

LETTER TO SHAREHOLDERS



JEFFREY M. LIPTON
Chief Executive Officer

2008 was an exceptionally challenging year for our company. Turmoil in the financial and credit markets brought about significant changes in our business as well as the global economy. These pressures continued into early 2009, when the Company faced a looming liquidity crisis. I was therefore pleased to announce on February 23, 2009, that NOVA Chemicals had entered into an agreement with International Petroleum Investment Company (IPIC) providing for IPIC to acquire all of the outstanding common shares of our company.

When compared to the wide range of alternatives that our company had explored, including remaining as an independent company, the IPIC transaction was clearly the most attractive alternative for NOVA Chemicals' shareholders. The transaction will provide our shareholders with a meaningful premium, and facilitate the Company meeting its obligations and strengthening its balance sheet. We also believe

that the proposed transaction is a great deal for our customers and suppliers, our employees and their families as well as the communities and countries in which we operate. The transaction should remove a great deal of uncertainty from our future for everyone associated with our company.

IPIC is an active investor in petroleum and petrochemicals businesses, and has one of the strongest financial foundations in our industry. It is wholly owned by the Government of the Emirate of Abu Dhabi.

IPIC has indicated to us that they intend to keep NOVA Chemicals operating independently in its present form under the same name. Chris Pappas along with the rest of the leadership group and our talented operating and technical teams will be able to take advantage of growth opportunities in Alberta, Ontario and the U.S. They will also be able to continue our highly productive research efforts based in Calgary.

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IPIC is acquiring a terrific company. NOVA Chemicals is focused on one of the largest and strongest segments in the chemical industry, ethylene and polyethylene. We have outstanding worldscale assets, unique process and product technology, great people, supportive communities and a sustainable feedstock advantage in Alberta, Canada. All of these will be complementary to IPIC’s other ethylene and polyethylene businesses in Europe and the Middle East. NOVA Chemicals employees will not only gain immediate stability but also the promise of an exciting future.

Having spent a reasonable amount of time with IPIC’s leaders, I’m confident that they will fully support NOVA Chemicals’ longstanding commitment to Responsible Care, which is the chemical industry’s program to ensure safety, health and environmental performance. I am confident that the company will maintain its engagement in the communities and regions in which we operate. I also have no doubt that the combination

of IPIC’s financial strength and NOVA Chemicals’ assets and people will generate very strong economic and job growth in just about every part of the world in which we operate in the coming years. The proposed transaction therefore has the potential to positively impact many of our stakeholders, their families and their communities as well as being beneficial for our shareholders.

I would like to express my thanks to our investors, employees, customers and communities who have continued to support NOVA Chemicals in these very difficult times.



JEFFREY M. LIPTON
Chief Executive Officer

OPERATING REVIEW AND OUTLOOK



CHRISTOPHER D. PAPPAS
President and Chief Operating Officer

NOVA Chemicals has always focused on its fundamental strengths of low cost, superior technology and market knowledge. By hiring and retaining outstanding people we ensure these fundamental strengths will be long lasting competitive advantages.

Despite the setbacks that NOVA Chemicals recently faced, I believe these fundamental strengths, when combined with IPIC's financial strength and the synergies with its investment portfolio in petrochemicals, can potentially create a global force in this industry.

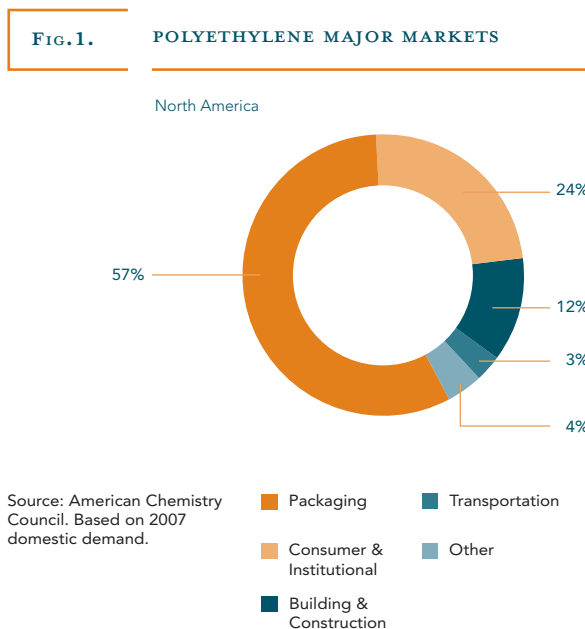
BUSINESS PERFORMANCE

For seven consecutive quarters, from Q1 2007 through the end of Q3 2008, results were outstanding for our company, with record earnings, volumes and tremendous safety and

environmental performance as well. The NOVA Chemicals team took full advantage of our Alberta Advantage and delivered outstanding results.

The run of earnings records was interrupted when the financial crisis crested in September of 2008, dramatically accelerating the global economic downturn. Our customers stopped buying polyethylene in October and November in order to reduce their inventories in a time of rapidly falling prices. It is important to understand that our polyethylene product line is heavily weighted to consumer staple oriented products like bread bags, food pouches, yogurt containers and other packaging as you can see in Figure 1. Because of this dynamic, our customers continued to consume product at close to normal rates while they reduced their inventory and manufacturers reduced production rates.

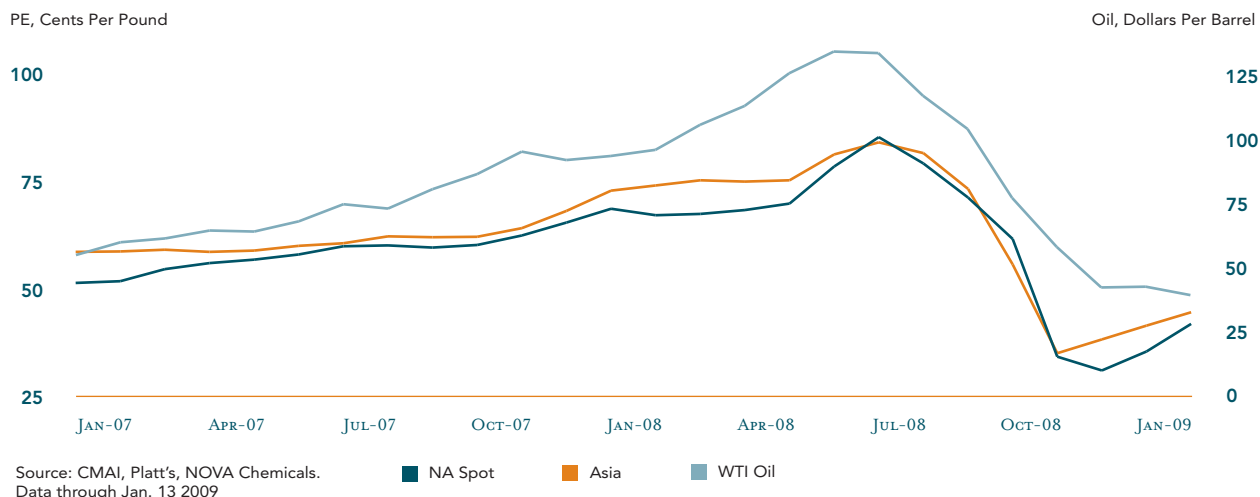
“Alberta continues to be the only place in North America where growth in our industry makes economic sense and NOVA Chemicals is best positioned to take advantage of those opportunities.”



Inevitably, when inventories get low, our customers respond by starting to buy resin again and that’s what happened in late November in North America and a little earlier in Asia. In fact, perhaps surprisingly to some observers, December 2008 was the best December for polyethylene sales in our history and the second best month we have ever had. And that positive sales trend has continued very solidly into early 2009.

The downturn in orders early in Q4 was compounded by the historic reset of feedstock prices, led by crude oil as shown in Figure 2. Prices for polyethylene decreased by almost 50% in the space of four months, an unprecedented correction. The impact on NOVA Chemicals was enormous: our total sales volumes were extremely low in October and November, prices were down dramatically and we experienced flow through costs of \$364 million and inventory write-downs of

FIG. 2 POLYETHYLENE WEEKLY PRICES VS WTI CRUDE OIL



\$129 million in the fourth quarter as we consumed feedstocks purchased at the higher prevailing costs from earlier in the fall.

MARKET DYNAMICS RESET

However, it is important to note that although the fourth quarter was tough, when you take away the impact of feedstock and currency gyrations, the underlying Adjusted EBITDA for our business in Q4 was \$156 million. In fact, the newly reset market dynamics are positive for NOVA Chemicals. Because of lower feedstock costs the prices for our products are even more competitive versus other materials, so we can expect demand growth to continue, particularly for polyethylene going into consumer staple applications. Inventories are at all-time lows and

our Alberta Advantage has already started to return to its historic range. So in total, the wrenching shifts of the fourth quarter have put NOVA Chemicals in an enviable competitive position in the North American polyethylene industry.

STYRENICS JV PERFORMANCE

In our styrene and styrenic polymers joint venture with INEOS, the joint venture management team also continues to drive out costs. Since startup, the JV has reduced fixed costs from \$405 million per year to a 2010 budget level of \$240 million. The team has been successful rationalizing assets and finding synergies, but the styrenics market, which is based on durables and construction, has continued to be unfavorable. One of the most positive developments for styrenics is

the radical reduction in the price of benzene feedstocks – approximately 75% in three months. For several years the high price of benzene relative to crude oil has suppressed demand growth for styrenic polymers. We are also looking for strategic alternatives and ways to take out additional costs to make this business a meaningful contributor to earnings.

OPPORTUNITIES AND PLANS

We look forward to taking advantage of the fundamental strengths of our company which make NOVA Chemicals unique in our industry. The story is told in more detail starting on page ten of this report.

The foundation of our business is the Alberta Advantage which provides NOVA Chemicals with a significant ethylene cash cost advantage over similar U.S. Gulf Coast facilities. The Advantage averaged 17 cents per pound in 2008, a record level in spite of a historically weak fourth quarter. The low Advantage in the fourth quarter was an anomaly resulting from the combination of reduced Gulf Coast feedstock demand from September hurricanes and plant closings due to the collapse of crude oil and related feedstock prices in Q4. In fact, we have seen the Advantage begin to strengthen in early 2009 and we expect it to return to the historic range relatively quickly based on the historic relationship to crude oil. Alberta continues to be the premier place in North America for growth

in our industry, and NOVA Chemicals is uniquely positioned to take advantage of those opportunities.

TECHNOLOGY ADVANTAGE

As the developing world continues to modernize, demand growth rates for polyethylene should continue to increase. The value of this simple product compared to its cost is very, very high and products from our proprietary Advanced SCLAIRTECH™ (AST) technology will allow for even thinner, stronger, more cost-effective food packaging – and therefore speed up growth even more.

We have leading edge polyethylene process and catalyst technologies that deliver a broad range of world class products. Our margins for AST technology based resins continue to improve as our customers are willing to pay premium prices for a product that delivers advantages in their markets.

NOVA Chemicals also owns, supports and operates proprietary gas phase catalyst and process polyethylene technology that has some of the lowest operating costs in the world. NOVA Chemicals has modified and developed its gas phase polyethylene capabilities to become a fully competitive proprietary technology and offers its Ziegler Natta catalysts technology for license.

We also have exciting new technologies coming to market in our Performance Styrenics business such as

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our Elemix® concrete additive that provides lighter weight and enhanced durability in a variety of concrete applications.

All in all, we have an enviable portfolio of proprietary technologies that add value for our customers and for our business. And we believe we have only scratched the surface of their potential.

LOOKING FORWARD

NOVA Chemicals has a bright future based on our fundamental strengths. We believe we have a unique company with advantages that are built to last. We plan to continue to invest in our technology and evaluate new growth opportunities. Our company is built on low cost feedstocks and operations, differentiating technology and long-term customer relationships.

Following the proposed acquisition by IPIC, NOVA Chemicals would become an integral part of an emerging global force in our industry. IPIC’s current portfolio of petrochemical investments and their current growth provide significant synergy opportunities with NOVA Chemicals’ technology, markets, customers and people. With the financial strength of IPIC, NOVA Chemicals has the potential to grow substantially in Alberta, improve its operations

in Ontario and look to other growth opportunities in the Americas as well. These are exciting prospects for NOVA Chemicals.

I would also like to thank our employees who have dealt with a variety of challenges very calmly and capably over the last year. Their dedication to safe, responsible innovation is what makes the difference for us.

And finally, on behalf of NOVA Chemicals I want to acknowledge the leadership of Jeff Lipton over the last 10+ years. Jeff has been an exceptional leader in our industry, for our company and for me personally. His guidance and coaching have made an enormous difference for many of us at NOVA Chemicals. Jeff’s fundamental beliefs in Responsible Care, low cost operations, value adding technology and treating people fairly and respectfully are the cornerstones of NOVA Chemicals and will continue to serve us well into the future.



CHRISTOPHER D. PAPPAS
President and Chief Operating Officer