

METHANEX CORP  
Form 6-K  
May 01, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE MONTH OF APRIL 2014**

**METHANEX CORPORATION**

**(Registrant's name)**

**SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA**

**(Address of principal executive offices)**

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

Form 20-F  Form 40-F

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

Yes  No

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

82 .

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**NEWS RELEASE**

Methanex Corporation

1800 - 200 Burrard St.

Vancouver, BC Canada V6C 3M1

Investor Relations: (604) 661-2600

<http://www.methanex.com>

For immediate release

**METHANEX REPORTS HIGHER ADJUSTED EBITDA IN THE FIRST QUARTER OF 2014**

**APRIL 29, 2014**

For the first quarter of 2014, Methanex reported Adjusted EBITDA<sup>1</sup> of \$255 million and Adjusted net income<sup>1</sup> of \$160 million (\$1.65 per share on a diluted basis<sup>1</sup>). These figures compare with Adjusted EBITDA<sup>1</sup> of \$245 million and Adjusted net income<sup>1</sup> of \$167 million (\$1.72 per share on a diluted basis<sup>1</sup>) for the fourth quarter of 2013.

John Floren, President and CEO of Methanex commented, "This was another excellent quarter. Increased production resulting from our 2013 capacity growth initiatives in New Zealand and Medicine Hat, together with higher methanol pricing, contributed to robust EBITDA and earnings results this quarter." Mr. Floren added, "The methanol industry environment remains favorable. In Q4 2013, we saw methanol prices rise rapidly as a result of industry supply constraints. Late in Q1 2014, several idle plants resumed operation which resulted in methanol pricing moderating to levels seen prior to the supply disruptions. Industry demand remains steady, particularly for methanol into energy, and limited new supply additions are expected in the near to medium term.

Mr. Floren added, "We continue to target methanol production from our Geismar 1 facility in late 2014 and Geismar 2 in early 2016. These two facilities are expected to provide a two million tonne increase in our operating capacity to eight million tonnes by 2016, at a time when new market supply is expected to be limited.

Mr. Floren concluded, "With approximately \$700 million of cash on hand, an undrawn credit facility, robust balance sheet, and strong cash flow generation, we are well positioned to deliver on our growth projects, continue to grow our business and deliver on our commitment to return excess cash to shareholders. Our announcement today of a new 5% normal course issuer bid share repurchase program, along with a 25% increase in our quarterly dividend, reflects that commitment.

A conference call is scheduled for April 30, 2014 at 12:00 noon ET (9:00 am PT) to review these first quarter results. To access the call, dial the conferencing operator ten minutes prior to the start of the call at (416) 340-2218, or toll free at (866) 226-1793. A playback version of the conference call will be available until May 21, 2014 at (905) 694-9451, or toll free at (800) 408-3053. The passcode for the playback version is 3924003. Presentation slides summarizing Q1-14 results and a simultaneous audio-only webcast of the conference call can be accessed from our website at [www.methanex.com](http://www.methanex.com). The webcast will be available on the website for three weeks following the call.

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

**FORWARD-LOOKING INFORMATION WARNING**

This First Quarter 2014 press release contains forward-looking statements with respect to us and the chemical industry. Refer to Forward-Looking Information Warning in the attached First Quarter 2014 Management's Discussion and Analysis for more information.

<sup>1</sup> *Adjusted EBITDA, Adjusted net income and Adjusted net income per common share are non-GAAP measures which do not have any standardized meaning prescribed by GAAP. These measures represent the amounts that are attributable to Methanex Corporation shareholders and are calculated by excluding the mark-to-market impact of share-based compensation as a result of changes in our share price and items considered by management to be non-operational. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 of the attached Interim Report for the three months ended March 31, 2014 for reconciliations to the most comparable GAAP measures.*

-end-

For further information, contact:

Sandra Daycock

Director, Investor Relations

Methanex Corporation

604-661-2600

**Share Information**

At April 29, 2014 the Company had 96,523,956 common shares issued and outstanding and stock options exercisable for 1,665,436 additional common shares.

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

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**FIRST QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

A reconciliation from net income attributable to Methanex shareholders to Adjusted net income<sup>1</sup> and the calculation of Adjusted net income per common share<sup>1</sup> is as follows:

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
<i>(\$ millions except number of shares and per share amounts)</i>	<b>2014</b>	2013	2013
Net income attributable to Methanex shareholders	<b>\$ 145</b>	\$ 128	\$ 60
Mark-to-market impact of share-based compensation, net of tax	<b>15</b>	34	28
Write-off of oil and gas rights, net of tax		5	
Adjusted net income <sup>1</sup>	<b>\$ 160</b>	\$ 167	\$ 88
Diluted weighted average shares outstanding (millions)	<b>97</b>	97	96
Adjusted net income per common share <sup>1</sup>	<b>\$ 1.65</b>	\$ 1.72	\$ 0.92

We recorded Adjusted EBITDA<sup>1</sup> of \$255 million for the first quarter of 2014 compared with \$245 million for the fourth quarter of 2013. The increase in Adjusted EBITDA<sup>1</sup> was primarily due to an increase in our average realized price to \$524 per tonne for the first quarter of 2014 from \$493 per tonne for the fourth quarter of 2013 and an increase in sales of Methanex-produced methanol.

Production for the first quarter of 2014 was 1,226,000 tonnes compared with 1,194,000 tonnes for the fourth quarter of 2013. Refer to the Production Summary section on page 3.

Sales of Methanex-produced methanol were 1,228,000 tonnes in the first quarter of 2014 compared with 1,190,000 in the fourth quarter of 2013.

We continue to progress our Geismar relocation projects. We are targeting to be producing methanol from Geismar 1 in late 2014 and from Geismar 2 in early 2016.

During the first quarter of 2014, we paid a \$0.20 per share dividend to shareholders for a total of \$19 million.

We announced today that the Board of Directors has approved a 25% increase to our quarterly dividend to shareholders, from \$0.20 per share per quarter to \$0.25 per share per quarter, effective with the dividend payable June 30, 2014.

We also announced today that the Board of Directors has approved a 5% normal course issuer bid under which the Company may repurchase up to 4.8 million common shares.

<sup>1</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

This First Quarter 2014 Management's Discussion and Analysis ( MD&A ) dated April 29, 2014 for Methanex Corporation ( the Company ) should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended March 31, 2014 as well as the 2013 Annual Consolidated Financial Statements and MD&A included in the Methanex 2013 Annual Report. Unless otherwise indicated, the financial information presented in this interim report is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Methanex 2013 Annual Report and additional information relating to Methanex is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

## FINANCIAL AND OPERATIONAL DATA

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
<i>(\$ millions, except per share amounts and where noted)</i>	<b>2014</b>	2013	2013
Production (thousands of tonnes) (attributable to Methanex shareholders)	<b>1,226</b>	1,194	1,063
Sales volumes (thousands of tonnes):			
Methanex-produced methanol (attributable to Methanex shareholders)	<b>1,228</b>	1,190	1,030
Purchased methanol	<b>654</b>	663	588
Commission sales	<b>296</b>	274	219
Total sales volumes <sup>1</sup>	<b>2,178</b>	2,127	1,837
Methanex average non-discounted posted price (\$ per tonne) <sup>2</sup>	<b>613</b>	557	474
Average realized price (\$ per tonne) <sup>3</sup>	<b>524</b>	493	412
Adjusted EBITDA (attributable to Methanex shareholders) <sup>4</sup>	<b>255</b>	245	149
Cash flows from operating activities	<b>179</b>	162	118
Adjusted net income (attributable to Methanex shareholders) <sup>4</sup>	<b>160</b>	167	88
Net income attributable to Methanex shareholders	<b>145</b>	128	60
Adjusted net income per common share (attributable to Methanex shareholders) <sup>4</sup>	<b>1.65</b>	1.72	0.92
Basic net income per common share (attributable to Methanex shareholders)	<b>1.51</b>	1.33	0.64
Diluted net income per common share (attributable to Methanex shareholders)	<b>1.50</b>	1.32	0.63
Common share information (millions of shares):			
Weighted average number of common shares	<b>96</b>	96	95
Diluted weighted average number of common shares	<b>97</b>	97	96
Number of common shares outstanding, end of period	<b>97</b>	96	95

<sup>1</sup> Methanex-produced methanol includes volumes produced by Chile using natural gas supplied from Argentina under a tolling arrangement. Commission sales represent volumes marketed on a commission basis related to 36.9% of the Atlas methanol facility and the portion of the Egypt methanol facility that we do not own.

<sup>2</sup> Methanex average non-discounted posted price represents the average of our non-discounted posted prices in North America, Europe and Asia Pacific weighted by sales volume. Current and historical pricing information is available at [www.methanex.com](http://www.methanex.com).

<sup>3</sup> 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 volumes of Methanex-produced (attributable to Methanex shareholders) and purchased methanol.

<sup>4</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 for a description of each non-GAAP measure and

reconciliations to the most comparable GAAP measures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS



**PRODUCTION SUMMARY**

<i>(thousands of tonnes)</i>	<b>Q1 2014</b>		Q4 2013	Q1 2013
	<b>Capacity<sup>1</sup></b>	<b>Production</b>	Production	Production
New Zealand <sup>2</sup>	<b>608</b>	<b>500</b>	400	309
Atlas (Trinidad) (63.1% interest)	<b>281</b>	<b>249</b>	268	248
Titan (Trinidad)	<b>218</b>	<b>149</b>	173	181
Egypt (50% interest) <sup>3</sup>	<b>158</b>	<b>139</b>	159	133
Medicine Hat (Canada)	<b>140</b>	<b>122</b>	86	131
Chile I and IV	<b>430</b>	<b>67</b>	108	61
Geismar 1 and 2 (Louisiana, USA) <sup>4</sup>				
	<b>1,835</b>	<b>1,226</b>	1,194	1,063

<sup>1</sup> The production capacity of our facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies. Actual production for a facility in any given year may be higher or lower than annual production capacity due to a number of factors, including natural gas composition or the age of the facility's catalyst.

<sup>2</sup> The annual production capacity of New Zealand represents the two Motunui facilities and the Waitara Valley facility (refer to New Zealand section below).

<sup>3</sup> On December 9, 2013, we completed a sale of 10% equity interest in the Egypt facility. Production figures prior to December 9, 2013 reflect a 60% interest.

<sup>4</sup> We are relocating two 1.0 million tonne idle Chile facilities to Geismar, Louisiana and are targeting to be producing methanol from Geismar 1 in late 2014 and Geismar 2 by early 2016.

**New Zealand**

Our New Zealand methanol facilities produced 500,000 tonnes of methanol in the first quarter of 2014 compared with 400,000 tonnes in the fourth quarter of 2013. With all three facilities now operating, we are able to produce up to 2.4 million tonnes annually, depending on natural gas composition. During the first quarter 2014, production was primarily impacted by an upstream supplier who performed major maintenance on an offshore gas platform resulting in losses of 50,000 tonnes. We continue to work with suppliers in New Zealand to secure gas that will allow our New Zealand facilities to operate at full capacity.

**Trinidad**

In Trinidad, we own 100% of the Titan facility with an annual production capacity of 875,000 tonnes and have a 63.1% interest in the Atlas facility with an annual production capacity of 1,125,000 tonnes (63.1% interest). Production in Trinidad during the quarter was impacted by a combination of minor unplanned outages and gas curtailments. The Titan facility produced 149,000 tonnes in the first quarter of 2014 compared with 173,000 tonnes in the fourth quarter of 2013. The Atlas facility produced 249,000 tonnes in the first quarter of 2014 compared with 268,000 tonnes in the fourth quarter of 2013.

We continue to experience some natural gas curtailments to our Trinidad facilities due to a mismatch between upstream commitments to supply the Natural Gas Company of Trinidad and Tobago (NGC) and downstream demand from NGC's customers, which becomes apparent when an upstream supplier has a technical issue or planned maintenance that reduces gas delivery. We are engaged with key stakeholders to find a solution to this issue, but in the

meantime expect to continue to experience gas curtailments to the Trinidad site.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **Egypt**

On a 100% basis, the Egypt methanol facility produced 278,000 tonnes in the first quarter of 2014 (Methanex share of 139,000 tonnes) compared with 273,000 tonnes (Methanex share of 159,000 tonnes) in the fourth quarter of 2013. Production during the first quarter of 2014 and the fourth quarter of 2013 continued to be impacted by natural gas supply restrictions.

The Egypt facility has experienced periodic natural gas supply restrictions since mid-2012 which have resulted in production below full capacity. This situation may persist in the future and become more acute during the summer months when electricity demand is at its peak. Refer to page 23 of the Risk Factors and Risk Management section of our 2013 Annual Report for further details.

## **Medicine Hat, Canada**

During the first quarter of 2014, we produced 122,000 tonnes at our Medicine Hat facility compared with 86,000 tonnes during the fourth quarter of 2013. The Medicine Hat facility experienced an unplanned outage in the fourth quarter of 2013 and restarted on January 10, 2014.

## **Chile**

During the first quarter of 2014, we produced 67,000 tonnes in Chile operating one plant at approximately 30% of production capacity, supported by natural gas supplies from Chile and from Argentina through a tolling arrangement.

As a result of the short-term outlook for gas supply in Chile and Argentina, we anticipate idling our Chile operations in early May due to insufficient natural gas feedstock to keep our plant operating through the southern hemisphere winter. We are continuing to work with Empresa Nacional del Petroleo (ENAP) and others to secure sufficient natural gas to sustain our operations and while a restart of a Chile plant is possible later in 2014, the restart is dependent on securing a sustainable natural gas supply to our facilities on economic terms from Chile and Argentina to operate over the medium 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.

## **Geismar, Louisiana**

We continue to progress our two Geismar relocation projects. We are targeting to be producing methanol from the 1.0 million tonne Geismar 1 facility in late 2014 and from the 1.0 million tonne Geismar 2 facility in early 2016. During the first quarter of 2014, we incurred \$130 million of capital expenditures related to these projects, excluding capitalized interest.

## FINANCIAL RESULTS

For the first quarter of 2014 we recorded Adjusted EBITDA of \$255 million and Adjusted net income of \$160 million (\$1.65 per share on a diluted basis). This compares with Adjusted EBITDA of \$245 million and Adjusted net income of \$167 million (\$1.72 per share on a diluted basis) for the fourth quarter of 2013.

For the first quarter of 2014, we reported net income attributable to Methanex shareholders of \$145 million (\$1.50 per share on a diluted basis) compared with net income attributable to Methanex shareholders for the fourth quarter of 2013 of \$128 million (\$1.32 income per share on a diluted basis).

We calculate Adjusted EBITDA and Adjusted net income by including amounts related to our equity share of the Atlas (63.1% interest) and Egypt (50% interest) facilities and by excluding the mark-to-market impact of share-based compensation as a result of changes in our share price and items which are considered by management to be non-operational. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 for a further discussion on how we calculate these measures. Our analysis of depreciation and amortization, finance costs, finance income and other expenses and income taxes is consistent with the presentation of our consolidated statements of income and excludes amounts related to Atlas.

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

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
<i>(\$ millions except number of shares and per share amounts)</i>	<b>2014</b>	2013	2013
Net income attributable to Methanex shareholders	<b>\$ 145</b>	\$ 128	\$ 60
Mark-to-market impact of share-based compensation, net of tax	<b>15</b>	34	28
Write-off of oil and gas rights, net of tax		5	
Adjusted net income <sup>1</sup>	<b>\$ 160</b>	\$ 167	\$ 88
Diluted weighted average shares outstanding (millions)	<b>97</b>	97	96
Adjusted net income per common share <sup>1</sup>	<b>\$ 1.65</b>	\$ 1.72	\$ 0.92

<sup>1</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 13 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

We review our financial results by analyzing changes in Adjusted EBITDA, mark-to-market impact of share-based compensation, depreciation and amortization, write-off of oil and gas rights, finance costs, finance income and other expenses and income taxes. A summary of our consolidated statements of income is as follows:

(\$ millions)	Three Months Ended		
	Mar 31 2014	Dec 31 2013	Mar 31 2013
Consolidated statements of income:			
Revenue	\$ 968	\$ 881	\$ 652
Cost of sales and operating expenses, excluding mark-to-market impact of share-based compensation	(692)	(634)	(497)
Adjusted EBITDA of associate (Atlas) <sup>1</sup>	17	26	9
	<b>293</b>	273	164
Comprised of:			
Adjusted EBITDA (attributable to Methanex shareholders) <sup>2</sup>	255	245	149
Attributable to non-controlling interests	38	28	15
	<b>293</b>	273	164
Mark-to-market impact of share-based compensation	(18)	(37)	(31)
Depreciation and amortization	(35)	(35)	(30)
Write-off of oil and gas rights		(8)	
Earnings of associate, excluding amount included in Adjusted EBITDA <sup>1</sup>	(9)	(9)	(8)
Finance costs	(11)	(13)	(15)
Finance income and other expenses		2	(2)
Income tax expense	(52)	(29)	(12)
Net income	\$ 168	\$ 144	\$ 66
Net income attributable to Methanex shareholders	\$ 145	\$ 128	\$ 60

<sup>1</sup> Earnings of associate has been divided into an amount included in Adjusted EBITDA and an amount excluded from Adjusted EBITDA. The amount excluded from Adjusted EBITDA represents depreciation and amortization, finance costs, finance income and other expenses and income tax expense relating to earnings of associate.

<sup>2</sup> This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 13 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.

#### Adjusted EBITDA (Attributable to Methanex Shareholders)

Our operations consist of a single operating segment – the production and sale of methanol. We review the results of operations by analyzing changes in the components of Adjusted EBITDA. For a discussion of the definitions used in our Adjusted EBITDA analysis, refer to How We Analyze Our Business on page 17.

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

<i>(\$ millions)</i>	<b>Q1 2014 compared with Q4 2013</b>	<b>Q1 2014 compared with Q1 2013</b>
Average realized price	\$ 58	\$ 209
Sales volume	7	27
Total cash costs	(55)	(130)
 Increase in Adjusted EBITDA	 \$ 10	 \$ 106

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*Average realized price*

(\$ per tonne)	Three Months Ended		
	Mar 31 2014	Dec 31 2013	Mar 31 2013
Methanex average non-discounted posted price	613	557	474
Methanex average realized price	524	493	412

Entering the first quarter of 2014, methanol prices were higher as a result of strong demand and industry supply issues, primarily in Asia Pacific. Late in the first quarter, several plants returned to operation and pricing began to moderate (refer to Supply/Demand Fundamentals section on page 11). Our average non-discounted posted price for the first quarter of 2014 was \$613 per tonne compared with \$557 per tonne for the fourth quarter of 2013 and \$474 per tonne for the first quarter of 2013. Our average realized price for the first quarter of 2014 was \$524 per tonne compared with \$493 per tonne for the fourth quarter of 2013 and \$412 per tonne for the first quarter of 2013. The change in average realized price for the first quarter of 2014 increased Adjusted EBITDA by \$58 million compared with the fourth quarter of 2013 and increased Adjusted EBITDA by \$209 million compared with the first quarter of 2013.

*Sales volume*

Methanol sales volumes excluding commission sales volumes were higher for all periods presented and this increased Adjusted EBITDA by the amounts noted in the table above.

*Total cash costs*

The primary drivers of changes in our total cash costs are changes in the cost of methanol we produce at our facilities (Methanex-produced methanol) and changes in the cost of methanol we purchase from others (purchased methanol). All of our production facilities except Medicine Hat and Chile are underpinned by natural gas purchase agreements with pricing terms that include base and variable price components. 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.

The impact on Adjusted EBITDA from changes in our cash costs are explained below:

(\$ millions)	Q1 2014 compared with Q4 2013	Q1 2014 compared with Q1 2013
Methanex-produced methanol costs	\$ (25)	\$ (50)
Proportion of Methanex-produced methanol sales	6	3
Purchased methanol costs	(27)	(78)
Other, net	(9)	(5)

\$ (55) \$ (130)

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MANAGEMENT'S DISCUSSION AND ANALYSIS



*Methanex-produced methanol costs*

We purchase natural gas for the New Zealand, Trinidad and Egypt methanol facilities 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. For the first quarter of 2014 compared with the fourth quarter of 2013 and the first quarter of 2013, Methanex-produced methanol costs were higher by \$25 million and \$50 million, respectively, 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.

*Proportion of Methanex-produced methanol sales*

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. For the first quarter of 2014 compared with the fourth quarter of 2013 and the first quarter of 2013, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$6 million and \$3 million, respectively. Sales of Methanex-produced methanol increased in the first quarter of 2014 primarily as a result of higher production from New Zealand.

*Purchased methanol costs*

Changes in purchased methanol costs for all periods presented are primarily as a result of changes in methanol pricing.

*Other, net*

We have commenced the process of building a manufacturing organization in Geismar, Louisiana. Under IFRS, costs incurred related to organizational build-up are not eligible for capitalization and are charged directly to earnings as incurred. During the first quarter of 2014, we incurred approximately \$3 million of Geismar organizational build-up costs compared to \$2 million in the fourth quarter of 2013 and nil in the first quarter of 2013. The remaining organizational build-up costs are estimated to be approximately \$25 million. The remaining change in other, net compared to the fourth quarter of 2013 primarily relates to an insurance settlement recorded in the fourth quarter of 2013.

## 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 the 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.

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
	<b>2014</b>	2013	2013
<i>(\$ millions except share price)</i>			
Methanex Corporation share price <sup>1</sup>	<b>\$ 63.94</b>	\$ 59.24	\$ 40.63
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income	<b>7</b>	4	6
Mark-to-market impact due to change in share price	<b>18</b>	37	31
Total share-based compensation expense	<b>\$ 25</b>	\$ 41	\$ 37

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

The Methanex Corporation share price increased from US \$59.24 per share at December 31, 2013 to US \$63.94 per share at March 31, 2014. As a result of the increase in the share price and the resulting impact on the fair value of the outstanding units, we recorded an \$18 million mark-to-market expense on share-based compensation in the first quarter of 2014 compared with a \$37 million mark-to-market share-based compensation expense in the fourth quarter of 2013 and a \$31 million expense in the first quarter of 2013.

## Depreciation and Amortization

Depreciation and amortization was \$35 million for the first quarter of 2014 compared with \$35 million for the fourth quarter of 2013 and \$30 million for the first quarter of 2013. Depreciation and amortization was higher in the first quarter of 2014 compared with the first quarter of 2013 primarily due to higher sales volumes of Methanex-produced methanol.

## Finance Costs

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
	<b>2014</b>	2013	2013
<i>(\$ millions)</i>			
Finance costs before capitalized interest	<b>\$ 16</b>	\$ 16	\$ 16
Less capitalized interest	<b>(5)</b>	(3)	(1)

Finance costs	\$ 11	\$ 13	\$ 15
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Finance costs before capitalized interest primarily relate to interest expense on the unsecured notes and limited recourse debt facilities. Capitalized interest relates to interest costs capitalized for the Geismar projects.

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**Finance Income and Other Expenses**

(\$ millions)	Three Months Ended		
	Mar 31 2014	Dec 31 2013	Mar 31 2013
Finance income and other expenses	\$	\$ 2	\$ (2)

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

**Income Taxes**

A summary of our income taxes for the first quarter of 2014 compared with the fourth quarter of 2013 is as follows:

(\$ millions, except where noted)	Three Months Ended March 31, 2014		Three Months Ended December 31, 2013	
	Net Income	Adjusted Net Income <sup>1</sup>	Net Income	Adjusted Net Income <sup>1</sup>
Amount before income tax	\$ 220	\$ 210	\$ 173	\$ 203
Income tax expense	(52)	(50)	(29)	(36)
Amount after income tax	\$ 168	\$ 160	\$ 144	\$ 167
Effective tax rate	24%	24%	17%	18%

<sup>1</sup> This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.

For the first quarter of 2014, the effective tax rate was 24% compared with 17% for the fourth quarter of 2013. Adjusted net income represents the amount that is attributable to Methanex shareholders and excludes the mark-to-market impact of share-based compensation and items that are considered by management to be non-operational. The effective tax rate related to Adjusted net income was 24% for the first quarter of 2014 compared with 18% for the fourth quarter of 2013. Entering the first quarter of 2014, all previously unrecognized tax benefits in Canada and New Zealand were fully utilized, which contributed to an increase in the effective tax rate.

We earn the majority of our earnings in Trinidad, Egypt, Chile, Canada and New Zealand. In Trinidad and Chile, the statutory tax rate is 35% and in Egypt, the statutory tax rate is 25%. The statutory rates in Canada and New Zealand are 25% and 28%, respectively. 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.

## SUPPLY/DEMAND FUNDAMENTALS

We estimate that methanol demand, excluding methanol demand from integrated methanol to olefins facilities, is currently approximately 57 million tonnes on an annualized basis.

Entering the first quarter of 2014, we experienced rising methanol prices due to continued supply constraints, primarily in Asia Pacific. During the quarter, several plants returned to operation and pricing began to moderate. Our average non-discounted price in the first quarter of 2014 was \$613 per tonne compared with \$557 per tonne in the fourth quarter of 2013. We recently announced our North American non-discounted price for May at \$565 per tonne and our Asia Pacific price at \$460 per tonne.

The outlook for methanol demand growth continues to be strong. Traditional chemical derivatives consume about 60% of global methanol demand and growth is correlated to industrial production.

Energy-related applications consume the remaining 40% of global methanol demand, and the wide disparity between the price of crude oil and that of natural gas and coal has resulted in an increased use of methanol in energy-related applications, such as direct methanol blending into gasoline, DME and biodiesel production. Growth of direct methanol blending into gasoline in China has been particularly strong and we believe that future growth in this application is supported by numerous provincial fuel-blending standards, such as M15 or M85 (15% methanol and 85% methanol, respectively).

### Methanex Non-Discounted Regional Posted Prices <sup>1</sup>

<i>(US\$ per tonne)</i>	<b>Apr 2014</b>	<b>Mar 2014</b>	<b>Feb 2014</b>	<b>Jan 2014</b>
United States	599	632	632	632
Europe <sup>2</sup>	565	610	610	610
Asia Pacific	480	590	590	590

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

<sup>2</sup> 412 for Q2 2014 (Q1 2014 450) converted to United States dollars.

China is also leading the commercialization of methanol's use as a feedstock to manufacture olefins. The use of methanol to produce olefins, at current energy prices, is proving to be cost competitive relative to the traditional production of olefins from naphtha. There are now three methanol-to-olefins (MTO) plants operating in China which are dependent on merchant methanol supply and which have the capacity to consume over 3 million tonnes of methanol annually. There are other MTO plants which are integrated and purchase methanol to supplement their production when required. We believe demand potential into energy-related applications and olefins production will continue to grow.

The methanol price will ultimately depend on the strength of the global economy, industry operating rates, global energy prices, new supply additions and the strength of global demand. Over the next few years, there is a modest level of new capacity expected to come on-stream relative to demand growth expectations. We are relocating two idle Chile facilities to Geismar, Louisiana and are targeting to be producing methanol from the first 1.0 million tonne facility by late 2014 and the second 1.0 million tonne facility in early 2016. A 1.3 million tonne Celanese plant is currently under construction in Bishop, Texas. We expect that production from new capacity in China will be consumed in that country and that higher cost production capacity in China will need to operate in order to satisfy demand growth.

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## LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities in the first quarter of 2014 increased by \$17 million to \$179 million compared with \$162 million for the fourth quarter of 2013 and increased by \$61 million compared to \$118 million for the first quarter of 2013. The changes in cash flows from operating activities resulted from changes in the following:

<i>(\$ millions)</i>	<b>Q1 2014 compared with Q4 2013</b>	<b>Q1 2014 compared with Q1 2013</b>
Change in Adjusted EBITDA (attributable to Methanex shareholders)	\$ 10	\$ 106
Exclude change in Adjusted EBITDA of associate (Atlas)	9	(8)
Cash flows attributable to non-controlling interests	10	23
Non-cash working capital	(9)	(44)
Income taxes paid	4	(2)
Share-based payments	(16)	(19)
Other	9	5
 Increase in cash flows from operating activities	 \$ 17	 \$ 61

During the first quarter of 2014, we paid a quarterly dividend of \$0.20 per share, or \$19 million. Additionally, on April 29, 2014, the Board of Directors approved a 25% increase to our quarterly dividend to shareholders, from \$0.20 to \$0.25 per share per quarter. The increased dividend will apply commencing with the dividend payable June 30, 2014 to holders of common shares of record on June 16, 2014.

On April 29, 2014, the Board of Directors approved a 5% normal course issuer bid, which allows us to repurchase for cancellation up to 4.8 million shares.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a conservative balance sheet and retain financial flexibility. At March 31, 2014, our cash balance was \$709 million, including \$52 million related to the non-controlling interest in Egypt. We invest our cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity. We have a strong balance sheet and an undrawn \$400 million credit facility provided by highly rated financial institutions that expires in mid-2016.

Our planned capital maintenance expenditure program directed towards maintenance, turnarounds and catalyst changes for existing operations is currently estimated to total approximately \$140 million to the end of 2015. Capital expenditures during the first quarter, excluding the Geismar projects, were \$15 million. We are relocating two methanol plants from our Chile site to Geismar, Louisiana. During the first quarter of 2014, capital expenditures related to the Geismar projects were \$130 million, excluding capitalized interest. The remaining budgeted capital expenditures related to the Geismar projects are \$505 million, excluding capitalized interest.

We believe we are well positioned to meet our financial commitments, invest to grow the Company and continue to deliver on our commitment to return excess cash to shareholders.

## **SHORT-TERM OUTLOOK**

Entering the second quarter, methanol prices have moderated with additional supply re-entering the market, primarily in Asia Pacific. The methanol price will ultimately depend on the strength of the global economy, industry operating rates, global energy prices, new supply additions and the strength of global demand. We believe that our financial position and financial flexibility, outstanding global supply network and competitive-cost position will provide a sound basis for Methanex to continue to be the leader in the methanol industry and to invest to grow the Company.

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**CONTROLS AND PROCEDURES**

For the three months ended March 31, 2014, no changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ADDITIONAL INFORMATION SUPPLEMENTAL NON-GAAP MEASURES**

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, Adjusted net income, Adjusted net income per common share and operating income. These measures do not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-GAAP measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance and liquidity of the Company's ongoing business on an overall basis. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies.

**Adjusted EBITDA (attributable to Methanex shareholders)**

Adjusted EBITDA differs from the most comparable GAAP measure, net income attributable to Methanex shareholders, because it excludes depreciation and amortization, finance costs, finance income and other expenses, income tax expense, mark-to-market impact of share-based compensation, Geismar project relocation expenses and charges and write-off of oil and gas rights. Adjusted EBITDA includes an amount representing our 63.1% interest in the Atlas facility and our 50% interest in the methanol facility in Egypt.

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 share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. The mark-to-market impact related to performance share units that is excluded from Adjusted EBITDA and Adjusted net income is calculated as the difference between the grant date value determined using a Methanex total shareholder return factor of 100% 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:

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
<i>(\$ millions)</i>	<b>2014</b>	2013	2013
Net income attributable to Methanex shareholders	<b>\$ 145</b>	\$ 128	\$ 60
Mark-to-market impact of share-based compensation	<b>18</b>	37	31
Depreciation and amortization	<b>35</b>	35	30
Write-off of oil and gas rights		8	
Finance costs	<b>11</b>	13	15
Finance income and other expenses		(2)	2
Income tax expense	<b>52</b>	29	12
	<b>9</b>	9	8

Earnings of associate, excluding amount included in Adjusted EBITDA <sup>1</sup>

Non-controlling interests adjustment <sup>1</sup>	(15)	(12)	(9)
Adjusted EBITDA (attributable to Methanex shareholders)	\$ 255	\$ 245	\$ 149

<sup>1</sup> These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and income tax expense associated with the non-controlling interest in the methanol facility in Egypt and our 63.1% interest in the Atlas methanol facility.

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**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 items that are considered by management to be non-operational, including Geismar project relocation expenses and charges and write-off of oil and gas rights. The following table shows a reconciliation of net income attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted net income per common share:

	<b>Three Months Ended</b>		
	<b>Mar 31</b>	Dec 31	Mar 31
	<b>2014</b>	2013	2013
<i>(\$ millions except number of shares and per share amounts)</i>			
Net income attributable to Methanex shareholders	<b>\$ 145</b>	\$ 128	\$ 60
Mark-to-market impact of share-based compensation	<b>18</b>	37	31
Write-off of oil and gas rights		8	
Income tax recovery related to above items	<b>(3)</b>	(6)	(3)
<b>Adjusted net income</b>	<b>\$ 160</b>	\$ 167	\$ 88
Diluted weighted average shares outstanding (millions)	<b>97</b>	97	96
<b>Adjusted net income per common share</b>	<b>\$ 1.65</b>	\$ 1.72	\$ 0.92

**Operating Income**

Operating income is reconciled directly to a GAAP measure in our consolidated statements of income.

**QUARTERLY FINANCIAL DATA (UNAUDITED)**

A summary of selected financial information for the prior eight quarters is as follows:

	<b>Three Months Ended</b>			
	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
<i>(\$ millions, except per share amounts)</i>				
Revenue	\$ 968	\$ 881	\$ 758	\$ 733
Adjusted EBITDA <sup>1 2</sup>	255	245	184	157
Net income <sup>1</sup>	145	128	87	54
Adjusted net income <sup>1 2</sup>	160	167	117	99
Basic net income per common share <sup>1</sup>	1.51	1.33	0.91	0.57
Diluted net income per common share <sup>1</sup>	1.50	1.32	0.90	0.56
Adjusted net income per share <sup>1 2</sup>	1.65	1.72	1.22	1.02

	<b>Three Months Ended</b>			
	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
<i>(\$ millions, except per share amounts)</i>				
Revenue	\$ 652	\$ 668	\$ 608	\$ 613
Adjusted EBITDA <sup>1 2</sup>	149	119	104	113
Net income (loss) <sup>1</sup>	60	(140)	(3)	52
Adjusted net income <sup>1 2</sup>	88	61	36	44

Basic net income (loss) per common share <sup>1</sup>	0.64	(1.49)	(0.03)	0.56
Diluted net income (loss) per common share <sup>1</sup>	0.63	(1.49)	(0.03)	0.50
Adjusted net income per share <sup>1 2</sup>	0.92	0.64	0.38	0.47

<sup>1</sup> Attributable to Methanex Corporation shareholders.

<sup>2</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 13 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

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**Forward-Looking information warning**

This First Quarter 2014 Management's Discussion and Analysis ( MD&A ) as well as comments made during the First Quarter 2014 investor conference call contain forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words believes, expects, may, will, should, potential, estimates, anticipates, aim, goal or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

More particularly and without limitation, any statements regarding the following are forward-looking statements:

expected demand for methanol and its derivatives,

expected new methanol supply or restart of idled capacity and timing for start-up of the same,

expected shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages,

expected methanol and energy prices,

expected levels of methanol purchases from traders or other third parties,

expected levels, timing and availability of economically priced natural gas supply to each of our plants,

capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants,

our expected capital expenditures,

anticipated operating rates of our plants,

expected operating costs, including natural gas feedstock costs and logistics costs,

expected tax rates or resolutions to tax disputes,

expected cash flows, earnings capability and share price,

availability of committed credit facilities and other financing,  
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 registration and related mortgages that require action 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, including the planned relocation of idle Chile methanol plants to Geismar, Louisiana ( Geismar ),

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,

expected actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties, and

expected impact on our operations in Egypt or our financial condition as a consequence of civil unrest or actions taken or inaction by the Government of Egypt and its agencies.

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 of remaining required permits in connection with our Geismar project,

receipt or issuance of third-party consents or approvals, including, without limitation, governmental registrations of land title and related mortgages in Egypt, governmental approvals related to rights to purchase natural gas,



the establishment of new fuel standards,

operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,

the availability of committed credit facilities and other financing,

timing of completion and cost of our Geismar project,

global and regional economic activity (including industrial production levels),  
absence of a material negative impact from major natural disasters,

absence of a material negative impact from changes in laws or regulations,

absence of a material negative impact from political instability in the countries in which we operate, and

enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including, without limitation:

conditions in the methanol and other industries including fluctuations in the supply, demand for and price of methanol and its derivatives, including demand for methanol for energy uses,

the price of natural gas, coal, oil and oil derivatives,

the success of natural gas exploration and development activities in southern Chile,

our ability to obtain natural gas feedstock on commercially acceptable terms to underpin current operations and future production growth opportunities,

the ability to successfully carry out corporate initiatives and strategies,



actions of competitors, suppliers and financial institutions,

conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,

our ability to meet timeline and budget targets for our Geismar project, including cost pressures arising from labour costs,

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, the implementation of policies or other measures that could impact the supply of or demand for methanol or its derivatives,

changes in laws or regulations,