Consolidated Statements of Income (Loss) and Reinvested Earnings

(MILLIONS OF U.S. DOLLARS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS) YEAR ENDED DECEMBER 31	2003	2002	2001
Revenue	**$3,949**	$3,091	$3,194
Feedstock and operating costs	**3,487**	2,668	2,901
Depreciation and amortization	**298**	266	230
Selling, general and administrative	**179**	169	191
Research and development	**45**	39	40
Restructuring charges (Note 15)	**15**	20	27
	4,024	3,162	3,389
Operating loss	**(75)**	(71)	(195)
Interest expense (net) (Note 8)	**(89)**	(87)	(88)
Equity in earnings of affiliate (Note 5)	**39**	5	14
Other gains and (losses) (Note 16)	**92**	59	58
	42	(23)	(16)
Loss before income taxes	**(33)**	(94)	(211)
Income tax recovery (Note 17)	**61**	13	83
Net Income (Loss)	**$ 28**	$ (81)	$ (128)
Reinvested earnings, beginning of year	**605**	740	924
Change in accounting policy (Notes 2 and 20)	**5**	—	—
Common share dividends	**(25)**	(23)	(23)
Preferred securities dividends and distributions	**(29)**	(31)	(33)
Reinvested earnings, end of year	**$ 584**	$ 605	$ 740
Weighted-average number of common shares outstanding (millions)	**87**	86	85
Net loss per common share (Note 12) — Basic and diluted	**$ (0.02)**	$ (1.30)	$ (1.88)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(MILLIONS OF U.S. DOLLARS) DECEMBER 31	2003	2002	2001
Assets			
Current assets			
Cash and cash equivalents	$ 212	$ 14	$ 10
Accounts receivable (Note 3)	316	249	362
Inventories (Note 4)	392	321	279
	920	584	651
Investments and other assets (Note 5)	157	537	549
Plant, property and equipment, net (Note 6)	3,336	3,033	3,159
	$4,413	$4,154	$4,359
Liabilities and Shareholders' Equity			
Current liabilities			
Bank loans	$ —	$ 3	$ 14
Accounts payable and accrued liabilities (Note 7)	587	562	437
Long-term debt installments due within one year (Note 8)	—	1	186
	587	566	637
Long-term debt (Note 8)	1,101	1,211	1,322
Deferred credits (Note 9)	835	816	786
	2,523	2,593	2,745
Shareholders' Equity			
Preferred securities (Notes 10 and 25)	383	383	383
Retractable preferred shares (Note 11)	198	198	198
Common shares (Note 12)	493	484	472
Cumulative translation adjustment	232	(109)	(179)
Reinvested earnings	584	605	740
	1,890	1,561	1,614
	$4,413	$4,154	$4,359
Contingencies and commitments (Notes 8, 11, 21 and 23)			
Subsequent events (Note 25)			

See accompanying Notes to Consolidated Financial Statements.

On behalf of the board:

Kerry L. Hawkins, Director

Jeffrey M. Lipton, Director

Consolidated Statements of Cash Flows

(MILLIONS OF U.S. DOLLARS) YEAR ENDED DECEMBER 31	2003	2002	2001
Operating Activities			
Net income (loss)	$ 28	$ (81)	$(128)
Depreciation and amortization	298	266	230
Future income tax (recovery) expense (Note 17)	(78)	8	(4)
Other gains (net of current tax) (Note 16)	(92)	(39)	—
Equity in earnings of affiliate	(39)	(5)	(14)
Methanex dividends received	14	4	—
Asset writedowns	9	—	10
Funds from operations	140	153	94
Changes in non-cash working capital (Note 18)	(125)	206	184
Cash from operations	15	359	278
Investing Activities			
Proceeds on sales of assets and investments	564	82	—
Plant, property and equipment additions	(130)	(71)	(168)
Turnaround costs, long-term investments and other assets	(57)	(18)	(156)
Change in non-cash working capital (Note 18)	7	—	(16)
	384	(7)	(340)
Financing Activities			
Decrease in current bank loans	(3)	(11)	(14)
Proceeds on liquidation of swap positions	—	13	27
Long-term debt additions	—	—	302
Long-term debt repayments	(152)	(2)	(61)
Decrease in revolving debt	(2)	(294)	(159)
Preferred securities dividends and distributions	(29)	(31)	(33)
Common shares issued	9	11	12
Common share dividends	(25)	(23)	(23)
Project advances (Note 18)	11	1	—
Changes in non-cash working capital (Note 18)	(10)	(12)	(6)
	(201)	(348)	45
Increase (decrease) in cash and cash equivalents	198	4	(17)
Cash and cash equivalents, beginning of year	14	10	27
Cash and cash equivalents, end of year	$ 212	$ 14	$ 10

See accompanying Notes to Consolidated Financial Statements.