

METHANEX CORP
Form 6-K
February 01, 2013

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 JANUARY 2013

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 .

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 STRONGER EBITDA IN THE FOURTH QUARTER

JANUARY 30, 2013

For the fourth quarter of 2012, Methanex reported Adjusted EBITDA¹ of \$119 million and Adjusted net income¹ of \$61 million (\$0.64 per share on a diluted basis¹). This compares with Adjusted EBITDA¹ of \$104 million and Adjusted net income¹ of \$36 million (\$0.38 per share on a diluted basis¹) for the third quarter of 2012. For the year ended December 31, 2012, Methanex reported Adjusted EBITDA¹ of \$429 million and Adjusted net income¹ of \$180 million (\$1.90 per share on a diluted basis¹). This compares with Adjusted EBITDA¹ of \$427 million and Adjusted net income¹ of \$182 million (\$1.93 per share on a diluted basis¹) for the year ended December 31, 2011.

As a result of continuing challenges related to securing a sustainable natural gas supply in Chile, Methanex recorded a non-cash before-tax \$297 million asset impairment charge (\$193 million after-tax) to write down the carrying value of its Chile assets. Including the asset impairment charge related to the carrying value of its Chile assets, Methanex reported a net loss attributable to Methanex shareholders for the fourth quarter of 2012 of \$140 million (\$1.49 loss per share on a diluted basis). For the year ended December 31, 2012, Methanex reported a net loss attributable to Methanex shareholders of \$68 million (\$0.73 loss per share on a diluted basis).

John Floren, President and CEO of Methanex commented, "Methanol prices increased during the fourth quarter and this led to higher Adjusted EBITDA compared to last quarter. Entering the first quarter, methanol demand has continued to be healthy and the pricing environment has been relatively stable. The longer term outlook for the industry looks very attractive with demand growth expected to significantly outpace new capacity additions over the next few years."

Mr. Floren added, "A key area of focus for me as the new CEO will be the successful execution of our value-creating growth projects in Louisiana and New Zealand. While we are disappointed with our progress on securing natural gas in Chile, these new initiatives in Louisiana and New Zealand have the potential to add up to three million tonnes of capacity over the next few years which will enhance supply to our customers and significantly improve cash generation for shareholders."

Mr. Floren concluded, "With over US\$700 million of cash on hand, an undrawn credit facility, a robust balance sheet, and strong cash flow generation, we are well positioned to invest in the Louisiana project, New Zealand expansion plans and other strategic growth opportunities and continue to deliver on our commitment to return excess cash to shareholders."

A conference call is scheduled for January 31, 2013 at 12:00 noon ET (9:00 am PT) to review these fourth quarter results. To access the call, dial the Conferencing operator ten minutes prior to the start of the call at (416) 340-8527, or toll free at (877) 240-9772. A playback version of the conference call will be available for three weeks at (905) 694-9451, or toll free at (800) 408-3053. The passcode for the playback version is 6328000. Presentation slides summarizing Q4-12 results and a simultaneous audio-only webcast of the conference call can be accessed from our website at 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 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**, on the NASDAQ Global Market in the United States under the trading symbol **MEOH**, and on the foreign securities market of the Santiago Stock Exchange in Chile under the trading symbol **Methanex**. Methanex can be visited online at www.methanex.com.

- more -

FORWARD-LOOKING INFORMATION WARNING

This Fourth Quarter 2012 press release contains forward-looking statements with respect to us and the chemical industry. Refer to Forward-Looking Information Warning in the attached Fourth Quarter 2012 Management's Discussion and Analysis for more information.

¹ *Adjusted EBITDA, Adjusted net income and Adjusted diluted 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 amounts associated with the 40% non-controlling interest in the methanol facility in Egypt, the mark-to-market impact of items which impact the comparability of our earnings from one period to another, which currently include only the mark-to-market impact of share-based compensation as a result of changes in our share price, Louisiana project relocation expenses and charges and asset impairment charges. Refer to Additional Information Supplemental Non-GAAP Measures on page 14 of the attached Interim Report for the three months ended December 31, 2012 for reconciliations to the most comparable GAAP measures.*

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For further information, contact:

Jason Chesko

Director, Investor Relations

Tel: 604.661.2600

Share Information

Methanex Corporation's common shares are listed for trading on the Toronto Stock Exchange under the symbol MX, on the Nasdaq Global Market under the symbol MEOH and on the foreign securities market of the Santiago Stock Exchange in Chile under the trading symbol Methanex.

At January 30, 2013 the Company had 94,363,605 common shares issued and outstanding and stock options exercisable for 2,776,612 additional common shares.

Transfer Agents & Registrars

CIBC Mellon Trust Company

320 Bay Street

Toronto, Ontario, Canada M5H 4A6

Toll free in North America: 1-800-387-0825

Investor Information

All financial reports, news releases and corporate information can be accessed on our website at www.methanex.com.

Contact Information

Methanex Investor Relations

1800 200 Burrard Street

Vancouver, BC Canada V6C 3M1

E-mail: invest@methanex.com

Methanex Toll-Free:

1-800-661-8851

FOURTH QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

A summary of net income (loss) attributable to Methanex shareholders, Adjusted net income¹ and Adjusted diluted net income per common share¹ is as follows:

	Three Months Ended			Years Ended	
	Dec 31 2012	Sep 30 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
<i>(\$ millions except number of shares and per share amounts)</i>					
Net income (loss) attributable to Methanex shareholders	\$ (140)	\$ (3)	\$ 64	\$ (68)	\$ 201
Mark-to-market impact of share-based compensation, net of tax	8		1	14	(19)
Louisiana project relocation expenses and charges, net of tax					
Cash expense		21		23	
Non-cash charge		18		18	
Asset impairment charge, net of tax	193			193	
Adjusted net income ¹	\$ 61	\$ 36	\$ 65	\$ 180	\$ 182
Diluted weighted average shares outstanding (millions)	94	94	94	94	94
Adjusted diluted net income per common share ¹	\$ 0.64	\$ 0.38	\$ 0.69	\$ 1.90	\$ 1.93

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We recorded Adjusted EBITDA¹ of \$119 million for the fourth quarter of 2012 compared with \$104 million for the third quarter of 2012. The increase in Adjusted EBITDA¹ was primarily due to an increase in average realized price to \$389 per tonne for the fourth quarter of 2012 from \$373 per tonne for the third quarter of 2012.

Production for the fourth quarter of 2012 was 1,067,000 tonnes compared with 1,025,000 tonnes for the third quarter of 2012. Refer to the Production Summary section on page 3.

Sales of Methanex-produced methanol were 1,059,000 tonnes in the fourth quarter of 2012 compared with 1,053,000 in the third quarter of 2012.

During the fourth quarter of 2012, we issued \$350 million of unsecured notes due in 2019, increased our revolving credit facility to \$400 million and extended the term to 2016, and paid a \$0.185 per share dividend to shareholders for a total of \$17 million.

As a result of continuing challenges related to securing a sustainable natural gas supply in Chile, we recorded a non-cash before-tax \$297 million asset impairment charge (\$193 million after-tax) to write down the carrying value of our Chile assets.

We continue to make good progress with our project to relocate an idle Chile facility to Geismar, Louisiana and the project remains on schedule and on budget. We recently announced that we have signed an agreement with Chesapeake Energy to supply the facility's natural gas requirements for a ten-year period.

¹ These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

METHANEX CORPORATION 2012 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

PAGE 1

This Fourth Quarter 2012 Management's Discussion and Analysis (MD&A) dated January 30, 2013 for Methanex Corporation (the Company) should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended December 31, 2012 as well as the 2011 Annual Consolidated Financial Statements and MD&A included in the Methanex 2011 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 2011 Annual Report and additional information relating to Methanex is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

FINANCIAL AND OPERATIONAL DATA

	Three Months Ended			Years Ended	
	Dec 31 2012	Sep 30 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
(\$ millions, except per share amounts and where noted)					
Production (thousands of tonnes) (attributable to Methanex shareholders)	1,067	1,025	961	4,071	3,847
Sales volumes (thousands of tonnes):					
Methanex-produced methanol (attributable to Methanex shareholders)	1,059	1,053	1,052	4,039	3,853
Purchased methanol	664	641	644	2,565	2,815
Commission sales ¹	176	205	208	855	846
Total sales volumes	1,899	1,899	1,904	7,459	7,514
Methanex average non-discounted posted price (\$ per tonne) ²	450	433	456	443	440
Average realized price (\$ per tonne) ³	389	373	388	382	374
Adjusted EBITDA (attributable to Methanex shareholders) ⁴	119	104	133	429	427
Adjusted cash flows from operating activities (attributable to Methanex shareholders) ⁴	101	103	122	403	392
Cash flows from operating activities	98	131	158	458	480
Adjusted net income (attributable to Methanex shareholders) ⁴	61	36	65	180	182
Net income (loss) attributable to Methanex shareholders	(140)	(3)	64	(68)	201
Adjusted diluted net income per common share (attributable to Methanex shareholders) ^{4 5}	0.64	0.38	0.69	1.90	1.93
Basic net income (loss) per common share (attributable to Methanex shareholders)	(1.49)	(0.03)	0.69	(0.73)	2.16
Diluted net income (loss) per common share (attributable to Methanex shareholders)	(1.49)	(0.03)	0.68	(0.73)	2.06
Common share information (millions of shares):					
Weighted average number of common shares	94	94	93	94	93
Diluted weighted average number of common shares	94	94	94	94	94
Number of common shares outstanding, end of period	94	94	93	94	93

¹ Commission sales represent volumes marketed on a commission basis related to the 36.9% of the Atlas methanol facility and 40% of the Egypt methanol facility that we do not own.

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, divided by the total sales volumes of Methanex-produced (attributable to Methanex shareholders) and purchased methanol.

⁴ These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

⁵ For the three month period and year ended December 31, 2012, stock options have been excluded from the calculation of diluted net loss per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) stock options have been included in the denominator and the diluted weighted average number of common shares is 95 million for the three month period and year ended December 31, 2012.

PRODUCTION SUMMARY

<i>(thousands of tonnes)</i>	Annual Capacity ¹	2012 Production	2011 Production	Q4 2012 Production	Q3 2012 Production	Q4 2011 Production
Chile I, III and IV ²	2,800	313	554	59	59	113
New Zealand ³	2,230	1,108	830	378	346	211
Atlas (Trinidad) (63.1% interest)	1,150	826	891	180	255	195
Titan (Trinidad)	900	786	711	189	186	180
Egypt (60% interest)	760	557	532	129	62	132
Medicine Hat	470	481	329	132	117	130
	8,310	4,071	3,847	1,067	1,025	961

¹ 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.

² In July 2012, we reached a final investment decision to proceed with the project to relocate the Chile II facility to Geismar, Louisiana. The Chile capacity in the above table excludes the 1.0 million tonnes of annual production capacity which is being relocated to Louisiana.

³ The production capacity of New Zealand represents the two 0.85 million tonne facilities at Motunui and the 0.53 million tonne facility at Waitara Valley. In July, we restarted the second Motunui facility, but due to current distillation capacity constraints at the Motunui site, the combined production capacity of both plants is approximately 1.5 million tonnes, compared with the combined nameplate capacity of 1.7 1.9 million tonnes, depending on natural gas composition (refer to the New Zealand section below).

Chile

We continue to operate our Chile facilities significantly below site capacity and during the fourth quarter of 2012 we produced 59,000 tonnes in Chile operating one plant at approximately 20% of capacity.

While investments have been made over the last few years for natural gas exploration and development in southern Chile, the timeline for a potential significant increase in gas production is much longer than we had originally anticipated. As a result, the short-term outlook for gas supply in Chile continues to be challenging and we recently announced that we expect to idle our Chile operations in March 2013 because we do not expect to have sufficient 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 the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable natural gas position to operate over the medium term.

As a result of the continuing challenges related to securing a sustainable natural gas feedstock in Chile, we recorded a non-cash before-tax \$297 million asset impairment charge (\$193 million after-tax) to write down the carrying value of our Chile assets to \$245 million. The \$245 million carrying value excludes the first Chile facility that is being relocated to Geismar, Louisiana but includes the second facility that management also intends to relocate to Geismar.

The future of our Chile operations is primarily dependent on the level of exploration and development in southern Chile and our ability to secure a sustainable natural gas supply to our facilities on economic terms.

New Zealand

Our New Zealand methanol facilities produced 378,000 tonnes of methanol in the fourth quarter of 2012 operating at the current annual site capacity of 1.5 million tonnes. We are currently assessing the feasibility of debottlenecking the Motunui site and the potential to restart our nearby 530,000 tonne Waitara Valley plant which could add up to a further 900,000 tonnes of annual production in New Zealand.

Trinidad

In Trinidad, we own 100% of the Titan facility with an annual production capacity of 900,000 tonnes and have a 63.1% interest in the Atlas facility with an annual production capacity of 1,150,000 tonnes (63.1% interest). The Titan facility produced 189,000 tonnes in the fourth quarter of 2012 compared with 186,000 tonnes in the third quarter of 2012. Production in the fourth quarter of 2012 was impacted by periodic natural gas curtailments.

METHANEX CORPORATION 2012 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Atlas facility produced 180,000 tonnes in the fourth quarter of 2012 compared with 255,000 tonnes in the third quarter of 2012. The Atlas facility was shut down at the end of September 2012 for repairs and returned to production at the end of October 2012.

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 in Trinidad (NGC) and downstream demand from NGC's customers which becomes apparent when an upstream supply issue arises. We are engaged with key stakeholders to find a solution to this issue, but in the meantime we expect to continue to experience some gas curtailments to our Trinidad site.

Egypt

The Egypt methanol facility produced 129,000 tonnes (60% interest) in the fourth quarter of 2012 compared with 62,000 tonnes in the third quarter of 2012. We have a 60% equity interest in the facility and marketing rights for 100% of the production. Production during the fourth quarter of 2012 was lower than capacity due to an unplanned maintenance outage and natural gas supply restrictions.

During the third and fourth quarters of 2012, the Egypt facility experienced periodic natural gas supply restrictions as a result of increased electricity demand and ongoing operating issues with the upstream gas infrastructure. This situation may persist in the future and become more acute during the summer months when electricity demand is at its peak.

Medicine Hat

Our 470,000 tonne per year facility in Medicine Hat, Alberta produced 132,000 tonnes in the fourth quarter of 2012 compared with 117,000 tonnes during the third quarter of 2012. We are currently debottlenecking the Medicine Hat facility which will add a further 90,000 tonnes of annual production capacity to our Medicine Hat operations by the end of the third quarter of 2013.

FINANCIAL RESULTS

For the fourth quarter of 2012 we recorded Adjusted EBITDA of \$119 million and Adjusted net income of \$61 million (\$0.64 per share on a diluted basis). This compares with Adjusted EBITDA of \$104 million and Adjusted net income of \$36 million (\$0.38 per share on a diluted basis) for the third quarter of 2012. For the year ended December 31, 2012, we reported Adjusted EBITDA of \$429 million and Adjusted net income of \$180 million (\$1.90 per share on a diluted basis) compared with Adjusted EBITDA of \$427 million and Adjusted net income of \$182 million (\$1.93 per share on a diluted basis) for the year ended December 31, 2011.

After the non-cash before-tax \$297 million asset impairment charge (\$193 million after-tax) related to the carrying value of our Chile assets, we reported a net loss attributable to Methanex shareholders for the fourth quarter of 2012 of \$140 million (\$1.49 loss per share on a diluted basis). For the year ended December 31, 2012, we reported a net loss attributable to Methanex shareholders of \$68 million (\$0.73 loss per share on a diluted basis). For further details, refer to note 4 of the attached condensed consolidated interim financial statements for the period ended December 31, 2012.

We calculate Adjusted EBITDA and Adjusted net income by excluding amounts associated with the 40% non-controlling interest in Egypt that we do not own, 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, including asset impairment charges and Louisiana project relocation expenses and charges. Refer to Additional Information Supplemental Non-GAAP Measures on page 14 for a further discussion on how we calculate these measures.

METHANEX CORPORATION 2012 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Three Months Ended			Years Ended	
	Dec 31 2012	Sep 30 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
(\$ millions except number of shares and per share amounts)					
Net income (loss) attributable to Methanex shareholders	\$ (140)	\$ (3)	\$ 64	\$ (68)	\$ 201
Mark-to-market impact of share-based compensation, net of tax	8		1	14	(19)
Louisiana project relocation expenses and charges, net of tax					
Cash expense		21		23	
Non-cash charge		18		18	
Asset impairment charge, net of tax	193			193	
Adjusted net income ¹	\$ 61	\$ 36	\$ 65	\$ 180	\$ 182
Diluted weighted average shares outstanding (millions)	94	94	94	94	94
Adjusted diluted net income per common share ^{1 2}	\$ 0.64	\$ 0.38	\$ 0.69	\$ 1.90	\$ 1.93

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

	Three Months Ended			Years Ended	
	Dec 31 2012	Sep 30 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
(\$ millions)					
Consolidated statements of income:					
Revenue	\$ 696	\$ 655	\$ 696	\$ 2,673	\$ 2,608
Cost of sales and operating expenses, excluding mark-to-market impact of share-based compensation	(565)	(539)	(546)	(2,171)	(2,128)
	131	116	150	502	480
Comprised of:					
Adjusted EBITDA (attributable to Methanex shareholders) ¹	119	104	133	429	427
Attributable to non-controlling interests	12	12	17	73	53
	131	116	150	502	480
Depreciation and amortization	(42)	(47)	(43)	(172)	(157)
Mark-to-market impact of share-based compensation	(8)		(1)	(16)	21
Louisiana project relocation expenses and charges		(61)		(65)	
Asset impairment charge	(297)			(297)	
Operating income ¹	(216)	8	106	(48)	344
Finance costs	(15)	(18)	(18)	(71)	(62)
Finance income and other expenses	3	(3)	(3)	1	2
Income tax recovery (expense)	93	15	(12)	84	(56)
Net income (loss)	\$ (135)	\$ 2	\$ 73	\$ (34)	\$ 228
Net income (loss) attributable to Methanex shareholders	\$ (140)	\$ (3)	\$ 64	\$ (68)	\$ 201

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- ¹ These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.
- ² For the three month period and year ended December 31, 2012, stock options have been excluded from the calculation of diluted net loss per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) stock options have been included in the denominator and the diluted weighted average number of common shares is 95 million for the three month period and year ended December 31, 2012.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 19.

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

(\$ millions)	Q4 2012 compared with Q3 2012	Q4 2012 compared with Q4 2011	2012 compared with 2011
Average realized price	\$ 29	\$ 4	\$ 57
Sales volume	4	4	(5)
Total cash costs	(18)	(22)	(50)
Increase (decrease) in Adjusted EBITDA	\$ 15	\$ (14)	\$ 2

Average realized price

(\$ per tonne, except where noted)	Three Months Ended			Years Ended	
	Dec 31 2012	Sep 30 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
Methanex average non-discounted posted price ¹	450	433	456	443	440
Methanex average realized price	389	373	388	382	374
Average discount	14%	14%	15%	14%	15%

¹ 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. Overall methanol market conditions have remained balanced and pricing has been relatively stable during the periods presented (refer to Supply/Demand Fundamentals section on page 11 for more information). Our average non-discounted posted price for the fourth quarter of 2012 was \$450 per tonne compared with \$433 per tonne for the third quarter of 2012 and \$456 per tonne for the fourth quarter of 2011. Our average realized price for the fourth quarter of 2012 was \$389 per tonne compared with \$373 per tonne for the third quarter of 2012 and \$388 per tonne for the fourth quarter of 2011. The change in average realized price for the fourth quarter of 2012 increased Adjusted EBITDA by \$29 million compared with the third quarter of 2012 and increased Adjusted EBITDA by \$4 million compared with the fourth quarter of 2011. Our average realized price for the year ended December 31, 2012 was \$382 per tonne compared with \$374 per tonne for the same period in 2011 and this increased Adjusted EBITDA by \$57 million.

Sales volume

Methanol sales volumes excluding commission sales volumes were higher in the fourth quarter of 2012 compared with the third quarter of 2012 by 29,000 tonnes and the fourth quarter of 2011 by 27,000 tonnes and this resulted in higher Adjusted EBITDA by \$4 million for each comparable period. Methanol sales volumes excluding commission sales volumes were lower for the year ended December 31, 2012 compared with the comparable period in 2011 by 64,000 tonnes and this resulted in lower Adjusted EBITDA by \$5 million.

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 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.

METHANEX CORPORATION 2012 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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)	Q4 2012 compared with Q3 2012	Q4 2012 compared with Q4 2011	2012 compared with 2011
Methanex-produced methanol costs	\$ (8)	\$ (3)	\$ (34)
Insurance recovery	9	(8)	(6)
Proportion of Methanex-produced methanol sales	(4)	(3)	36
Purchased methanol costs	(4)	2	(22)
Logistics costs	(5)	(2)	(10)
Other, net	(6)	(8)	(14)
	\$ (18)	\$ (22)	\$ (50)

Methanex-produced methanol costs

We purchase natural gas for the Chile, Trinidad, Egypt and New Zealand methanol facilities under natural gas purchase agreements where the terms include a base price and a variable price component linked to the price of methanol. The unique contractual terms of each natural gas purchase agreement result in a different cost structure for each of our facilities. For all periods presented, Methanex-produced methanol costs were higher due to the impact of higher methanol pricing on natural gas costs and a change in the mix of production sold from inventory.

Insurance recovery

We experienced an equipment failure at our Atlas facility in July 2011. Our operations are covered by business interruption insurance and we finalized our claim and recorded a recovery of \$9 million in the fourth quarter of 2012.

Proportion of Methanex-produced methanol sales

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. For the fourth quarter of 2012 compared with the third quarter of 2012 and the fourth quarter of 2011, lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$4 million and \$3 million, respectively.

For the year ended December 31, 2012 compared with the same period in 2011, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$36 million. The impact of higher sales volumes from the New Zealand, Egypt and Medicine Hat facilities was partially offset by lower sales volumes from the Chile facilities.

Purchased methanol costs

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

Logistics costs

Logistics costs vary from period to period depending on the levels of production from each of our production facilities and the resulting impact on our supply chain. For the year ended December 31, 2012 compared with the same period in 2011, the logistics cost variance was impacted by a one-time \$7 million charge to earnings to terminate a time charter vessel lease contract.

Other, net

In October 2012, we completed a restructuring of our Chile operations which reduced the size of our workforce and resulted in a \$5 million charge in the fourth quarter of 2012. The remaining change in other, net is primarily due to a portion of fixed manufacturing costs being charged directly to earnings rather than to inventory due to lower production at our facilities in Chile and Egypt.

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 below.

	Three Months Ended		Years Ended	
	Dec 31	Sep 30	Dec 31	Dec 31
	2012	2012	2011	2011
Methanex Corporation share price ¹	\$ 31.87	\$ 28.54		