-controlling interests	**–**	8,170
Cash distributions to non-controlling interests	**(104,258)**	(4,330)
Proceeds on issue of shares on exercise of stock options	**3,210**	3,059
Proceeds from limited recourse debt	**166,000**	–
	(793,257)	(523,114)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Property, plant and equipment	**(244,476)**	(103,170)
Restricted cash for vessels under construction	**(60,931)**	–
Changes in non-cash working capital related to investing activities (note 16(a))	**(944)**	(2,347)
	(306,351)	(105,517)
Increase (decrease) in cash and cash equivalents	**(119,402)**	151,589
Cash and cash equivalents, beginning of year	**375,479**	223,890
Cash and cash equivalents, end of year	**$ 256,077**	$ 375,479

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollar amounts are shown in thousands of U.S. dollars, except where noted)
Year ended December 31, 2018

1. Nature of operations:

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

2. Significant accounting policies:

a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 11, 2019.

b) Basis of presentation and consolidation:

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, less than wholly-owned entities for which it has a controlling interest and its equity-accounted joint venture. Wholly-owned subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For less than wholly-owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's consolidated financial statements and represents the non-controlling shareholders' interest in the net assets of the entity. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. The areas of estimation and judgment that management considers most significant are property, plant and equipment (note 2(g)), financial instruments (note 2(o)), fair value measurements (note 2(p)) and income taxes (note 2(q)). Actual results could differ from those estimates.

c) Reporting currency and foreign currency translation:

Functional currency is the currency of the primary economic environment in which an entity operates. The majority of the Company's business in all jurisdictions is transacted in United States dollars and, accordingly, these consolidated financial statements have been measured and expressed in that currency. The Company translates foreign currency denominated monetary items at the period-end exchange rates, foreign currency denominated non-monetary items at historic rates and revenues and expenditures at the exchange rates at the dates of the transactions. Foreign exchange gains and losses are included in earnings.

d) Cash and cash equivalents:

Cash and cash equivalents include securities with maturities of three months or less when purchased.

e) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. The Company records an allowance for doubtful accounts or writes down the receivable to estimated net realizable value if not collectible in full. Credit losses have historically been within the range of management's expectations.

f) Inventories:

Inventories are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis and includes direct purchase costs, cost of production, allocation of production overhead and depreciation based on normal operating capacity and transportation.

g) Property, plant and equipment:

Initial recognition

Property, plant and equipment are initially recorded at cost. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on self-constructed assets that meet certain criteria. Borrowing costs incurred during construction and commissioning are capitalized until the plant is operating in the manner intended by management.

Subsequent costs

Routine repairs and maintenance costs are expensed as incurred. At regular intervals, the Company conducts a planned shutdown and inspection (turnaround) at its plants to perform major maintenance and replacement of catalysts. Costs associated with these shutdowns are capitalized and amortized over the period until the next planned turnaround and the carrying amounts of replaced components are derecognized and included in earnings.

Depreciation

Depreciation and amortization is generally provided on a straight-line basis at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value.

The estimated useful lives of the Company's buildings, plant installations and machinery at installation, excluding costs related to turnarounds, initially ranges from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to the various production facilities. The estimated useful life of production facilities may be adjusted from time-to-time based on turnarounds, plant refurbishments and gas availability. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas and the expected price of securing natural gas supply. The Company reviews the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

Assets under finance lease are depreciated to their estimated residual value based on the shorter of their useful lives and the lease term.

Impairment

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. Examples of such events or changes in circumstances include, but are not restricted to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a significant change in the long-term methanol price or in the price or availability of natural gas feedstock required to manufacture methanol; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use.

Recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less cost to sell or its value in use. Value in use is determined by estimating the pre-tax cash flows expected to be generated from the asset or cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded for the difference that the carrying value exceeds the estimated recoverable amount. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For purposes of recognition and measurement of an impairment writedown, the Company groups long-lived assets with other assets and liabilities to form a "cash-generating unit" at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. To the extent that methanol facilities in a particular location are interdependent as a result of common infrastructure and/or feedstock from sources that can be shared within a facility location, the Company groups assets based on site locations for the purpose of determining impairment.

h) Other assets:

Intangible assets are capitalized to other assets and amortized to depreciation and amortization expense on an appropriate basis to charge the cost of the assets against earnings.

Financing fees related to undrawn credit facilities are capitalized to other assets and amortized to finance costs over the term of the credit facility.

i) Leases:

Leasing contracts are classified as either finance or operating leases based on the substance of the contractual arrangement at inception date. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership of the leased asset. Where the contracts are classified as finance leases, upon initial recognition, the asset and liability are recorded at the lower of fair value and the present value of the minimum lease payments, net of executory costs. Finance lease payments are apportioned between interest expense and repayments of the liability. Where the contracts are classified as operating leases, they are not recognized in the Company's consolidated statements of financial position and lease payments are charged to income as they are incurred on a straight line basis over the lease term.

j) Site restoration costs:

The Company recognizes a liability to dismantle and remove assets or to restore a site upon which the assets are located. The Company estimates the present value of the expenditures required to settle the liability by determining the current market cost required to settle the site restoration costs, adjusts for inflation through to the expected date of the expenditures and then discounts this amount back to the date when the obligation was originally incurred. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in finance costs. The Company reviews asset retirement obligations and adjusts the liability and corresponding asset as necessary to reflect changes in the estimated future cash flows, timing, inflation and discount rates underlying the measurement of the obligation.

k) Employee future benefits:

The Company has non-contributory defined benefit pension plans covering certain employees and defined contribution pension plans. The Company does not provide any significant post-retirement benefits other than pension plan benefits. For defined benefit pension plans, the net of the present value of the defined benefit obligation and the fair value of plan assets is recorded to the consolidated statements of financial position. The determination of the defined benefit obligation and associated pension cost is based on certain actuarial assumptions including inflation rates, mortality, plan expenses, salary growth and discount rates. The present value of the net defined benefit obligation (asset) is determined by discounting the net estimated future cash flows using current market bond yields that have terms to maturity approximating the terms of the net obligation. Actuarial gains and losses arising from differences between these assumptions and actual results are recognized in other comprehensive income and recorded in retained earnings. The Company recognizes gains and losses on the settlement of a defined benefit plan in income when the settlement occurs. The cost for defined contribution benefit plans is recognized in net income as earned by the employees.

l) Share-based compensation:

The Company grants share-based awards as an element of compensation. Share-based awards granted by the Company can include stock options, tandem share appreciation rights, share appreciation rights, deferred share units, restricted share units or performance share units.

For stock options granted by the Company, the cost of the service received is measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. On the exercise of stock options, consideration received, together with the compensation expense previously recorded to contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option tranche at the date of grant.

Share appreciation rights ("SARs") are units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price that is determined at the date of grant. Tandem share appreciation rights ("TSARs") give the holder the choice between exercising a regular stock option or a SAR. For

SARs and TSARs, the cost of the service received is initially measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. For SARs and TSARs, the liability is re-measured at each reporting date based on an estimate of the fair value with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date. The Company uses the Black-Scholes option pricing model to estimate the fair value for SARs and TSARs.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. Performance share units have an additional feature where the ultimate number of units that vest will be determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. The number of units that will ultimately vest will be in the range of 50% to 120% of the original grant for grants prior to 2015 and in the range of 25% to 150% for subsequent grants based on the weighted-average closing share price for the 90 calendar days on the NASDAQ Global Select Market immediately preceding the year end date that the performance share units vest. For deferred, restricted and performance share units, the cost of the service received as consideration is initially measured based on the market value of the Company's common shares at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. Deferred, restricted and performance share units are re-measured at each reporting date based on the market value of the Company's common shares with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date.

Additional information related to the stock option plan, TSARs, SARs and the deferred, restricted and performance share units is described in note 13.

m) Net income per common share:

The Company calculates basic net income per common share by dividing net income attributable to Methanex shareholders by the weighted average number of common shares outstanding and calculates diluted net income per common share under the treasury stock method. Under the treasury stock method, diluted net income per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, TSARs were exercised or converted to common shares. Stock options and TSARs are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR.

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

The calculation of basic net income per common share and a reconciliation to diluted net income per common share is presented in note 12.

n) Revenue recognition:

Revenue is recognized based on individual contract terms at the point in time when control of the product transfers to the customer, which usually occurs at the time shipment is made. Revenue is recognized at the time of delivery to the customer's location if the contractual performance obligation has not been met during shipment. For methanol sold on a consignment basis, revenue is recognized at the point in time the customer draws down the consigned methanol. For methanol sold on a commission basis, the commission income is included in revenue when earned. Revenue is measured and recorded at the most likely amount of consideration the Company expects to receive.

o) Financial instruments:

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument. Financial instruments are classified into one of three categories and, depending on the category, will either be measured at amortized cost or fair value with fair value changes either recorded through profit or loss or other comprehensive income. All non-derivative financial instruments held by the Company are classified and measured at amortized cost.

The Company enters into derivative financial instruments to manage certain exposures to commodity price and foreign exchange volatility. Under these standards, derivative financial instruments, including embedded derivatives, are classified as fair value through profit or loss and are recorded in the consolidated statements of financial position at fair value unless they are in accordance with the Company's normal purchase, sale or usage requirements. The valuation of derivative financial instruments is a critical accounting estimate due to the complex nature of these instruments, the degree of judgment required to appropriately value these instruments and the potential impact of such valuation on the Company's financial statements. The Company records all changes in fair value of derivative financial instruments in profit or loss unless the instruments are designated as cash flow hedges. The Company enters into and designates as cash flow hedges certain forward contracts to hedge its highly probable forecast natural gas purchases and certain forward exchange purchase and sales contracts to hedge foreign exchange exposure on anticipated purchases or sales. The Company assesses at inception and on an ongoing basis whether the hedges are and continue to be effective in offsetting changes in the cash flows of the hedged transactions. The effective portion of changes in the fair value of these hedging instruments is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in profit or loss. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in commodity prices, foreign currency exchange rates or variable interest rates.

p) Fair value measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements within the scope of IFRS 13 are categorized into Level 1, 2 or 3 based on the degree to which the inputs are observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Financial instruments measured at fair value and categorized within the fair value hierarchy are disclosed in note 18.

q) Income taxes:

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period calculated using tax rates that have been enacted or substantively enacted by the reporting date. Income taxes relating to uncertain tax positions are provided for based on the Company's best estimate. Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The Company accrues for taxes that will be incurred upon distributions from its subsidiaries when it is probable that the earnings will be repatriated.

r) Provisions:

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

s) Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

t) Application of new and revised accounting standards:

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15") establishing a comprehensive framework for revenue recognition. The standard replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations and is effective for annual periods beginning on or after January 1, 2018. The Company has retrospectively adopted the new standard with no material impact on its consolidated financial statements. The Company has updated its accounting policy for revenue recognition to reflect the adoption of IFRS 15.

u) Anticipated changes to International Financial Reporting Standards:

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

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

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

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

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

In addition, the nature and timing of certain expenses related to leases previously classified as operating and presented in cost of sales and operating expenses will now change and be presented in depreciation and amortization and finance costs. As a result, depreciation and amortization and finance costs will increase and cost of sales and operating expenses will decrease. Overall the adoption of IFRS 16 is not expected to materially impact net income.

The Company does not expect that any other new or amended standards or interpretations that are effective as of January 1, 2019 will have a significant impact on the Company's results of operations or financial position.

3. Trade and other receivables:

As at	**Dec 31 2018**	Dec 31 2017
Trade	**$ 412,662**	$ 429,582
Value-added and other tax receivables	**37,823**	36,584
Egypt gas contract recoveries[(a)]	**6,227**	24,466
Other	**57,856**	46,004
	$ 514,568	$ 536,636

a) Egypt gas contract recoveries:

The natural gas supply agreement in Egypt has a mechanism whereby the Company is partially compensated when gas delivery shortfalls exceed a certain threshold. The receivable is secured by a combination of funds held in escrow and a bank guarantee.

4. Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. The amount of inventories recognized as an expense in cost of sales and operating expenses and depreciation and amortization for the year ended December 31, 2018 is $2,758 million (2017 – $2,219 million).

5. Property, plant and equipment:

	Buildings, plant installations and machinery	Finance leases	Ocean going vessels	Other	TOTAL
Cost at January 1, 2018	**$ 4,648,924**	**$ 215,773**	**$ 144,423**	**$ 131,070**	**$ 5,140,190**
Additions	**180,437**	**2,037**	**40,284**	**58,349**	**281,107**
Disposals and other	**(131,219)**	**–**	**(1,288)**	**(361)**	**(132,868)**
Cost at December 31, 2018	**4,698,142**	**217,810**	**183,419**	**189,058**	**5,288,429**
Accumulated depreciation at January 1, 2018	**1,956,317**	**33,927**	**40,427**	**111,193**	**2,141,864**
Disposals and other	**(124,920)**	**–**	**(1,194)**	**(360)**	**(126,474)**
Depreciation	**216,338**	**16,054**	**9,193**	**6,359**	**247,944**
Accumulated depreciation at December 31, 2018	**2,047,735**	**49,981**	**48,426**	**117,192**	**2,263,334**
Net book value at December 31, 2018	**$ 2,650,407**	**$ 167,829**	**$ 134,993**	**$ 71,866**	**$ 3,025,095**

	Buildings, plant installations and machinery	Finance leases	Ocean going vessels	Other	TOTAL
Cost at January 1, 2017	$ 4,549,816	$ 206,260	$ 145,303	$ 127,575	$ 5,028,954
Additions	98,780	7,667	605	4,396	111,448
Disposals and other	328	1,846	(1,485)	(901)	(212)
Cost at December 31, 2017	4,648,924	215,773	144,423	131,070	5,140,190
Accumulated depreciation at January 1, 2017	1,752,540	18,557	31,135	109,253	1,911,485
Disposals and other	(2,066)	–	–	(673)	(2,739)
Depreciation	205,843	15,370	9,292	2,613	233,118
Accumulated depreciation at December 31, 2017	1,956,317	33,927	$ 40,427	111,193	2,141,864
Net book value at December 31, 2017	$ 2,692,607	$ 181,846	$ 103,996	$ 19,877	$ 2,998,326

Included in finance leases as at December 31, 2018 are capitalized costs related to a methanol terminal and storage tanks in Geismar, Louisiana, an oxygen production facility in Trinidad, and two ocean going vessels.

6. Investment in associate:

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

Consolidated statements of financial position as at	**Dec 31 2018**	Dec 31 2017
Cash and cash equivalents	**$ 9,367**	$ 8,361
Other current assets[1]	**104,742**	79,738
Non-current assets	**255,822**	289,671
Current liabilities[1]	**(32,022)**	(41,388)
Other long-term liabilities, including current maturities	**(145,359)**	(157,935)
Net assets at 100%	**$ 192,550**	$ 178,447
Net assets at 63.1%	**$ 121,499**	$ 112,600
Long-term receivable from Atlas[1]	**76,322**	76,322
Investment in associate	**$ 197,821**	$ 188,922

Consolidated statements of income for the years ended December 31		2018		2017
Revenue[1]	$	512,214	$	459,367
Cost of sales and depreciation and amortization		(322,325)		(261,121)
Operating income		189,889		198,246
Finance costs, finance income and other expenses		(10,841)		(11,170)
Income tax expense		(64,942)		(66,640)
Net earnings at 100%	$	114,106	$	120,436
Earnings of associate at 63.1%	$	72,001	$	75,995
Dividends received from associate	$	63,102	$	84,553

[1] Includes related party transactions between Atlas and the Company (see note 22).

b) Contingent liability:

The Board of Inland Revenue of Trinidad and Tobago has audited and issued assessments against Atlas in respect of the 2005 to 2012 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed price sales contracts with affiliates that commenced in 2005 and continue through 2019. The long-term fixed-price sales contracts with affiliates were established as part of the formation of Atlas and management believes were reflective of market considerations at that time. Atlas had partial relief from corporation income tax until late July 2014.

During the periods under assessment and continuing through 2014, approximately 50% of Atlas produced methanol was sold under these fixed-price contracts. From late 2014 through 2019 fixed-prices sales represent approximately 10% of Atlas produced methanol.

The Company believes it is impractical to disclose a reasonable estimate of the potential contingent liability due to the wide range of assumptions and interpretations implicit in the assessments.

The Company has lodged objections to the assessments. No deposits have been required to lodge objections. Based on the merits of the cases and advice from legal counsel, the Company believes its position should be sustained, that Atlas has filed its tax returns and paid applicable taxes in compliance with Trinidadian tax law, and as such has not accrued for any amounts relating to these assessments. Contingencies inherently involve the exercise of significant judgment, and as such the outcomes of these assessments and the financial impact to the Company could be material.

The Company anticipates the resolution of this matter in the court system to be lengthy and, at this time, cannot predict a date as to when this matter is expected to be resolved.

7. Other assets:

As at		Dec 31 2018		Dec 31 2017
Restricted cash	$	18,545	$	27,863
Restricted cash and cash equivalents for vessels under construction[(a)]		66,452		–
Chile VAT receivable		22,595		25,456
Investment in Carbon Recycling International		4,620		4,502
Defined benefit pension plans (note 20)		5,150		6,650
Other		18,044		13,555
Total other assets	$	135,406	$	78,026
Less current portion		(60,931)		–
	$	74,475	$	78,026

a) Restricted cash and cash equivalents for vessels under construction

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

8. Long-term debt:

As at	Dec 31 2018	Dec 31 2017
Unsecured notes		
(i) 3.25% due December 15, 2019	**$ 349,026**	$ 348,060
(ii) 5.25% due March 1, 2022	**248,480**	248,072
(iii) 4.25% due December 1, 2024	**297,232**	296,873
(iv) 5.65% due December 1, 2044	**295,238**	295,158
	1,189,976	1,188,163
Egypt limited recourse debt facilities	**101,226**	241,190
Other limited recourse debt facilities		
(i) LIBOR+0.75% to LIBOR+2.5% due through 2019 to 2021	**5,483**	72,918
(ii) 5.58% due through June 30, 2031	**77,709**	–
(iii) 5.35% due through September 30, 2033	**83,892**	–
	167,084	72,918
Total long-term debt[1]	**1,458,286**	1,502,271
Less current maturities[1]	**(383,793)**	(55,905)
	$ 1,074,493	$ 1,446,366

[1] Long-term debt and current maturities are presented net of discounts and deferred financing fees of $17.6 million as at December 31, 2018 (2017 – $17.8 million).

The Egypt limited recourse debt facilities have interest payable semi-annually with rates based on LIBOR plus a spread ranging from 0.9% to 1.6% per annum. Principal is paid in 24 semi-annual payments, which commenced in September 2010.

Other limited recourse debt facilities relate to financing for certain of our ocean going vessels which we own through less than wholly-owned entities under the Company's control. During 2018, the Company, through 50% owned entities, issued other limited recourse debt for $86 million bearing an interest rate of 5.35% with principal repayments due through September 2033. The debt will be used to acquire two ocean going vessels. The Company also issued $80 million of other limited recourse debt facilities bearing an interest rate of 5.58% with principal repayments due through June 2031, using the proceeds to repay $60.6 million other limited recourse debt facilities.

For the year ended December 31, 2018, non-cash accretion, on an effective interest basis, of deferred financing costs included in finance costs was $3.6 million (2017 – $3.1 million).

The minimum principal payments for long-term debt in aggregate and for each of the five succeeding years are as follows:

	Egypt limited recourse debt facilities	Other limited recourse debt facilities	Unsecured notes	Total
2019	$ 27,640	$ 8,352	$ 350,000	$ 385,992
2020	29,525	10,452	–	39,977
2021	31,552	9,129	–	40,681
2022	16,606	10,213	250,000	276,819
2023	–	10,778	–	10,778
Thereafter	–	121,604	600,000	721,604
	$ 105,323	$ 170,528	$ 1,200,000	$ 1,475,851

The covenants governing the Company's unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding entities which we control but do not fully own, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or sale of all or substantially all of the Company's assets. The indenture also contains customary default provisions.

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

i) the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 calculated on a four-quarter trailing basis and a debt to capitalization ratio of less than or equal to 55%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments related to the limited recourse subsidiaries,

ii) a default if payment is accelerated by a creditor on any indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries, and

iii) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

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

The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other shareholder distributions. Since 2015, certain conditions had not been met, resulting in a restriction on shareholder distributions from the Egypt entity. Under amended terms reached in 2017, shareholder distributions are permitted if the average gas deliveries over the prior 12 months are greater than 70% of gas requirements.

The Egypt limited recourse debt facilities contain covenants to complete certain mortgage registrations. The Company has sought and received waivers from lenders relating to these covenants until March 31, 2020. The Company does not believe that the finalization of these mortgage registrations are material. Whilst these covenants have been waived multiple times by the lenders, and circumstances have not materially changed the Company cannot provide assurance that we will be able to obtain future waivers from the lenders.

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

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

9. Other long-term liabilities:

As at	Dec 31 2018	Dec 31 2017
Site restoration costs[a]	$ 27,638	$ 33,975
Finance lease obligations[b]	198,374	204,242
Share-based compensation liability (note 13)	52,794	111,405
Cash flow hedges (note 18)	105,721	90,199
Defined benefit pension plans (note 20)	24,783	25,076
Land mortgage	30,242	–
Other	4,692	5,214
	444,244	470,111
Less current maturities	(46,146)	(65,226)
	$ 398,098	$ 404,885

a) Site restoration costs:

The Company has accrued liabilities related to the decommissioning and reclamation of its methanol production sites and oil and gas properties. Because of uncertainties in estimating the amount and timing of the expenditures related to the sites, actual results could differ from the amounts estimated. As at December 31, 2018, the total undiscounted amount of estimated cash flows required to settle the liabilities was $37.6 million (2017 – $44.9 million). The movement in the provision during the year is explained as follows:

	2018	2017
Balance at January 1	$ 33,975	$ 30,512
New or revised provisions	(7,036)	2,823
Accretion expense	699	640
Balance at December 31	$ 27,638	$ 33,975

b) Finance lease obligations:

As at December 31, 2018, the Company has finance lease obligations related to a methanol terminal and storage tanks in Geismar, Louisiana, an oxygen production facility in Trinidad, and two ocean-going vessels. Total finance lease payments for 2018 of $32.1 million include an interest component of $23.8 million.

Finance lease obligations are payable as follows:

	Lease payments	Interest component	Finance lease obligations
2019	$ 32,222	$ 22,990	$ 9,232
2020	32,614	22,001	10,613
2021	33,014	20,837	12,177
2022	33,422	19,473	13,949
2023	32,779	17,915	14,864
Thereafter	206,223	68,684	137,539
	$ 370,274	$ 171,900	$ 198,374

10. Expenses:

For the years ended December 31	**2018**	2017
Cost of sales	**$ 2,577,382**	$ 2,035,545
Selling and distribution	**464,474**	449,593
Administrative expenses	**60,367**	99,036
Total expenses by function	**$ 3,102,223**	$ 2,584,174
Cost of raw materials and purchased methanol	**$ 2,191,515**	$ 1,637,085
Ocean freight and other logistics	**399,293**	374,717
Employee expenses, including share-based compensation	**182,519**	243,707
Other expenses	**83,593**	96,440
Cost of sales and operating expenses	**2,856,920**	2,351,949
Depreciation and amortization	**245,303**	232,225
Total expenses by nature	**$ 3,102,223**	$ 2,584,174

For the year ended December 31, 2018 we recorded a share-based compensation recovery of $6.3 million (2017 – expense of $78.8 million), the majority of which is included in administrative expenses for the total expenses by function presentation above.

11. Finance costs:

Finance costs are primarily comprised of interest on borrowings and finance lease obligations, amortization of deferred financing fees and accretion expense associated with site restoration costs. Finance costs were $94.4 million for the year ended December 31, 2018 (2017 – $95.0 million).

12. Net income per common share:

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

Outstanding TSARs may be settled in cash or common shares at the holder's option and for purposes of calculating diluted net income per common share, the more dilutive of the cash-settled and equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share as compared to the cash-settled method. The equity-settled method was more dilutive for the year ended December 31, 2018, and an adjustment was required for both the numerator and denominator for TSARS. For the year ended December 31, 2017 the cash-settled method was more dilutive and no adjustment was required for the numerator or the denominator for TSARs.

Stock options and, if calculated using the equity-settled method, TSARs are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR. For the year ended December 31, 2018 and 2017, stock options were considered dilutive resulting in an adjustment to the denominator in both periods.

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

For the years ended December 31	2018	2017
Numerator for basic net income per common share	**568,982**	$ 316,135
Adjustment for the effect of TSARs:		
Cash-settled recovery included in net income	**(4,314)**	–
Equity-settled expense	**(4,769)**	–
Numerator for diluted net income per common share	**559,899**	$ 316,135

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

For the years ended December 31	2018	2017
Denominator for basic net income per common share	**80,494,302**	86,768,589
Effect of dilutive stock options	**67,631**	56,359
Effect of dilutive TSARS	**327,592**	–
Denominator for diluted net income per common share	**80,889,525**	86,824,948

For the years ended December 31, 2018 and 2017, basic and diluted net income per common share attributable to Methanex shareholders were as follows:

For the years ended December 31	2018	2017
Basic net income per common share	**$ 7.07**	$ 3.64
Diluted net income per common share	**$ 6.92**	$ 3.64

13. Share-based compensation:

The Company provides share-based compensation to its directors and certain employees through grants of stock options, TSARs, SARs and deferred, restricted or performance share units.

As at December 31, 2018, the Company had 4,530,865 common shares reserved for future grants of stock options and tandem share appreciation rights under the Company's stock option plan.

a) Share appreciation rights and tandem share appreciation rights:

All SARs and TSARs granted have a maximum term of seven years with one-third vesting each year after the date of grant. SARs and TSARs units outstanding at December 31, 2018 and 2017 are as follows:

	SARs		TSARs	
	Number of units	Exercise price USD	Number of units	Exercise price USD
Outstanding at December 31, 2016	1,511,485	$ 42.68	2,416,111	$ 42.10
Granted	167,600	50.15	340,200	50.17
Exercised	(213,207)	32.03	(710,616)	32.98
Cancelled	(10,801)	50.18	(2,200)	34.59
Expired	(5,000)	25.22	–	–
Outstanding at December 31, 2017	1,450,077	$ 45.11	2,043,495	$ 46.62
Granted	**141,300**	**55.28**	**330,400**	**55.37**
Exercised	**(669,931)**	**39.00**	**(918,327)**	**42.48**
Cancelled	**(16,582)**	**53.12**	**(8,267)**	**47.25**
Expired	**(7,981)**	**28.74**	**–**	**–**
Outstanding at December 31, 2018	**896,883**	**$ 51.27**	**1,447,301**	**$ 51.24**

Information regarding the SARs and TSARs outstanding as at December 31, 2018 is as follows:

	Units outstanding at December 31, 2018			Units exercisable at December 31, 2018	
Range of exercise prices	Weighted average remaining contractual life (years)	Number of units outstanding	Weighted average exercise price	Number of units exercisable	Weighted average exercise price
SARs					
$25.97 to $35.51	**3.96**	**221,309**	**$ 34.40**	**105,955**	**$ 34.19**
$38.24 to $50.17	**3.95**	**205,951**	**46.52**	**99,000**	**42.59**
$54.65 to $78.59	**3.73**	**469,623**	**61.31**	**330,923**	**63.83**
	3.84	**896,883**	**$ 51.27**	**535,878**	**$ 54.04**
TSARs					
$25.97 to $35.51	**3.99**	**347,839**	**$ 34.47**	**161,261**	**$ 34.32**
$38.24 to $50.17	**4.41**	**386,253**	**47.88**	**161,902**	**44.72**
$54.65 to $78.59	**4.23**	**713,209**	**61.24**	**386,109**	**66.20**
	4.22	**1,447,301**	**$ 51.24**	**709,272**	**$ 54.05**

The fair value of each outstanding SARs and TSARs grant was estimated on December 31, 2018 and 2017 using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	**2.6%**	1.8%
Expected dividend yield	**2.7%**	2.0%
Expected life of SARs and TSARs (years)	**1.5**	1.2
Expected volatility	**35%**	31%
Expected forfeitures	**0.2%**	0.2%
Weighted average fair value (USD per share)	**$ 7.93**	$ 19.02

Compensation expense for SARs and TSARs is measured based on their fair value and is recognized over the vesting period. Changes in fair value in each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value as at December 31, 2018 was $18.9 million compared with the recorded liability of $17.3 million. The difference between the fair value and the recorded liability of $1.6 million will be recognized over the weighted average remaining vesting period of approximately 1.6 years.

For the year ended December 31, 2018, compensation expense related to SARs and TSARs included a recovery in cost of sales and operating expenses of $1.2 million (2017 – expense of $45.1 million). This included a recovery of $7.8 million (2017 – expense of $37.8 million) related to the effect of the change in the Company’s share price.

b) Deferred, restricted and performance share units:

Deferred, restricted and performance share units outstanding as at December 31, 2018 and 2017 are as follows:

	Number of deferred share units	Number of restricted share units	Number of performance share units
Outstanding at December 31, 2016	251,017	18,649	572,272
Granted	10,452	8,100	163,500
Performance factor impact on redemption[1]	–	–	(102,557)
Granted in lieu of dividends	5,669	613	14,383
Redeemed	(42,292)	(6,907)	(34,186)
Cancelled	–	–	(8,517)
Outstanding at December 31, 2017	224,846	20,455	604,895
Granted	**7,752**	**8,700**	**149,200**
Performance factor impact on redemption[1]	**–**	**–**	**(127,733)**
Granted in lieu of dividends	**4,495**	**545**	**12,303**
Redeemed	**(28,001)**	**(12,339)**	**(42,577)**
Cancelled	**–**	**–**	**(16,310)**
Outstanding at December 31, 2018	**209,092**	**17,361**	**579,778**

[1] Performance share units have a feature where the ultimate number of units that vest are adjusted by a performance factor of the original grant as determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. The performance factor is measured based on the weighted-average closing share price for the 90 calendar days on the NASDAQ Global Select Market immediately preceding the year end date that the performance share units vest.

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units as at December 31, 2018 was $36.6 million compared with the recorded liability of $35.3 million. The difference between the fair value and the recorded liability of $1.3 million will be recognized over the weighted average remaining vesting period of approximately 1.4 years.

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

c) Stock options:

The exercise price of each stock option is equal to the quoted market price of the Company's common shares at the date of the grant. Options granted have a maximum term of seven years with one-third of the options vesting each year after the date of grant.

Common shares reserved for outstanding incentive stock options as at December 31, 2018 and 2017 are as follows:

	Number of stock options	Weighted average exercise price
Outstanding at December 31, 2016	344,767	$ 40.91
Granted	31,400	50.17
Exercised	(98,274)	30.90
Cancelled	(15,358)	52.43
Outstanding at December 31, 2017	262,535	$ 45.09
Granted	**21,900**	**54.65**
Exercised	**(83,114)**	**38.89**
Cancelled	**(3,100)**	**57.26**
Outstanding at December 31, 2018	**198,221**	**$ 48.55**

Information regarding the stock options outstanding as at December 31, 2018 is as follows:

	Options outstanding at December 31, 2018			Options exercisable at December 31, 2018	
Range of exercise prices	Weighted average remaining contractual life (years)	Number of stock options outstanding	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price
Options					
$25.97 to $35.51	**3.98**	**56,467**	**$ 34.45**	**35,831**	**$ 34.37**
$38.24 to $50.17	**3.01**	**57,754**	**43.70**	**39,351**	**40.67**
$54.65 to $78.59	**3.61**	**84,000**	**61.37**	**62,100**	**63.74**
	3.54	**198,221**	**$ 48.55**	**137,282**	**$ 49.46**

For the year ended December 31, 2018, compensation expense related to stock options was $0.4 million (2017 – $0.5 million).

14. Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

During the years ended December 31, 2018 and 2017, revenues attributed to geographic regions, based on the location of customers, were as follows:

Revenue	China	Europe	United States	South Korea	South America	Canada	Other Asia	TOTAL
2018	**$ 1,122,557**	**$ 707,762**	**$ 761,600**	**$ 443,837**	**$ 352,805**	**$ 171,532**	**$ 371,754**	**$ 3,931,847**
2017	$ 801,838	$ 608,668	$ 570,482	$ 347,896	$ 279,270	$ 167,436	$ 285,052	$ 3,060,642

As at December 31, 2018 and 2017, the net book value of property, plant and equipment by country was as follows:

Property, plant and equipment	United States	Egypt	New Zealand	Trinidad	Canada	Chile	Other	TOTAL
2018	**$ 1,407,693**	**$ 680,730**	**$ 314,281**	**$ 142,045**	**$ 126,488**	**$ 132,494**	**$ 221,364**	**$ 3,025,095**
2017	$ 1,412,394	$ 720,397	$ 265,153	$ 155,525	$ 148,420	$ 107,495	$ 188,942	$ 2,998,326

15. Income and other taxes:

a) Income tax expense:

For the years ended December 31	2018	2017
Current tax recovery (expense):		
Current period before undernoted items	**$(117,496)**	$(95,402)
Benefit from unrecognised loss carry forwards	**23,860**	10,115
Adjustments to prior years	**2,609**	(217)
	(91,027)	(85,504)
Deferred tax recovery (expense):		
Origination and reversal of temporary differences	**(56,258)**	23,310
Adjustments to prior years	**(2,331)**	200
Change in U.S. tax rate	**–**	(36,567)
Change in other jurisdictions tax rates	**35**	734
Other	**(3,910)**	2,039
	(62,464)	(10,284)
Total income tax expense	**$(153,491)**	$(95,788)

b) Reconciliation of the effective tax rate:

The Company operates in several tax jurisdictions and therefore its income is subject to various rates of taxation. Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net income before income taxes as follows:

For the years ended December 31	2018	2017
Income before income taxes	$ 811,475	$ 470,885
Deduct earnings of associate	(72,001)	(75,995)
	739,474	394,890
Canadian statutory tax rate	27.0%	26.5%
Income tax expense calculated at Canadian statutory tax rate	(199,658)	(104,646)
Increase (decrease) in income tax expense resulting from:		
Impact of income and losses taxed in foreign jurisdictions	15,754	30,223
Utilization of unrecognised loss carryforwards and temporary differences	31,325	20,468
Impact of tax rate changes in the U.S.	–	(36,567)
Impact of tax rate changes in other jurisdictions	35	734
Impact of foreign exchange	(173)	3,104
Other business taxes	(7,750)	(4,105)
Tax effect of recovery (expenses) that are not taxable (deductible) for tax purposes	7,015	(4,112)
Adjustments to prior years	278	(17)
Other	(317)	(870)
Total income tax expense	$ (153,491)	$ (95,788)

c) Net deferred income tax liabilities:

(i) The tax effect of temporary differences that give rise to deferred income tax liabilities and deferred income tax assets are as follows:

As at	Dec 31 2018			Dec 31 2017		
	Net	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	$ (425,743)	$ (212,087)	$ (213,656)	$ (399,391)	$ (189,368)	$ (210,023)
Repatriation taxes	(94,446)	–	(94,446)	(87,239)	–	(87,239)
Other	(14,930)	(6,700)	(8,230)	(11,670)	(3,740)	(7,930)
	(535,119)	(218,787)	(316,332)	(498,300)	(193,108)	(305,192)
Non-capital loss carryforwards	233,237	233,237	–	244,576	244,576	–
Share-based compensation	10,908	1,170	9,738	19,920	2,946	16,974
Other	69,292	43,912	25,380	69,713	47,927	21,786
	313,437	278,319	35,118	334,209	295,449	38,760
Net deferred income tax assets (liabilities)	$ (221,682)	$ 59,532	$ (281,214)	$ (164,091)	$ 102,341	$ (266,432)

The Company recognizes deferred income tax assets to the extent that it is probable that the benefit of these assets will be realized. As at December 31, 2018, the Company had $354 million (2017 – $ 384 million) of deductible temporary differences in the United States that have not been recognized.

(ii) Analysis of the change in deferred income tax assets and liabilities:

	2018			2017		
	Net	**Deferred tax assets**	**Deferred tax liabilities**	Net	Deferred tax assets	Deferred tax liabilities
Balance, January 1	**$ (164,091)**	**$ 102,341**	**$ (266,432)**	$ (153,639)	$ 137,341	$ (290,980)
Deferred income tax recovery (expense) included in net income	**(62,464)**	**(44,277)**	**(18,187)**	(10,284)	(34,517)	24,233
Impact of U.S. tax rate change in other comprehensive income	**–**	**–**	**–**	(8,621)	(8,621)	–
Deferred income tax recovery included in other comprehensive income	**3,980**	**1,253**	**2,727**	9,295	8,398	897
Other	**893**	**215**	**678**	(842)	(260)	(582)
Balance, December 31	**$ (221,682)**	**$ 59,532**	**$ (281,214)**	$ (164,091)	$ 102,341	$ (266,432)

16. Supplemental cash flow information:

a) Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2018 and 2017 are as follows:

For the years ended December 31	**2018**	2017
Changes in non-cash working capital:		
Trade and other receivables	**$ 22,068**	$ (37,033)
Inventories	**(83,495)**	(23,136)
Prepaid expenses	**(5,993)**	(5,702)
Trade, other payables and accrued liabilities, including long-term payables included in other long-term liabilities	**(9,403)**	103,601
	(76,823)	37,730
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	**81,877**	(89,445)
Changes in non-cash working capital	**$ 5,054**	$ (51,715)
These changes relate to the following activities:		
Operating	**$ 5,998**	$ (49,368)
Financing	**–**	–
Investing	**(944)**	(2,347)
Changes in non-cash working capital	**$ 5,054**	$ (51,715)

The Company has reclassified the presentation of amounts for the year ended December 31, 2017 relating to restricted cash for debt service accounts in other cash payments from Operating activities to Financing activities.

b) Reconciliation of movements in liabilities to cash flows arising from financing activities:

	Long term debt (note 8)	Finance lease obligations (note 9)
Balance at December 31, 2017	$ 1,502,271	$ 204,242
Changes from financing cash flows		
Repayment of long-term debt and financing fees	(213,622)	–
Proceeds from limited recourse debt	166,000	–
Payment of finance lease liabilities	–	(8,293)
Total changes from financing cash flows	$ (47,622)	$ (8,293)
Liability-related other changes		
Finance costs	$ 3,637	$ –
New finance leases	–	2,425
Total liability-related other changes	$ 3,637	$ 2,425
Balance at December 31, 2018	$ 1,458,286	$ 198,374

17. Capital disclosures:

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to provide an adequate return to shareholders commensurate with the level of risk and to return excess cash through a combination of dividends and share repurchases.

As at		**Dec 31 2018**		Dec 31 2017
Liquidity:				
Cash and cash equivalents	**$**	**256,077**	$	375,479
Undrawn credit facilities		**300,000**		300,000
Total liquidity	**$**	**556,077**	$	675,479
Capitalization:				
Unsecured notes, including current portion	**$**	**1,189,976**	$	1,188,163
Egypt limited recourse debt facilities, including current portion		**101,226**		241,190
Other limited recourse debt facilities, including current portion		**167,084**		72,918
Total debt		**1,458,286**		1,502,271
Non-controlling interests		**296,628**		244,347
Shareholders' equity		**1,511,213**		1,500,764
Total capitalization	**$**	**3,266,127**	$	3,247,382
Total debt to capitalization[1]		**45%**		46%
Net debt to capitalization[2]		**40%**		39%

[1] Total debt (including 100% of Egypt and Other limited recourse debt facilities) divided by total capitalization.

[2] Total debt (including 100% of Egypt and Other limited recourse debt facilities) less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

The Company manages its liquidity and capital structure and makes adjustments to it in light of changes to economic conditions, the underlying risks inherent in its operations and capital requirements to maintain and grow its operations. The strategies employed by the Company may include the issue or repayment of general corporate debt, the issue of project debt, private placements by limited recourse subsidiaries, the issue of equity, the payment of dividends and the repurchase of shares.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options.

The Company maintains a $300 million revolving credit facility that expires in December 2022. The undrawn credit facility is provided by highly rated financial institutions and is subject to certain financial covenants (note 8).

18. Financial instruments:

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

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

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions.

The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

As at		Dec 31 2018		Dec 31 2017
Financial assets:				
Financial assets measured at fair value:				
Derivative instruments designated as cash flow hedges[1]	**$**	**327**	$	–
Financial assets not measured at fair value:				
Cash and cash equivalents		**256,077**		375,479
Trade and other receivables, excluding tax receivable		**504,661**		527,084
Restricted cash included in other assets		**18,545**		27,863
Restricted cash and cash equivalents for vessels under construction included in other assets		**66,452**		–
Total financial assets[2]	**$**	**846,062**	$	930,426
Financial liabilities:				
Financial liabilities measured at fair value:				
Derivative instruments designated as cash flow hedges[1]	**$**	**105,721**	$	91,014
Financial liabilities not measured at fair value:				
Trade, other payables and accrued liabilities, excluding tax payable		**523,965**		528,182
Long-term debt, including current portion		**1,458,286**		1,502,271
Total financial liabilities	**$**	**2,087,972**	$	2,121,467

1 The Geismar 2 and Medicine Hat natural gas hedges and euro foreign currency hedges designated as cash flow hedges are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.
2 The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

As at December 31, 2018, all of the financial instruments were recorded on the consolidated statements of financial position at amortized cost with the exception of derivative financial instruments, which are recorded at fair value unless exempted.

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

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

Natural gas forward contracts

The Company has elected to manage its exposure to changes in natural gas prices for a portion of its North American natural gas requirements by executing a number of fixed price forward contracts. The Company has entered into forward contracts to manage its exposure to changes in natural gas prices for the Geismar 2 facility for 40% of its gas requirements to 2025, which it has designated as cash flow hedges. The Company has also entered into physical forward contracts to manage its exposure to changes in natural gas prices for the Medicine Hat facility over the period 2017 to 2022. The Company has designated contracts for the 2021 and 2022 periods as cash flow hedges for its highly probable forecast natural gas purchases in Medicine Hat. Other costs incurred to transport natural gas from the contracted delivery point, either Henry Hub or AECO, to the relevant production facility represent an insignificant portion of the overall underlying risk and are recognized as incurred outside of the hedging relationship. The Company has elected to designate the spot element of the forward contracts as cash flow hedges. The forward element of the forward contracts are excluded from the designation and only the spot element is considered for the purpose of assessing effectiveness and measuring ineffectiveness. The excluded forward element of the swap contracts will be accounted for as a cost of hedging (transaction cost) to be recognized in profit or loss over the term of the hedging relationships. Ineffectiveness may arise in the hedging relationship due to changes in the timing of the anticipated transactions and/or due to changes in credit risk of the hedging instrument not replicated in the hedged item. No hedge ineffectiveness has been recognized in 2018.

As at December 31, 2018, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of $426 million (2017 – $473 million) and a net negative fair value of $105.7 million (2017 – $90.2 million) included in other long-term liabilities. As at December 31, 2018, the forward contracts for the Geismar 2 facility had an average contract price of $3.81 per mmbtu (2017 – $3.74 per mmbtu) over the remaining seven year term, and for the forward contracts for the Medicine Hat facility has an average contract price of $1.96 per mmbtu (2017 – $1.96 per mmbtu).

Forward exchange contracts

The Company also designates as cash flow hedges forward exchange contracts to sell certain foreign currencies at a fixed U.S. dollar exchange rate to hedge its exposure to exchange rate fluctuations on certain foreign currency denominated transactions. The Company has elected to designate the spot element of the forward contracts as cash flow hedges. The forward element of the forward contracts are excluded from the designation and only the spot element is considered for the purpose of assessing effectiveness and measuring ineffectiveness. The excluded forward element of the swap contracts will be accounted for as a cost of hedging (transaction cost) to be recognized in profit or loss over the term of the hedging relationships. Ineffectiveness may arise in the hedging relationship due to changes in the timing of the anticipated transactions and/or due to changes in credit risk of the hedging instrument not replicated in the hedged item. No hedge ineffectiveness has been recognized in 2018.

As at December 31, 2018, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell euros at a fixed U.S. dollar exchange rate with a notional amount of 45 million euros (2017 – 109 million euros) and a positive fair value of $0.3 million included in current assets (2017 – negative fair value of $0.8 million included in current liabilities).

Fair value liabilities

The table below shows net cash outflows for derivative hedging instruments including natural gas forward contracts and forward exchange contracts, excluding credit risk adjustments, based upon contracted payment dates. The amounts reflect the maturity profile of the fair value liabilities and are subject to change based on the prevailing market rate at each of the future settlement dates. Financial asset derivative positions, if any, are held with investment-grade counterparties and therefore the settlement day risk exposure is considered to be negligible.

As at	**Dec 31 2018**	Dec 31 2017
Within one year	**$ 6,679**	$ 7,114
1-3 years	**35,551**	17,057
3-5 years	**40,130**	28,864
More than 5 years	**40,928**	52,085
	$ 123,288	$ 105,120

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

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties to derivative financial instruments with positive fair values failed completely to perform under the contracts was $0.3 million as at December 31, 2018 (2017 – nil).

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

As at	**December 31, 2018**		December 31, 2017	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt excluding deferred financing fees	**$ 1,472,117**	**$ 1,442,046**	$ 1,515,544	$ 1,561,392

Long-term debt consists of limited recourse debt facilities and unsecured notes. There is no publicly traded market for the limited recourse debt facilities. The fair value of the limited recourse debt facilities as disclosed on a recurring basis and categorized as Level 2 within the fair value hierarchy is estimated by reference to current market rates as at the reporting date. The fair value of the unsecured notes disclosed on a recurring basis and also categorized as Level 2 within the fair value hierarchy is estimated using quoted prices and yields as at the reporting date. The fair value of the Company's long term debt will fluctuate until maturity.

19. Financial risk management:

a) Market risks:

The Company's operations consist of the production and sale of methanol. Market fluctuations may result in significant cash flow and profit volatility risk for the Company. Its worldwide operating business as well as its investment and financing activities are affected by changes in methanol and natural gas prices and interest and foreign exchange rates. The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative instruments to hedge these risks when deemed appropriate. This is not an exhaustive list of all risks, nor will the risk management strategies eliminate these risks.

Methanol price risk

The methanol industry is a highly competitive commodity industry and methanol prices fluctuate based on supply and demand fundamentals and other factors. The profitability of the Company is directly related to the market price of methanol. A decline in the market price of methanol could negatively impact the Company's future operations. The Company does not hedge its methanol sales through derivative contracts. The Company manages its methanol price risk, to a certain degree, through natural gas supply contracts that include a variable price component related to methanol prices, as described below.

Natural gas price risk

Natural gas is the primary feedstock for the production of methanol. The Company has entered into multi-year natural gas supply contracts for its production facilities in New Zealand, Trinidad, Egypt and certain contracts in Chile that include base and variable price components to reduce the commodity price risk exposure. The variable price component is adjusted by formulas related to methanol prices above a certain level. The Company also has multi-year fixed price natural gas contracts to supply its production facilities in Geismar, Medicine Hat and Chile and natural gas hedges in Geismar and Medicine Hat to manage its exposure to natural gas price risk.

Interest rate risk

Interest rate risk is the risk that the Company suffers financial loss due to changes in the value of an asset or liability or in the value of future cash flows due to movements in interest rates.

The Company's interest rate risk exposure is mainly related to long-term debt obligations.

As at	**Dec 31 2018**	Dec 31 2017
Fixed interest rate debt:		
Unsecured notes	**$ 1,189,976**	$ 1,188,163
Other limited recourse debt facilities	**161,601**	–
	$ 1,351,577	$ 1,188,163
Variable interest rate debt:		
Egypt limited recourse debt facilities	**$ 101,226**	$ 241,190
Other limited recourse debt facilities	**5,483**	72,918
	$ 106,709	$ 314,108

For fixed interest rate debt, a 1% change in interest rates would result in a change in the fair value of the debt (disclosed in note 18) of approximately $76.0 million as of December 31, 2018 (2017 – $84.0 million).

The fair value of variable interest rate debt fluctuates primarily with changes in credit spreads.

For the variable interest rate debt, a 1% change in LIBOR would result in a change in annual interest payments of $1.1 million as of December 31, 2018 (2017 – $3.2 million).

Foreign currency risk

The Company's international operations expose the Company to foreign currency exchange risks in the ordinary course of business. Accordingly, the Company has established a policy that provides a framework for foreign currency management and hedging strategies and defines the approved hedging instruments. The Company reviews all significant exposures to foreign currencies arising from operating and investing activities and hedges exposures if deemed appropriate.

The dominant currency in which the Company conducts business is the United States dollar, which is also the reporting currency.

Methanol is a global commodity chemical that is priced in United States dollars. In certain jurisdictions, however, the transaction price is set either quarterly or monthly in the local currency. Accordingly, a portion of the Company's revenue is transacted in Canadian dollars, euros, Chinese yuan and, to a lesser extent, other currencies. For the period from when the price is set in local currency to when the amount due is collected, the Company is exposed to declines in the value of these currencies compared to the United States dollar. The Company also purchases varying quantities of methanol for which the transaction currency is the euro, Chinese yuan and, to a lesser extent, other currencies. In addition, some of the Company's underlying operating costs and capital expenditures are incurred in other currencies. The Company is exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales and operating expenses and capital expenditures. The Company has elected not to actively manage these exposures at this time except for a portion of the net exposure to euro revenues, which is hedged through forward exchange contracts each quarter when the euro price for methanol is established.

As at December 31, 2018, the Company had a net working capital asset of $104.4 million in non U.S. dollar currencies (2017 – $85.3 million). Each 10% strengthening (weakening) of the U.S. dollar against these currencies would decrease (increase) the value of net working capital and pre-tax cash flows and earnings by approximately $10.4 million (2017 – $8.5 million).

b) Liquidity risks:

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities, such as the settlement of financial debt and lease obligations and payment to its suppliers. The Company maintains liquidity and makes adjustments to it in light of changes to economic conditions, underlying risks inherent in its operations and capital requirements to maintain and grow its operations. As at December 31, 2018, the Company had $256 million of cash and cash equivalents. In addition, the Company has an undrawn credit facility of $300 million provided by highly rated financial institutions that expires in December 2022.

In addition to the above-mentioned sources of liquidity, the Company monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting refinancing risks.

The expected cash flows of financial liabilities from the date of the balance sheet to the contractual maturity date are as follows:

As at December 31, 2018	Carrying amount	Contractual cash flows	1 year or less	1-3 years	3-5 years	More than 5 years
Trade and other payables[1]	$ 516,153	$ 516,153	$ 516,153	$ –	$ –	$ –
Finance lease obligations	198,374	370,274	32,222	65,628	66,201	206,223
Long-term debt[2]	1,458,286	2,129,284	453,430	187,564	365,200	1,123,090
Cash flow hedges[3]	105,721	123,615	7,006	35,551	40,130	40,928
	$ 2,278,534	$ 3,139,326	$ 1,008,811	$ 288,743	$ 471,531	$ 1,370,241

[1] Excludes tax and accrued interest.

[2] Contractual cash flows include contractual interest payments related to debt obligations and finance lease obligations. Interest rates on variable rate debt are based on prevailing rates as at December 31, 2018.

[3] Cash flow hedges includes the impact of discounting and credit valuation adjustments

c) Credit risks:

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties that are recorded in the financial statements.

Trade credit risk

Trade credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time or if the value of the security provided declines. The Company has implemented a credit policy that includes approvals for new customers, annual credit evaluations of all customers and specific approval for any exposures beyond approved limits. The

Company employs a variety of risk-mitigation alternatives, including credit insurance, certain contractual rights in the event of deterioration in customer credit quality and various forms of bank and parent company guarantees and letters of credit to upgrade the credit risk to a credit rating equivalent or better than the stand-alone rating of the counterparty. Trade credit losses have historically been minimal and as at December 31, 2018 substantially all of the trade receivables were classified as current.

Cash and cash equivalents

To manage credit and liquidity risk, the Company's investment policy specifies eligible types of investments, maximum counterparty exposure and minimum credit ratings. Therefore, the Company invests only in highly rated investment-grade instruments that have maturities of three months or less.

Derivative financial instruments

The Company's hedging policies specify risk management objectives and strategies for undertaking hedge transactions. The policies also include eligible types of derivatives and required transaction approvals, as well as maximum counterparty exposures and minimum credit ratings. The Company does not use derivative financial instruments for trading or speculative purposes.

To manage credit risk, the Company only enters into derivative financial instruments with highly rated investment-grade counterparties. Hedge transactions are reviewed, approved and appropriately documented in accordance with Company policies.

20. Retirement plans:

a) Defined benefit pension plans:

The Company has non-contributory defined benefit pension plans covering certain employees. The Company does not provide any significant post-retirement benefits other than pension plan benefits. Information concerning the Company's defined benefit pension plans, in aggregate, is as follows:

As at	Dec 31 2018	Dec 31 2017
Accrued benefit obligations:		
Balance, beginning of year	$ 65,393	$ 60,771
Current service cost	1,981	1,879
Past service cost	1,279	812
Interest cost on accrued benefit obligations	2,247	2,242
Benefit payments	(3,558)	(5,280)
Actuarial (gain) loss	(652)	166
Foreign exchange (gain) loss	(6,072)	4,803
Balance, end of year	60,618	65,393
Fair values of plan assets:		
Balance, beginning of year	46,991	44,230
Interest income on assets	1,420	1,522
Contributions	2,452	1,970
Benefit payments	(3,558)	(5,280)
Return (loss) on plan assets	(2,846)	1,330
Foreign exchange gain (loss)	(3,504)	3,219
Balance, end of year	40,955	46,991
Unfunded status	19,663	18,402
Minimum funding requirement	–	–
Defined benefit obligation, net	$ 19,663	$ 18,402

The Company has an unfunded retirement obligation of $24.8 million as at December 31, 2018 (2017 – $25.1 million) for its employees in Chile that will be funded at retirement in accordance with Chilean law. The accrued benefit for the unfunded retirement arrangement in Chile is paid when an employee leaves the Company in accordance with plan terms and Chilean regulations. The Company estimates that it may make benefit payments based on actuarial assumptions related to the unfunded retirement obligation in Chile of $5.4 million in 2019. Actual benefit payments in future periods will fluctuate based on employee retirements.

The Company has a net funded retirement asset of $4.7 million as at December 31, 2018 (2017 – $6.6 million) for certain employees and retirees in Canada and a net funded retirement asset of $0.4 million as at December 31, 2018 (2017 – $0.1 million) in Europe. The Company estimates that it will make additional contributions relating to its defined benefit pension plan in Canada of $0.9 million in 2019.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk on the funded plans. Additionally, as the plans provide benefits to plan members predominantly in Canada and Chile, the plans expose the Company to foreign currency risk for funding requirements. The primary long-term risk is that the Company will not have sufficient plan assets and liquidity to meet obligations when they fall due. The weighted average duration of the net defined benefit obligation is 9 years.

The Company's net defined benefit pension plan expense charged to the consolidated statements of income for the years ended December 31, 2018 and 2017 is as follows:

For the years ended December 31	**2018**	2017
Net defined benefit pension plan expense:		
Current service cost	**$ 1,981**	$ 1,879
Past service cost	**1,279**	812
Net interest cost	**827**	720
	$ 4,087	$ 3,411

The Company's current year actuarial gains (losses), recognized in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

For the years ended December 31	**2018**	2017
Actuarial gain (loss)	**$ (1,483)**	$ 564

The Company had no minimum funding requirement for the years ended December 31, 2018 and 2017.

The Company uses a December 31 measurement date for its defined benefit pension plans. Actuarial reports for the Company's defined benefit pension plans were prepared by independent actuaries for funding purposes as of December 31, 2016 in Canada. The next actuarial reports for funding purposes for the Company's Canadian defined benefit pension plans are scheduled to be completed as of December 31, 2019.

The discount rate is the most significant actuarial assumption used in accounting for the defined benefit pension plans. As at December 31, 2018, the weighted average discount rate for the defined benefit obligation was 3.9% (2017 - 3.7%). A decrease of 1% in the weighted average discount rate at the end of the reporting period, while holding all other assumptions constant, would result in an increase to the defined benefit obligation of approximately $5.4 million.

The asset allocation for the defined benefit pension plan assets as at December 31, 2018 and 2017 is as follows:

As at	**Dec 31 2018**	Dec 31 2017
Equity securities	**20%**	46%
Debt securities	**57%**	29%
Cash and other short-term securities	**23%**	25%
Total	**100%**	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of cash and other short-term securities are not based on quoted market prices in active markets. The plan assets are held separately from those of the Company in funds under the control of trustees.

b) Defined contribution pension plans:

The Company has defined contribution pension plans. The Company's funding obligations under the defined contribution pension plans are limited to making regular payments to the plans, based on a percentage of employee earnings. Total net pension expense for the defined contribution pension plans charged to operations during the year ended December 31, 2018 was $8.7 million (2017 - $8.1 million).

21. Commitments and contingencies:

a) Take-or-pay purchase contracts and related commitments:

The Company has commitments under take-or-pay contracts to purchase natural gas, to pay for transportation capacity related to the delivery of natural gas and to purchase oxygen and other feedstock requirements up to 2035. The minimum estimated commitment under these contracts, except as noted below, is as follows:

As at December 31, 2018

2019	2020	2021	2022	2023	Thereafter
$ 456,804	$ 369,401	$ 371,345	$ 340,595	$ 319,509	$ 1,502,356

In the above table, the Company has included natural gas commitments at the contractual volume and prices.

b) Argentina natural gas supply contracts:

The Company’s natural gas supply agreements with Argentine suppliers are on an interruptible basis and as such, the potential future purchase obligations under these agreements have been excluded from the table above.

c) Operating lease commitments:

The Company has future minimum lease payments under operating leases relating primarily to vessel charter, terminal facilities, office space, equipment and other operating lease commitments as follows:

As at December 31, 2018

2019	2020	2021	2022	2023	Thereafter
$ 79,692	$ 70,896	$ 49,325	$ 47,749	$ 55,147	$ 124,480

The minimum lease payments relate to the right of use of the leased asset and exclude non-lease elements such as the reimbursement of operating costs.

For the year ended December 31, 2018, the Company recognized as an expense $186.8 million (2017 – expense of $181.4 million) relating to operating lease payments. The expense recognized includes amounts related to leased assets and the reimbursement of operating costs for time charter vessels.

d) Leased assets not yet in service:

The Company has future minimum lease payments under operating leases related to two time charter agreements for vessels which are currently under construction and expected to be delivered in 2019. The minimum lease payments under these leases have been excluded from the operating lease commitments table above as the contracts contain certain cancellation features which are dependent on the delivery of the vessels. Once delivered, these vessels will have a total minimum lease commitment of approximately $80 million per vessel over a 15 year life.

e) Purchased methanol:

The Company has marketing rights for 100% of the production from its jointly owned plants (the Atlas plant in Trinidad in which it has a 63.1% interest and the plant in Egypt in which it has a 50% interest), which results in purchase commitments of an additional 1.3 million tonnes per year of methanol offtake supply when these plants operate at capacity. As at December 31, 2018, the Company also had commitments to purchase methanol from other suppliers for approximately 1.2 million tonnes for 2019 and 1.2 million tonnes in aggregate thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the table above.

22. Related parties:

The Company has interests in significant subsidiaries and joint ventures as follows:

Name	Country of incorporation	Principal activities	Interest % Dec 31 2018	Interest % Dec 31 2017
Significant subsidiaries:				
Methanex Asia Pacific Limited	Hong Kong	Marketing & distribution	**100%**	100%
Methanex Europe NV	Belgium	Marketing & distribution	**100%**	100%
Methanex Methanol Company, LLC	United States	Marketing & distribution	**100%**	100%
Egyptian Methanex Methanol Company S.A.E. ("Methanex Egypt")	Egypt	Production	**50%**	50%
Methanex Chile S.A.	Chile	Production	**100%**	100%
Methanex New Zealand Limited	New Zealand	Production	**100%**	100%
Methanex Trinidad (Titan) Unlimited	Trinidad	Production	**100%**	100%
Methanex U.S.A. LLC	United States	Production	**100%**	100%
Methanex Louisiana LLC	United States	Production	**100%**	100%
Waterfront Shipping Company Limited[1]	Cayman Islands	Shipping	**100%**	100%
Significant joint ventures:				
Atlas Methanol Company Unlimited[2]	Trinidad	Production	**63.1%**	63.1%

[1] Waterfront Shipping Company Limited has a controlling interest in multiple ocean going vessels owned through less than wholly-owned entities as disclosed in note 23.

[2] Summarized financial information for the group's investment in Atlas is disclosed in note 6.

Transactions between the Company and Atlas are considered related party transactions and are included within the summarized financial information in note 6. Atlas revenue for the year ended December 31, 2018 of $512 million (2017 – $459 million) is a related party transaction as the Company has marketing rights for 100% of the methanol produced by Atlas. Balances outstanding with Atlas as at December 31, 2018 and provided in the summarized financial information in note 6 include receivables owing from Atlas to the Company of $10 million (2017 – $13 million), and payables to Atlas of $134 million (2017 – $89 million). The Company has total loans outstanding to Atlas as at December 31, 2018 of $76 million (2017 – $76 million) which are unsecured and due at maturity.

Remuneration of non-management directors and senior management, which includes the members of the executive leadership team, is as follows:

For the years ended December 31	**2018**	2017
Short-term employee benefits	**$ 6,829**	$ 5,214
Post-employment benefits	**977**	583
Other long-term employee benefits	**52**	43
Share-based compensation expense (recovery)[1]	**(4,725)**	40,668
Total	**$ 3,133**	$ 46,508

[1] Balance includes realized and unrealized gains (losses) from share-based compensation awards granted.

23. Non-controlling interests:

Set out below is summarized financial information for each of our subsidiaries that have non-controlling interests. The amounts disclosed are before inter-company eliminations.

As at	Dec 31 2018			Dec 31 2017		
	Methanex Egypt	**Other[1]**	**Total**	Methanex Egypt	Other[1]	Total
Current assets	**$ 158,903**	**$ 73,431**	**$ 232,334**	$ 248,032	$ 27,240	$ 275,272
Non-current assets	**670,819**	**142,790**	**813,609**	720,356	105,375	825,731
Current liabilities	**(86,155)**	**(13,625)**	**(99,780)**	(231,259)	(12,489)	(243,748)
Non-current liabilities	**(170,034)**	**(165,766)**	**(335,800)**	(293,184)	(76,090)	(369,274)
Net assets	**573,533**	**36,830**	**610,363**	443,945	44,036	487,981
Carrying amount of Methanex non-controlling interests	**$ 275,303**	**$ 21,325**	**$ 296,628**	$ 216,599	$ 27,748	$ 244,347

For the years ended December 31	2018			2017		
	Methanex Egypt	**Other[1]**	**Total**	Methanex Egypt	Other[1]	Total
Revenue	**$ 404,936**	**$ 34,759**	**$ 439,695**	$ 285,017	$ 32,094	$ 317,111
Net and total comprehensive income	**118,099**	**9,168**	**127,267**	65,241	6,981	72,222
Net and total comprehensive income attributable to Methanex non-controlling interests	**84,418**	**4,584**	**89,002**	55,470	3,492	58,962
Equity contributions by non-controlling interests	**$ –**	**$ 5**	**$ 5**	$ –	$ 8,170	$ 8,170
Distributions paid and accrued to non-controlling interests	**$ (25,715)**	**$ (11,006)**	**$ (36,721)**	$ (26,970)	$ (4,330)	$ (31,300)

For the years ended December 31	2018			2017		
	Methanex Egypt	**Other[1]**	**Total**	Methanex Egypt	Other[1]	Total
Cash flows from (used in) operating activities	**$ 254,030**	**$ 21,556**	**$ 275,586**	$ 131,175	$ 19,538	$ 150,713
Cash flows from (used in) financing activities	**(333,595)**	**62,382**	**(271,213)**	(27,365)	(3,250)	(30,615)
Cash flows from (used in) investing activities	**$ (3,619)**	**$ (99,463)**	**$ (103,082)**	$ (18,839)	$ (605)	$ (19,444)

[1] Other is comprised of multiple ocean going vessels controlled by Waterfront Shipping Company Limited through less than wholly-owned entities.

Executive Leadership Team

John Floren
President and Chief Executive Officer

Brad Boyd
Senior Vice President, Corporate Resources

Ian Cameron
Senior Vice President, Finance and Chief Financial Officer

Kevin Henderson
Senior Vice President, Manufacturing

Mike Herz
Senior Vice President, Corporate Development

Vanessa James
Senior Vice President, Global Marketing and Logistics

Board of Directors

Thomas Hamilton
Chair of the Board
Board member since May 2007

John Floren
President and CEO of Methanex Corporation
Board member since January 2013

Bruce Aitken
Member of the Public Policy and Responsible Care Committees
Board Member since July 2004

Douglas Arnell
Chair of the Human Resources Committee
Member of the Corporate Governance and Public Policy Committees
Board member since October 2016

Howard Balloch
Chair of the Public Policy Committee
Member of the Audit, Finance & Risk Committee
Board member since December 2004

James Bertram
Member of the Public Policy and Responsible Care Committees
Board member since October 2018

Phillip Cook
Chair of the Corporate Governance Committee
Member of the Human Resources Committee
Board member since May 2006

Maureen Howe
Member of the Audit, Finance & Risk and Corporate Governance Committees
Board member since June 2018

Robert Kostelnik
Chair of the Responsible Care Committee
Member of the Corporate Governance Committee
Board member since September 2008

Janice Rennie
Member of the Audit, Finance & Risk and Human Resources Committees
Board member since May 2006

Margaret Walker
Member of the Human Resources and Responsible Care Committees
Board member since April 2015

Benita Warmbold
Chair of the Audit, Finance & Risk Committee
Member of the Responsible Care Committee
Board member since February 2016

Corporate Information

Head Office
Methanex Corporation
1800 Waterfront Centre
200 Burrard Street
Vancouver, BC V6C 3M1
Tel 604 661 2600
Fax 604 661 2676

Toll Free
1 800 661 8851
Within North America

Web Site
www.methanex.com

Sales Inquiries:
sales@methanex.com

Transfer Agent
AST Trust Company (Canada) acts as transfer agent and registrar for Methanex stock and maintains all primary shareholder records. All inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should be directed to AST Trust Company (Canada) at:
1 800 387 0825
Toll Free within North America

Investor Relations Inquiries
Tel 604 661 2600
IR@methanex.com

Annual General Meeting
The Annual General Meeting will be held at the Vancouver Convention Centre – East Building in Vancouver, British Columbia on Thursday, April 25, 2019 at 10:30 a.m. (Pacific Time).

Shares Listed
Toronto Stock Exchange – MX
NASDAQ Global Select Market – MEOH

Annual Information Form (AIF)
The corporation's AIF can be found online at *www.sedar.com*.

A copy of the AIF can also be obtained by contacting our head office.

methanex®
the power of agility

2018
ANNUAL REPORT

A RESPONSIBLE CARE® COMPANY