FOURTH QUARTER 2008 CONFERENCE CALL – TRANSCRIPT
THURSDAY, JANUARY 29, 2009

Set forth below is a transcript of NOVA Chemicals' conference call on Thursday, January 29, 2009, related to our fourth quarter 2009 earnings. This transcript has been edited for the purpose of increasing clarity and readability. However, management does not believe any of these changes, individually or in the aggregate, represent a material change from the information presented during the conference call itself.

Chuck Magro, Vice President Investor Relations:

Good morning. Welcome to the conference call for NOVA Chemicals' fourth quarter 2008 results.

Today you will hear from Jeff Lipton, our Chief Executive Officer, Chris Pappas, our President and Chief Operating Officer, and Larry MacDonald, our Chief Financial Officer.

After these remarks, we will open the phone lines to analysts and investors for a Q&A session. But first, a few comments about disclosure.

Be advised that this call is being recorded for replay through our conference call provider – and is being broadcast live through an Internet webcast system.

The comments and answers to your questions will contain forward-looking information. This information – by its nature – is subject to risks and uncertainties – as well as other factors – that could cause actual results to differ materially from those suggested today.

Certain material facts and assumptions were applied in drawing the conclusions – and making the forecasts or projections – contained in these forward-looking statements. Please refer to the forward looking information panel and page 16 of our Fourth Quarter Earnings release for more information.

In addition, today's presentation does include the use of non-GAAP financial measures. Please see our Supplemental Measures definition on page 15 of the fourth quarter earnings release for more information. Note that all references to the term EBITDA are in fact referring to Adjusted EBITDA.

Now I will turn the call over to Jeff.

Jeff Lipton, Chief Executive Officer

Thank you, Chuck. Good morning everyone.

As I hope all of you are well aware – we had a supplemental conference call on January 7th to cover our internal cash generation activities and our quarter end liquidity position. A complete transcript is available on our website so we will not repeat much of that today.

Today we want to accomplish two things in addition to giving you some additional color about our fourth quarter.

Larry will give you the details behind our successful work with our core banks to amend covenants to give us use of our major credit lines during the first half of 2009. He will also cover our work to expand and protect our liquidity.

Chris will provide an operations update, and describe our improving outlook for 2009, including our expectations for positive cash flow.

I will close with what I believe is a clear picture of why NOVA Chemicals should not be lumped together with other chemical producers. The outlook for the polyethylene market is quite positive and I believe our relative competitive position is strengthening to more typical levels.

But first – let's look at **Panel 1** which shows the impact of the huge costs of resetting inventory values on our fourth quarter results including the flow-through impacts of our accounting approach and the year end write-down of inventories to the lower of cost or market.

NOVA Chemicals
4Q 2008 Underlying Business EBITDA

Values in $Millions	EBITDA	Exceptional Costs Q4'08(1)	Underlying EBITDA
Business EBITDA			
Olefins/Polyolefins	$(210)	$364	$154
Performance Styrenics	(35)	21	(14)
INEOS NOVA	(77)	108	31
Total for Businesses	**$(322)**	**$493**	**$171**

(1) Add back exceptional costs relating to inventory including flow-through and write-downs

PANEL 1

We had a fourth quarter business EBITDA loss of $322 million for our businesses which included inventory impacts totaling $493 million.

If you exclude the inventory cost reset, our business EBITDA in the extraordinarily weak market conditions of the fourth quarter would have been $171 million. Not bad at all.

As we mentioned on our January 7th call we finished the fourth quarter with $573 million of liquidity. The rapidly falling feedstock costs hurt our income statement but allowed us to extract $494 million from working capital and generate $107 million in cash from operations in the quarter.

If you include the repayments of our account receivables securitization facilities, we reduced net debt in the quarter by $290 million.

So we believe it behooves both equity and debt investors to look beyond the headline numbers to get a close look at the operating strengths of our company, just like banks have and will.

Now let's hear from Chris.

Chris Pappas, President and Chief Operating Officer

Thanks Jeff.

I plan to cover 2 topics today:

First, an operational update for our businesses for the fourth quarter and second an outlook for 2009.

Let me start with Olefins and Polyolefins. The whole industry had a challenging fourth quarter but the first three quarters of 2008 were very strong for us. The 2008 annual EBITDA result for Olefins / Polyolefins of $576 million is solid, despite the exceptionally weak fourth quarter.

The fourth quarter result was an EBITDA loss of $210 million. This highly unusual loss is a direct result of a combination of historic events: the global feedstock pricing reset that drove our FIFO-based accounting flow-through and inventory write-downs – mainly for Corunna feedstock in the fourth quarter – totaled $364 million. Extremely low polyethylene sales in October and November and an uncharacteristically low Alberta Advantage also contributed to the challenges in the fourth quarter.

If we remove the inventory flow-through and write-down impacts, the underlying EBITDA of the Olefins and Polyolefins business was about $154 million in the fourth quarter.

And very importantly, we reduced working capital in Olefins and Polyolefins by $533 million and we had an operating cash flow of approximately $280 million in the fourth quarter of 2008.

As I mentioned, Corunna's results were driven by the historic reset of feedstock costs which led to a significant flow-through impact and an inventory write-down. The inventory write-down, now positions Corunna feedstock costs to be in line with market prices as of year-end. This true-up, should reduce the risk of significant near term negative flow-through earnings impacts for Corunna.

Now let's look at our Alberta based ethylene / polyethylene businesses, which continued to generate cash despite the difficult fourth quarter conditions.

The 2008 full year average for the Alberta Advantage was 17 cents per pound – equal to the record level of 2007. The Advantage compressed in the fourth quarter: First, because of hurricane related ethane inventory build on the U.S. Gulf Coast in September and then a sharp drop off in ethane consumption as ethylene and polyethylene sales fell due to the global feedstock price shift in October and November.

In fact, U.S. Gulf Coast ethane producers were able to temporarily reach parity with Alberta's low cost structure in the fourth quarter. But we have already seen the Advantage improve in January and expect the Advantage to return to a more historical level of around 8 cents per pound which is the 15-year average, as ethane inventory on the U.S. Gulf Coast returns to normal levels.

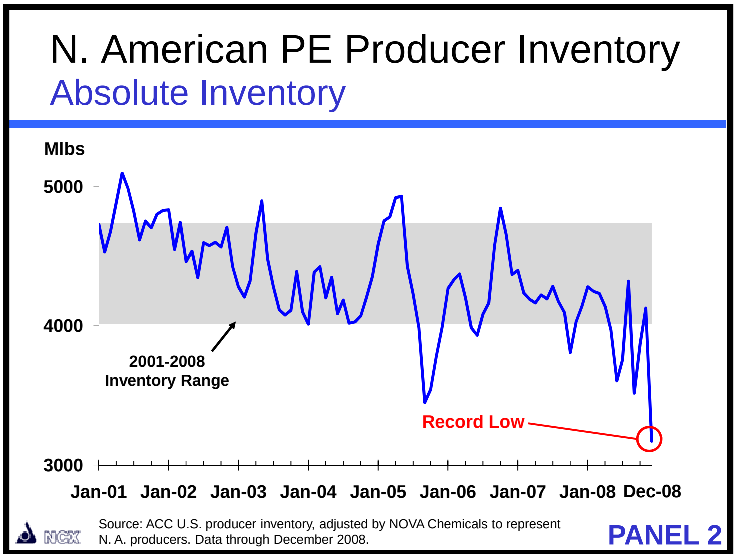
During the January 7th call we explained the significant polyethylene chain destocking that occurred in October and November – spurred on by the resetting of all feedstock costs, led by crude oil. December polyethylene volumes rebounded sharply. In fact, our sales volumes in December were the highest December on record and the second highest of any month in our history.

January sales volumes continue to be seasonally strong, and are tracking at the same rate as January 2008, which was the start of a good quarter.

There are two polyethylene price increases announced already for 2009: 7 cents per pound effective January 1st and 5 cents per pound effective February 1st. While there has been some competitive activity to delay the January increase to February, our customers tell us they believe prices bottomed in December and they expect the 7 cent per pound increase to go through no later than February 1st .

A key driver of price increases will likely be the inventory story.

Panel 2 shows American Chemistry Council producer inventory data – note the significant reduction. In fact, December's reduction in producer inventory of almost 1 billion pounds is a record and polyethylene inventory levels are the lowest in the last decade.



Tight inventories and improving demand should provide support for both announced price increases, which should be further supported by the fact that converters appear to be passing along the resin price increases to their customers. For example, some film producers are implementing price increases of as much as 10%.

Compared to November, December industry polyethylene sales were up 32% and exports were up 68%, back to the levels seen earlier in 2008.

Also supporting price increases is the re-opening of the polyethylene export window for North American producers, which happened for China in November, Latin America in December and now in India. Demand is steady in these regions and prices have already increased. In China the price has increased about 10 cents per pound since bottoming in November.

For NOVA Chemicals, our export business is strong. We expect to export above average historical levels of about 14% of our total polyethylene sales in the first quarter. Also, as our feedstock and transportation costs continue to fall, more and more profitable export opportunities become available to us.

At this time, our Alberta ethylene cash costs are about 17 cents per pound below naphtha-base ethylene in China.

Now, let’s look at our styrenics-based businesses.

Performance Styrenics had an EBITDA loss of $35 million in the fourth quarter and a loss of $45 million for 2008. This business also was impacted by flow-through feedstock costs of about $21 million in the fourth quarter.

Clearly we are not happy with these results and we are completely restructuring the business as we discussed on January 7th. We intend to reduce our fixed costs by 40% and cut working capital significantly by focusing on only the best 2009 growth opportunities. We remain committed to generate cash from this business in 2009; in fact we reduced working capital in Performance Styrenics by $23 million in the fourth quarter and expect to further reduce working capital by an additional $10 million in the first quarter.

Let’s turn to our styrenics joint venture.

NOVA Chemicals reported a fourth quarter EBITDA loss of $77 million for our 50% share of the INEOS NOVA joint venture. This business also saw a significant flow-through cost impact of about $108 million - which is our 50% share - as benzene pricing dropped over 75% in the fourth quarter. Underlying EBITDA was about $31 million in the fourth quarter and the JV reduced its working capital by almost $100 million in the quarter which allowed a $15 million improvement in their cash position.

Market conditions for styrene, polystyrene and expandable polystyrene continue to be challenging with building and construction and durable goods sectors of the economy weak due to the global economic slowdown, but January demand is rebounding from fourth quarter levels.

In 2008 NOVA Chemicals reported an EBITDA loss of $78 million compared to a gain of $17 million in 2007 for our 50% of the INEOS NOVA joint venture.

The JV continues to focus on what they can control by stripping out costs in their business. So far, the JV has delivered $80 million of annual cost synergies and expects to deliver $135 million in annual synergies by the end of 2009. NOVA's share of these synergies is 50%.

Both NOVA Chemicals and INEOS are committed to seeking to run the business at no worse than cash neutral in 2009 and will continue to explore non-cash strategic alternatives to create additional value in this business.

Before moving to the outlook for 2009, I'd like to briefly recap some items from our January 7th call. For more details on specific actions, please refer to the transcript. First, our cost reduction and restructuring efforts are progressing well. We are well on our way to reduce our fixed costs by at least $100 million from 2008 levels by the end of second quarter.

In our world class ethylene and polyethylene business we expect to maintain our strong strategic position while trimming costs by about 10%.

In Performance Styrenics we are totally restructuring the business and plan to reduce fixed costs by about 40% and free up at least $30 million in working capital.

At the corporate level, we will reshape our structure to reflect a lower cost business model and expect to reduce costs by about 25%. In addition to cost reductions, we believe we can generate at least $125 million in cash from working capital in 2009 – all else being equal.

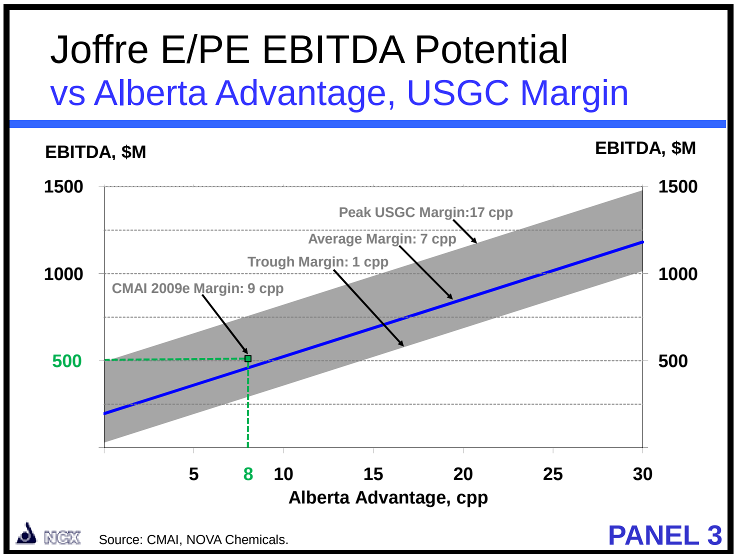
We have also reduced our 2009 CAPEX budget by $60 million to approximately $100 million and expect the joint venture will deliver an additional $30 million in synergies to NOVA Chemicals.

Our cash improvement potential also includes the benefit of a lower Canadian dollar, which has averaged approximately 82 cents U.S. so far in January. If the dollar remains at that level for all of 2009, NOVA Chemicals' costs would improve by more than $85 million because a large portion of our cash expenditures are in Canadian dollars.

In total, our actions could yield an additional $400 million of cash, on an annualized basis, by the end of 2009, by either reducing cash outlays or generating additional cash.

So with these improvements in mind, let's take a look at our EBITDA potential for 2009.

The model on **Panel 3** shows the EBITDA generation potential of our Alberta based ethylene and polyethylene business. We have shown this model before. You can see that our EBITDA is impacted by two key factors: the Alberta Advantage and U.S. Gulf Coast ethylene and polyethylene industry margins represented by the grey band.



Let's use a brief example to illustrate how this model works. If we use the historical average Alberta Advantage of 8 cents per pound, and CMAI's current industry polyethylene chain margin forecast of 9 cents per pound, then, in this scenario we would expect approximately $500 million of EBITDA from Joffre alone.

Chemical Market Associates Inc. (CMAI) continues to assess the strength of the polyethylene markets for 2009 and has now increased their forecast for ethylene / polyethylene chain margins twice in the past few weeks to their current view of 9 cents per pound. It seems clear that CMAI is looking at the same polyethylene inventory and consumption data that we are.

Of course, we believe that there is a possibility that the markets could even be better than this outlook. Jeff will talk about this later. Remember, this model is for our Alberta based ethylene and polyethylene business only. We also expect a positive EBITDA contribution from Corunna in 2009, assuming crude oil remains relatively stable.

Corunna is showing signs of improvement so far in the first quarter. Feedstock costs are lower and margins are expanding for our energy related products like diesel fuel. Prices for our major chemical co-products like propylene are also starting to rebound.

How does this all come together for NOVA Chemicals?

Even if you assume that our restructuring of Performance Styrenics and continued cost improvements in INEOS NOVA will only yield break even EBITDA in 2009, the EBITDA from Joffre and Corunna plus our expectations for lower costs, and reduced working capital and CAPEX should position NOVA Chemicals to generate positive cash.

So to summarize:

- The Ethylene and polyethylene markets have stabilized and are showing clear signs of improvement.
- Our Alberta based operations had a good year in 2008 generating EBITDA and cash.
- Corunna's results were negatively impacted by our FIFO accounting and the historic crude oil volatility we saw in 2008.

- Performance Styrenics is not where it needs to be and we are in the process of aggressively restructuring the business.

- The INEOS NOVA joint venture continues to take costs out and we are committed to seeking to have this business at least cash neutral in 2009, while pursuing non-cash strategic alternatives to create additional value in this business.

- We are taking significant action to lower our fixed costs and CAPEX, and lowering our working capital needs

Over to you Larry.

Larry MacDonald, Chief Financial Officer

Thanks Chris.

Before I discuss quarter-end results and financing activities, I want to point out a reporting change we have initiated with the fourth quarter press release. We have moved to short-form reporting, which eliminates the detailed financial statement notes from the press release. This change brings us in line with the standard form of reporting generally used in the United States.

Management decided to simplify the press release because of all the year-end reporting challenges and the fact that we just completed the unanimous bank agreement on covenant relief yesterday. We want to take the time necessary for management and the Company's auditors to completely review the detailed notes prior to issuing our full financial statements in late February.

This change will simplify our quarterly press release reporting on an ongoing basis.

Now, let me review our fourth quarter results, cash flow and liquidity and then I'll provide an update on what we have done on the financing front since our January 7th conference call.

NOVA Chemicals reported a net loss of $214 million or $2.56 per share loss for the fourth quarter. This includes two exceptional factors that reduced adjusted earnings by a total of $242 million or $2.91 per share:

The first factor was a $493 million pre-tax ($384 million after-tax) negative inventory impact related to the historic reduction in feedstock costs, principally crude oil and benzene, in the fourth quarter.

As you know we account for our inventory on a FIFO basis. As crude and intermediate products dropped dramatically in the fourth quarter, the selling prices of our finished products also dropped. Since we had higher cost third quarter inventory flowing through our income statement in the fourth quarter, we incurred losses of $364 million before-tax. In addition, we wrote down the value of our year-end inventory by $129 million before-tax to reflect market prices as of December 31.

The second factor was a $111 million pre-tax ($142 million after-tax) foreign exchange gain related to the full adoption of the US dollar as NOVA Chemicals' functional currency as of October 1, 2008. In the third quarter of 2008, the INEOS NOVA joint venture obtained independent financing through a North American accounts receivable securitization program.

This significantly eliminated the joint venture's potential reliance on NOVA Chemicals to fund operations. As a result of this change in circumstances, NOVA Chemicals undertook a review of the functional currency exposures of all of its businesses and concluded that the currency exposures of its Canadian operations are predominately U.S. dollars.

Accordingly, as required by generally accepted accounting principles, NOVA Chemicals commenced recording transactions in its Canadian operations using US dollars as the functional currency effective October 1st, 2008.

The fourth quarter gain is a result of the Canadian dollar sliding approximately 12 cents in the fourth quarter. We will see foreign exchange swings running through earnings in the future and these will be separately highlighted in our income statement so they are clearly identifiable.

There are two other items that are not included in adjusted earnings but do impact net income.

The first item is a non-cash restructuring charge of $28 million before tax consisting of some project and asset write downs related to the restructuring Chris referred to. Severance costs associated with the early stage of our cost reduction program was $4 million bringing total restructuring charges to $32 million pre-tax ($29 million after tax).

The second item is the mark-to-market impact of our Corunna feedstock-purchasing program. In the fourth quarter we recorded a non-cash gain of $8 million before-tax ($6 million after-tax). As you may remember, the value of our feedstock purchasing program improves as the price of propane and butane increases relative to crude oil. In the fourth quarter, crude oil prices fell further than propane and butane - resulting in a gain.

In recent weeks we have seen a number of products move much closer to their historical trading relationships with crude oil. As of yesterday the mark-to-market value of our positions was up approximately $50 million relative to the end of the fourth quarter and the total value of these positions is approaching break-even. Product prices have made dramatic moves back to historical pricing ratios versus crude oil – an indication perhaps that markets are calming down.

Now moving to liquidity….

We ended the fourth quarter with $573 million of liquidity, above the midpoint of our target range. We released $494 million of cash from working capital in the fourth quarter as feedstock costs plummeted during the quarter; polyethylene inventory was drawn down and receivables declined as product pricing and volumes fell sharply. Cash flow from operations was $107 million allowing us to reduce our net debt in the quarter by $140 million.

As accounts receivable fell dramatically from third quarter levels we repaid close to $150 million on our accounts receivable facilities in the fourth quarter. When you factor in the reduction in accounts receivable securitization balances the total debt reduction during the quarter was $290 million.

Now let's discuss the progress we have made on financing negotiations in the past few weeks and plans to improve liquidity.

During our January 7th conference call, I communicated that we were in discussion with our core group of banks regarding an amendment to our $350 million bank revolver to obtain covenant relief to ensure we don't trip existing covenants. We are happy to report that yesterday NOVA Chemicals and our banks unanimously amended covenants that would give the company use of its bank credit lines, subject to certain conditions which are fully explained on page 9 in our press release, and which we felt comfortable agreeing with.

We are close to concluding negotiations with a subset of our core banks on modifications to our $300 million Account Receivable securitization program. Covenants will be adjusted to our core revolver and the size will be reduced because we simply don't need a $300 million facility in a $40 crude oil environment. Other terms and conditions of the deal will be adjusted to reflect current market conditions.

We expect that this unanimous support we have received from our core banks will put NOVA Chemicals in a position to advance a number of potential transactions we have been working on, including a major new source of financing from a new lender we have been working with since November. We currently expect that our year-end liquidity position, when coupled with our core bank support and internal actions we have taken to conserve cash, will put us in a position to deal with the $250 million bond due on April 1st.

Lastly, a comment on the second phase of the crude oil deal we have been working on for some time. This is a complex deal that in today's challenged credit markets we have not yet been able to land. We continue to pursue this very beneficial form of financing in an attempt to put something in place to protect us against potential future crude oil price spikes.

While progress in today's world is made in small steps we remain encouraged and confident that with the ongoing support of our long-term core banks, we should be in a position to deal with what comes our way.

Now I will turn the call back over to Jeff.

Jeff Lipton, Chief Executive Officer

Thanks Larry.

As you can see we have taken rapid internal actions to cut costs and generate cash. The lower Canadian dollar should help us in 2009 and our long term banking relationships have paid off for us – and we firmly believe those relationships will continue to be valuable as we go forward.

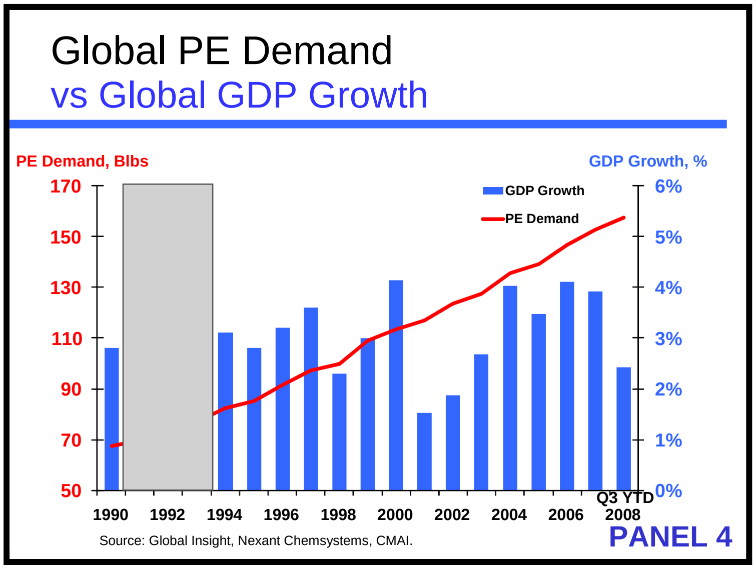
Chris described how solid consumption and low industry production of polyethylene helped us in December and appears to be getting us off to a good start in 2009 – across the globe.

Polyethylene prices are increasing in almost every major market.

Naphtha prices are heading higher – particularly in Asia as China opts to price gasoline high enough to pull naphtha into that use and away from ethylene production. This is raising the cost to produce ethylene almost everywhere in the world, except for NOVA Chemicals and the two-thirds of North American production based on natural gas liquids, which is another factor supporting exports.

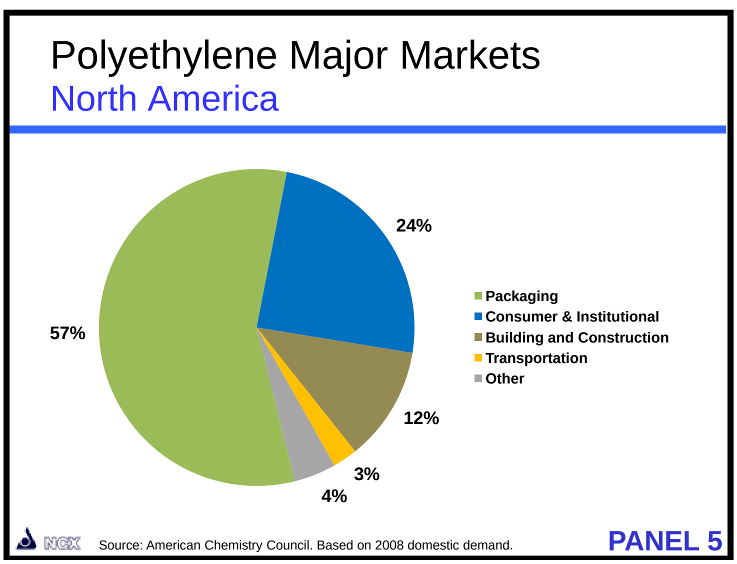
Polyethylene orders are picking up. Inventories in North America are at record lows. We do not have good data for other regions but I would assume the polyethylene inventory picture is similar to ours although probably not as spectacularly low.

Panel 4 shows global polyethylene demand since 1990 which is the red line – along with global GDP growth shown by the blue bars. This data goes as far as the third quarter of 2008 – fourth quarter data is not available yet, but we would expect it to show a downturn, given that orders slowed as converters moved to the sidelines for October and November.



We have shown this panel before, and it is very clear that global polyethylene demand is resilient and has continued to grow more steadily than other polymers – even in periods of economic slow-down, which we have highlighted in gray. This is because polyethylene is used mainly in consumer staple applications, which don't suffer ups and downs as much as those experienced by sectors tied to durable goods.

Panel 5 shows that packaging is by far the largest use for polyethylene –primarily consumer staples like food packaging, and stretch wrap used in transporting and distributing food. The next largest group is consumer and institutional uses – which includes everyday items like garbage bags, product package for personal care items, housewares and medical products. Together these two areas account for over 80% of domestic polyethylene demand.



Some polyethylene is used in building and construction applications such as vapor barriers and pipe but the volumes account for only about 12% of total polyethylene demand.

Panel 6 shows a summary of key retail sales figures for the fourth quarter of 2008 which are down almost 8%, compared to the same time last year. It certainly looks bad on the surface but let's look at the data more carefully. Most of the reduction in retail sales came from durable goods like automobiles and furniture, building materials and of course – gasoline. The non-durable areas – the ones that use a lot of polyethylene - actually experienced growth over the last year – and I would add that sales at fast food restaurants that use plastics are up – while fine dining is hurting.

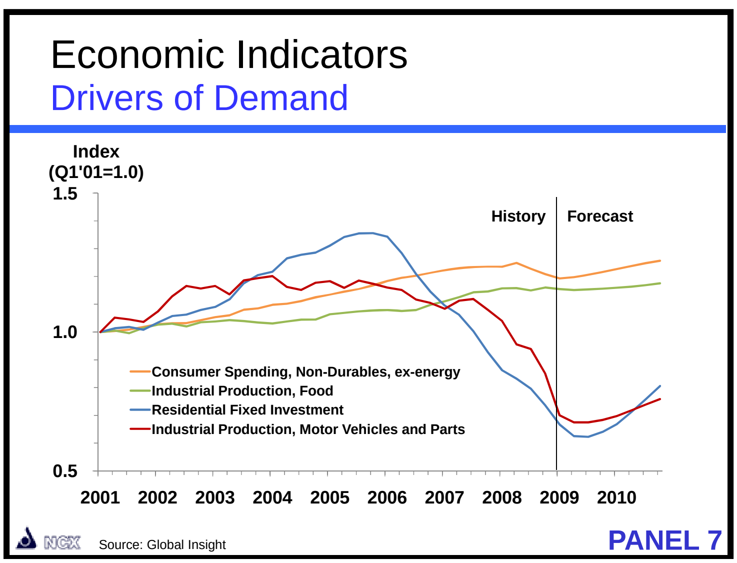
Retail Sales
4Q 2008 versus 4Q 2007

	% of Retail Sales	Change	
Motor Vehicle Dealers	17.0%	-23.6%	Not key drivers of polyethylene demand
Gasoline Stations	9.0%	-20.7%	
Furniture Stores	2.5%	-12.6%	
Building Materials	7.3%	-7.2%	
Apparel Stores	5.0%	-6.7%	
Electronics Stores	2.5%	-5.4%	
Internet	7.2%	-3.2%	
Sporting Goods	2.0%	-2.8%	
Miscellaneous	2.8%	-1.8%	
General Merchandise	14.0%	1.1%	Key drivers of polyethylene demand
Eating and Drinking Places	11.0%	1.8%	
Food Stores	14.0%	2.8%	
Health Stores	6.0%	4.4%	

Total Change: -7.7 %

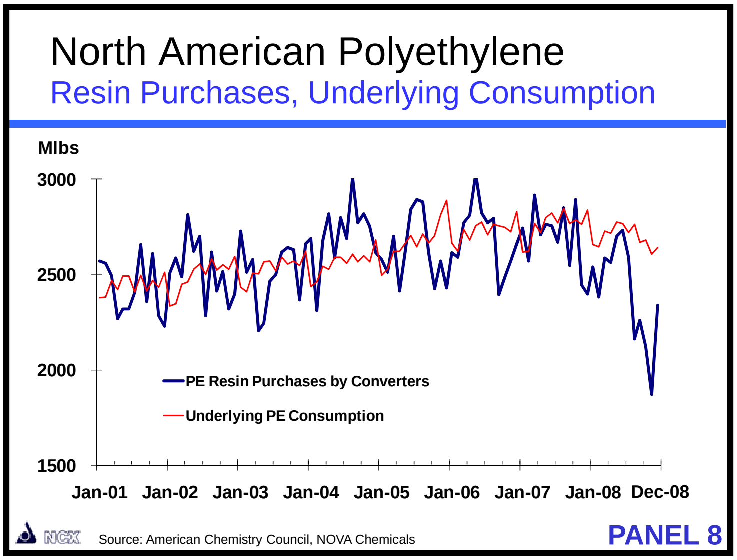
NCX Source: McVean Trading and Investments, LLC **PANEL 6**

Panel 7 shows Global Insight's economic indices for different segments of the economy. These indicators serve as proxies for economic activity that drive polyethylene consumption. For example, industrial production of food is linked to polyethylene food packaging, and consumer spending on non-durables is linked to consumption of products like garbage bags and products packed in plastic. These two sectors, which account for over 80% of polyethylene demand, are forecasted by Global Insight to continue growing.



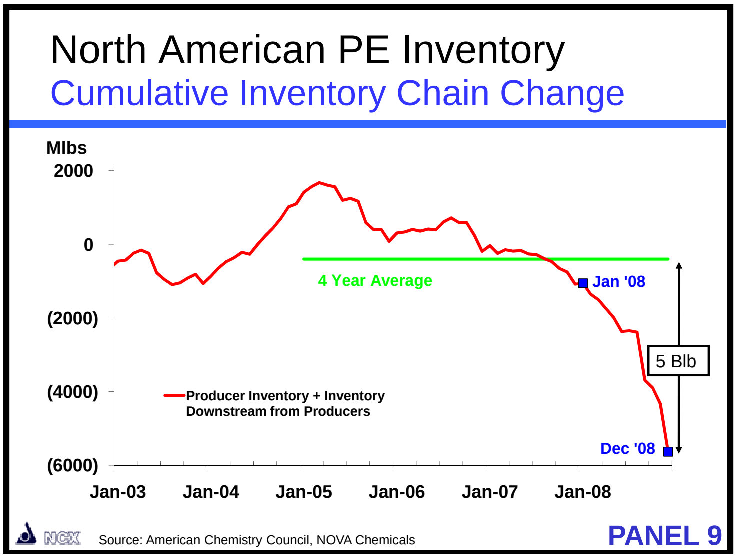
All of this data hangs together – and explains why polyethylene demand has historically stayed solid even in the worst of times, and is likely to do so again.

This leads to **Panel 8**, the American Chemistry Council model of underlying polyethylene consumption that we showed in our January 7th call. This model is tied to economic indices that describe polyethylene consumption, including the ones I just showed you.



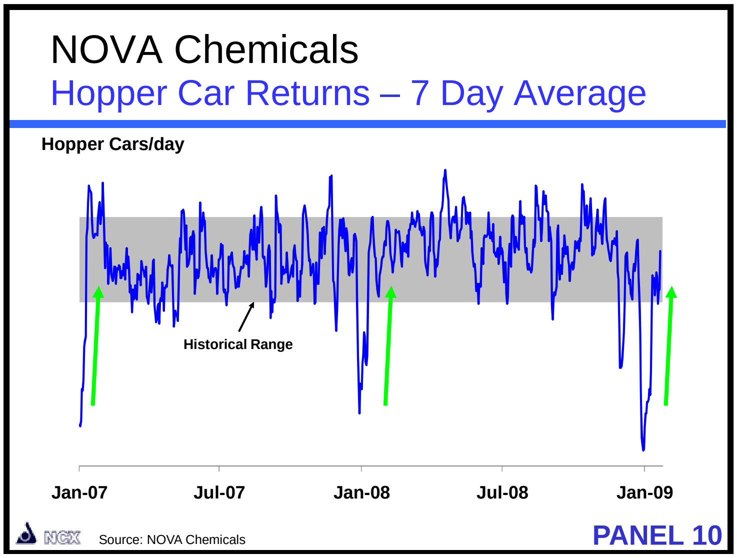
The red curve is underlying consumption for polyethylene – which is down slightly in recent months but has held up quite well as we would expect. On the other hand, resin purchases by converters – as shown by the blue line, dropped off sharply in October and November before rebounding in December. When resin purchases are lower than underlying consumption, inventory of polyethylene products in the supply chain is being depleted.

What this chart says is that despite the impressive rebound in polyethylene sales, chain inventories were still significantly depleted in December, as you can see from **Panel 9**.



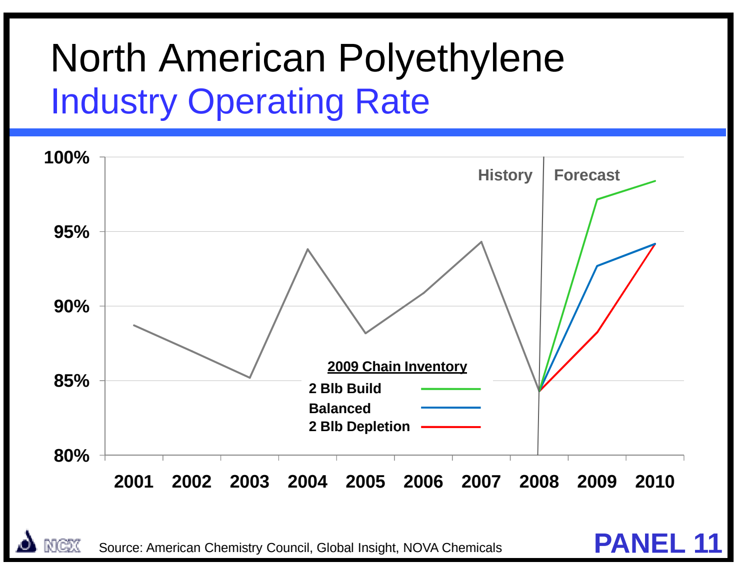
Chain inventories dropped sharply in 2008 due to polyethylene converter order levels that did not keep up with the strong consumption of polyethylene. That's understandable given the unprecedented price volatility we saw in feedstocks and polymers. Inventories are now 5 billion pounds lower than the 4 year average, in a market that has a capacity of about 41 billion pounds per year. In my view, continued inventory depletion is unsustainable. When inventories are replenished, the impact to producer resin sales and industry operating rates should be powerful.

Now let's look at consumption by NOVA Chemicals' polyethylene customers as shown in **Panel 10** which uses our empty hopper car return data. It shows the trend we see every year towards year end and the first week or two in January. This year, October and November, were weaker than past years – but we have snapped back in January just as we did in 2007 and 2008.



Given reasonably strong consumption and very low inventories – where are we headed for 2009? I will show you 3 cases and in all of them one thing is very clear. We expect that North American polyethylene orders in 2009 will be higher than 2008.

Let's go to, **Panel 11**. In the low case, shown by the red line, inventory depletion continues into 2009 but at a slower rate, before stabilizing in 2010, taking chain inventories down another 2 billion pounds to 7 billion pounds below the four year average. In this case, 2009 domestic North American polyethylene sales would improve by 5% compared to 2008. I find this scenario unlikely given the fact that chain inventories are at extremely low levels already. But even this unrealistic forecast has 2009 orders in North America improving compared to 2008.



In a second scenario, shown by the green line, there is an inventory build of about 2 billion pounds leaving inventories still significantly lower than we've seen before this past quarter. In this case, North American polyethylene sales improve by 18% compared to 2008. And since operating rates over 95% have historically proven unsustainable, prices and exports volumes would adjust to balance demand.

The final scenario is the middle ground - shown by the blue line. Sales improve just enough to keep chain inventory at today's extremely low level in all of 2009 and 2010.

In this scenario sales improve by 11%, causing industry operating rates to move up substantially – to very strong levels for 2009 and 2010.

With wide open export markets, I believe North American polyethylene based on highly competitive natural gas liquids will be a uniquely strong segment of the global chemicals market – regardless of how quickly global GDP recovers.

And as Chris mentioned, today we estimate that ethylene production in Alberta has a cash cost that is about 17 cents per pound less than the cash costs in China!

I hope we have convinced you that every chemical company and every plastics based company is not the same – and that NOVA Chemicals – so heavily focused on an advantaged ethylene and polyethylene business, should not be seen the same way as broadly based chemical companies that serve many markets – with many of those markets nowhere close to the stability of the consumer staple markets we serve.

Thanks for your time and interest – now to your questions.

Jacob Bout with CIBC World Markets

Good afternoon. I have a question on the debt side. Could you talk a little bit about your pension fund status as of the end of 2008 and what you expect your contribution to be in 2009 versus 2008.

Larry MacDonald, Chief Financial Officer

Hi Jacob. Our main pension plans are obviously in Canada. At the end of 2008, we obviously don't have the actual numbers yet, but we were in the low-to-mid 80s as a funding status versus being fully funded on a going concern basis at the end of 2007. As far as funding for 2009, we expect it to be about $40 million for all of the pension plans, which is about the level we've been at for a number of years. Our funding status has gone down, like everybody's has gone down. We expect to rebuild them over a period of years.

Jacob Bout, CIBC World Markets

The next question is more on a strategic nature. You have the two divisions and I wondered why on the Styrenics side you don't shut that business down. What would be the cost associated with shutting that down?

Jeff Lipton, Chief Executive Officer

Well, it is obvious that we could take that step, but we think we are headed in a different direction. We expect to have no cash drain from that business. If we thought the best alternative was to take it down, as we've taken down individual assets, we would not hesitate to move in that direction, but it is not what we are thinking about today. And as Chris mentioned, we are looking at noncash strategic alternatives that we think will not only help our business, but also the industry on a global basis. Obviously we can't talk about those activities but you should rest assured that we continually are working to try to improve the prospects of that business.

Jacob Bout, CIBC World Markets

What would be the environmental liabilities associated if you were to shut that down?

Jeff Lipton, Chief Executive Officer

They would be quite minor. We did a tremendous amount of work before we acquired those assets. We are very comfortable that we have limited our liabilities to very small levels.

Sergey Vasnetsov, Barclays Capital

Hi. Good afternoon. I'm looking at Panel 3. I think it's a very interesting panel. I have tremendous respect for CMAI and I'm sure they have good reasons to think for their forecast of 2009 margins, which are projected to be $0.09. However if the cycle average is $0.07 and trough is $0.01, it seems to me that in 2009 the market is far more likely to be lower than the thirty years rather than to be above the average for recent past. If that is the case, what is your view? Do you think it is more likely that on the charts that the results for Joffre EBITDA would be let's say $270M - $300M on the bottom part of this grey area rather than above the average?

Jeff Lipton, Chief Executive Officer

Sergey, I spent a lot of time trying to point out what I think will be the major driving force for 2009. And that is solid consumption of polyethylene and extremely low inventories, which are putting our industry, I believe, in a position where we will see a sharp upturn in orders and have a lot of solid momentum for price increases to get put in place. And so we think CMAI is looking at the exact same set of data that we are looking at. It is published by the ACC, it is readily available, and it's proven to be quite accurate. Our fundamental view of the marketplace is that polyethylene will remain one of the few very solid plastics and chemical product segments and that dramatically low inventories will add emphasis to that business for 2009. That's the fundamental thesis I think CMAI is operating on and that's the fundamental thesis we are operating on.

Sergey Vasnetsov, Barclays Capital

To follow up on that, I believe the operating rates late in the fourth quarter and so far now remain in low to mid 60s globally, and with shutdowns they are probably in the low to mid 80s. Even if we add say 10% growth globally, all things considered do you still believe that 2009 will be better than the trough cycle year or close to average.

Jeff Lipton, Chief Executive Officer

Sure, Sergey. One more reference back to the comments I made. The industry operating rate in North America was quite low in December, but orders were very, very strong. Inventories came down sharply creating more of a powerful position going forward. I think what has happened is our industry overcorrected for many reasons, some internal to companies and some just looking at the general situation, and high cost operations were slowed down or shut down in the fourth quarter everywhere in the world. But the demand for polyethylene kept on moving solidly. I think that is what created the continued spread between consumption and inventories, which will again drive us forward in '09. I think you can't look at markets without understanding fundamental consumption patterns, which is what we tried to portray and then look at inventory levels to determine what kind of capacity is needed to just catch up. That's what panel 11 was trying to demonstrate.

Frank Mitsch, BB&T Capital Markets

Good morning folks. I have two questions. One a simple one for Larry. Your interest expense has been moving down materially. I think it's down 25% year over year. You talked about the changing covenant and so forth. How should we think about your interest expense going forward? Have we reached a new a lower level or are there some changes with the covenants that lead to higher interest costs and so forth? What sort of bandwidth can we dial in for interest expense for NOVA going forward?

Larry MacDonald, Chief Financial Officer

As far as the interest rates going forward, obviously in today's market whenever you reopen a facility you go to market rates. We have reopened the revolving facility and that has gone to market rates. I would say the LIBOR markup has increased by about 250 points when we draw the revolver. It is up a smaller amount when it is on standby. I also noted in my text that we're just in the process of finalizing changes to the account receivable facility. That facility will also go to market prices. You can look at about the same, 300 plus points on that.

Frank Mitsch, BB&T Capital Markets

Okay. So potentially higher interest expense in the first quarter than in the fourth quarter?

Larry MacDonald, Chief Financial Officer

Marginally. They will be relatively small. We were only drawing the $175 million on the AR facility at year end, and we are largely undrawn on the revolvers.

Frank Mitsch, BB&T Capital Markets

So not anything too dramatic. So, Jeff, as I look at your fourth quarter, you had Alberta Advantage down to two pennies. FIFO was almost a $3.00 per share impact, volumes were horrific in October and November. And then as we look at the first quarter, FIFO at this point does not appear to be a hindrance and perhaps a positive. Alberta Advantage is moving higher than where it was, volumes in January are certainly better than how we started out the fourth quarter. The Canadian dollar is helping you out. What needs to happen to keep NOVA from doing $0.60 per share on a clean basis which you did in the fourth quarter, positive $0.60 per share or so on a quarter basis, let alone what would need to happen for you to report the loss of ($0.42) per share that the Street is at right now for the first quarter?

Jeff Lipton, Chief Executive Officer

Frank, as you know, I will not let you draw me into estimates of what our earnings are going to be. But I will tell you that I would tick off every one of the boxes you ticked off in the same way. I would come to a conclusion that says the first quarter will be a hell of a lot better than the fourth quarter.

Frank Mitsch, BB&T Capital Markets

Terrific. That is short and sweet. I appreciate it. Thank you, Jeff.

Eric Katz, Citi Group

This is Eric Katz for PJ Juvekar. You mentioned that orders picked up in December. We've been hearing that there is some renewed buying in Asia. Do you feel that this is a one-time restocking occurrence before the Chinese New Year, or do you anticipate steady, consistent buying?

Jeff Lipton, Chief Executive Officer

I will turn it over to Chris to give you a feel for the markets, but again I would say that even with the very strong buying in December we still had inventory drawdowns in December, significant ones at the producer level and through the whole chain. Our view is, as we try to portray in Panel 11, that even with inventories continuing to go down, which is the worst case, we will see a significant pickup in orders. We are getting the same kind of feedback from our customers and from our marketing people that are out there. I think Chris can also talk about a few instances where we have had competitors shut down facilities permanently and that is leading to high margin opportunities for our business as well, not just volume, but margin expansion. Chris.

Chris Pappas, President and COO

On the general question, Eric, we don't think it's a one-time event. The export business for us in January and February and for that matter for the first quarter looks quite strong, at least at our historic average of 14% of our volume. We ended up at about that number in the fourth quarter, 14% off of a weak October and November on exports. All around the world, we see steady demand for polyethylene. And domestically we see very good demand as well. We reported that our December volumes were above our capacity to produce. Our January order volumes are starting off very strong, not too far from our capacity to produce. We had a couple of good months, and so far, February and March look pretty good.

The mention of high margin market penetration for us is really around Flint Hills which shut down its Odessa site. That site had a solution polyethylene plant with capacity of about 350 million pounds. That product mix is essentially the same product mix that we make in our AST plant. You might imagine that we have been very active working with the best of those customers to bring their volume into our AST facility and to do the best we can to improve the mix and raise the margin in our AST plant out of that closure.

Eric Katz, Citi Group

Second question is regarding the negotiated new amendments of the financial covenants. Can you discuss the new terms?

Larry MacDonald, Chief Financial Officer

I think we have provided very full disclosure on page nine of the quarterly report. I believe that would be the extent of what we would say.

Jeff Lipton, Chief Executive Officer

Hopefully we have written them clearly enough so that you can follow them. Why don't you try that and if you still have any questions, why don't you give Chuck Magro a call or Larry a call if you need some help in understanding what we said there. We worked very hard to try to make them clear and cover every area that we think people might be interested in.

Mike Judd, Greenwich Consultants

Thanks for the charts on the demand in the polyethylene during the last few recessions. I just had a question. I don't know back in the 1930s what they used to wrap things with probably paper or something. But I am just curious if we think about things perhaps a little differently, that this is really a global phenomenon that is going on right now, actually with a bit of a time lag to tell you the truth. I wouldn't disagree that there might be a chance for an inventory restocking here. If we just remove ourselves from that process and think about maybe over a year period or two year period, if we assume it will be very weak globally in 2009, and who knows if we will have a pickup in 2010. Do you still feel as confident about the relationship that you have portrayed to us which is really more of a post war type of view?

Jeff Lipton, Chief Executive Officer

I do, Mike. I would say two things. First, panel seven. I am not an economist. Global Insight has a very long track record of getting things right. Take a look at the top two lines of panel seven, which is exactly what we are saying we have seen in the past and what they expect to see for continued growth in the future. The other thing I would point to, and it is available on our website, is a speech I gave in Dubai in December when I clearly outlined the value of moving toward packaging food in developing economies. Forty percent of the food that is unpackaged in India spoils. That's a rough number given by Indian economists. It spoils between the time of production and time of consumption. As a consequence, the packaging of food with simple plastics, polyethylene in almost every case, reduces the cost of delivering food in just about every nation you can look at. That is driving very, very, rapid demand growth in nations like India and China. With their large populations, that will have a significant impact on global growth and demand for polyethylene. I don't think it will stop with what is going on now because it saves the economies monies. As a consequence, we have seen demand continue to grow. Chris mentioned that India is back up and China's demand is quite vibrant. That is for internal use, not exports. As a consequence we are confident that Global Insight is right and that the trend will remain the same, if not pickup actually.

Mike Judd, Greenwich Consultants

Okay, and then just switching over to the Styrenics area. The data that we have here in this presentation with these panels is very helpful in regard to polyethylene, but on the Styrenics side obviously there is more of a durable nature to those products. Can you in the same vein of the questions I asked on polyethylene, perhaps address the Styrenics portfolio please?

Jeff Lipton, Chief Executive Officer

Sure. I would tell you the story is different. Chris and Larry are on the board of our JV. And why don't I let Chris give you an update on what we are seeing in the JV.

Chris Pappas, President and COO

Mike, you are right on the mark. The styrene molecule in particular does go into a more durable application base. It does have significant packaging and staple applications as well, but on balance it has more exposure to durable applications, automotive, construction, et cetera. We have been operating our joint venture in a very weak environment for really the last two years and all of the fourth quarter. And in 2008 we were able to operate that joint venture essentially cash neutral in the worst styrene and polystyrene conditions we have ever seen. We understand how to operate in that environment. We don't like it, and we will try to seek alternatives for that business as mentioned earlier. In the business we kept, Performance Styrenics, we see the expanded polystyrene business also exposed to some of the same durable applications. And that is why we are moving to this aggressive restructuring that we are talking about and reducing working capital and closing certain project lines, reducing fixed costs by 40%. We expect to be able to put that small business that we have inside of NOVA Chemicals into a position that it can be cash positive in 2009 in these kinds of market conditions. That's why we started the dramatic action of restructuring that business in the early part of the fourth quarter last year.

Mike Judd, Greenwich Consultants

Thank you for the help.

Peter Butler, Glen Hill Investments

I am not saying that your assets could be replaced, I don't see how you could do it, but what do you figure the replacement costs of your Alberta assets are?

Jeff Lipton, Chief Executive Officer

Well, if you were to look at our assets without even considering the competitive cost advantage, we are looking at numbers that are dramatically different than our market values and probably north of $5 billion of replacement costs using conservative numbers for construction which are nowhere near the numbers we have been seeing in the Middle East or in Alberta itself over the last couple of years. I don't know if those assets could be replaced, but our stock price is not in the same universe as the replacement cost of our assets.

Peter Butler, Glen Hill Investments

And on the other side of the house, it seems like we have lots of distress in the Styrenics business, and lot of possible sellers. I don't know if there are any buyers. How do you see this working out over the next two years? Who is going? Who is coming? What will happen?

Jeff Lipton, Chief Executive Officer

What I would say in general is that I would expect further consolidation in the industry and further shutdown of a large number of relatively high cost styrene operations around the world. I think that trend will continue. I think you will see it speed up over the next 3 to 6 months. All of that will be good for our industry and certainly good for our JV.

Kristen McDuffy, Goldman Sachs

Yes, hello. A couple of questions on your revolving availability. Are all of your unsecured revolvers currently available to be drawn if you needed them?

Larry MacDonald, Chief Financial Officer

Yes, they are right now.

Kristen McDuffy, Goldman Sachs

And if you do not obtain the $100 million of additional financing by February 28, 2009, does that mean that at that point you will be unable to draw on your revolvers?

Larry MacDonald, Chief Financial Officer

The covenant release is conditional on that $100 million of financing, and obviously we are very comfortable in agreeing to that or we would not have agreed with the banks to put it in.

Kristen McDuffy, Goldman Sachs

And 6.5% notes contain a net tangible asset carve out of 10%. Can you tell me if you have more capacity to issue secured debt and remain in compliance with that limitation on lien?

Larry MacDonald, Chief Financial Officer

No, we are at capacity.

Kristen McDuffy, Goldman Sachs

And if your stock price is less than $12 on February 1st, 2009, and you are required to pay that $84 million, you could at that time use your revolver to fund that payment if you needed to.

Larry MacDonald, Chief Financial Officer

In fact the trigger is $8 on that equity hedge. Between $8 and $12 it would be a $17 million deposit. Above $12 it would go through to its normal maturity. We would use our available lines to repay it if we had to repay it.

Bob Hastings, Canaccord Adams

Hey just to finish up on that last point. It looks like next week unless you get a very significant increase in your stock price, you will use up $84 million of your credit lines, correct?

Larry MacDonald, Chief Financial Officer

That is correct. As I said we are working on a number of fronts on the equity hedge. It is with one of our core banks that we have been with for a long time. During the discussions, the first order of business was to get the revolver covenant modifications in place and then talk to the folks that hold that hedge. In fact I have discussions tomorrow at the most senior levels.

Bob Hastings, Canaccord Adams

And that has nothing to do with the $100 million financing that you're currently working on.

Larry MacDonald, Chief Financial Officer

No, it doesn't.

Bob Hastings, Canaccord Adams

Things look good in terms of your cash flows according to your numbers, and I would agree with those. But clearly the stock market is not focused in on that. They are focused in on the credit crunch and significant debt issues, which may be beyond your control. Is there any thought as to trying to extend out either the terms of your debt to get through this and have investor relief or could you even look at some kind of equity issue?

Jeff Lipton, Chief Executive Officer

Let me just answer the latter point. I think Larry and our banks have put together a plan that makes eminent sense. That is to ensure that any risk of crossing over the covenant line in the first quarter has been dealt with. We expect conditions during the course of the year to continue to improve as do our banks. The fundamental thought was to get everything together at one set of timings and covenants and to spend the time between now and then working with these same banks to think about the longer term. And we are certainly not thinking just about the next few months. We are thinking well beyond that as the counterparties in our line of credit are. All of us will work through this together. That is the message we are trying to communicate. That is certainly the foundation upon which the banks agreed to waive the covenants. It all hangs together in our view. As Larry said, we are comfortable about the next steps we have to take, as are our banks. And we are going to, as Larry likes to call them, take baby steps in these markets. We will take them one step at a time. One builds on the other. We think the first step is very supportive of everything we are trying to do. Larry would you add anything to that?

Larry MacDonald, Chief Financial Officer

No, I would not add anything, Jeff. Other than that we are working on a number of fronts and baby steps is certainly the order of the day in today's financial markets.

Bob Hastings, Canaccord Adams

I guess we just have to wait for further announcements of that. Okay, thank you very much.

Fai Lee, RBC Capital Markets

Great thank you. My first question is with respect to the financing that you need $100 million by February 28th, 2009, and an additional $100 million by June 1st, 2009. I just wondered what your strategy is. It sounded like for the first $100 million you will try and borrow that amount and just to the extent you can talk about the potential terms. As to the second portion, are you planning on raising equity or debt?

Jeff Lipton, Chief Executive Officer

What we are really thinking about is working these things through. Obviously as Larry pointed out very clearly, we would not have agreed to the covenants with the kind of time frames we agreed to unless we were comfortable with them. We are certainly not going to outline our approach before we are able to finalize things either on the debt side or the equity side. We are going to move forward in a measured way, and we are going to do it with the full knowledge and exposure to our businesses and our core banks. We think we have full agreement on our pathway amongst all of the banks that work with us. We are quite comfortable moving forward.

Fai Lee, RBC Capital Markets

What about an equity issue?

Jeff Lipton, Chief Executive Officer

We are not ruling out anything in these kind of markets. We would be foolish to take a stand on any particular issue and say publicly that we rejected this or rejected that. What we are saying is we have a pathway, we have a strategy, and we will pursue a lot of things all at the same time to ensure that we will be able to finance this company and stay strong and stable and to deal with the strength coming in the marketplace in an effective way.

Fai Lee, RBC Capital Markets

And the banks have only provided covenant relief for the first half of 2009. Or I guess there's a real probability given the Q4 loss of being in violation in the second half particularly in Q3 '09. What is the plan there? Do you expect them to come back and say you still need to raise another few hundred million dollars in the second half of '09?

Jeff Lipton, Chief Executive Officer

I think you are speculating on things that we have not even thought much about. Let me offer Larry's comments.

Larry MacDonald, Chief Financial Officer

First of all, as I said, we have to take things one step at a time right now. The agreement with debt with the banks puts us in a position that we can move forward on a whole array of different possibilities. What the banks may or may not ask for as we go through the next four or five months I don't know. All I know is we have a solid core of banks that have been with us for a long time, and we are very thankful for the relationships that we have built up over the years. I believe they will continue to hold us in good stead.

Jeff Lipton, Chief Executive Officer

Fai, the other factor I would add to that is that they fully understand our business. They have had a long relationship with us. They understand the strengths of our assets. They understand the strengths of our competitive advantages. They even at this point understand our view and economists' view on the demand growth for polyethylene. They also understand the inventory balances we are looking at today. I would tell you that they have made a decision in the short term with full appreciation for the short-, medium-, and long-term prospects of our company, and that's why we have their support. The fundamentals of the strengths of the asset and the strength of the business and I would tell you that they understand it as well as anybody else does anywhere, including people in our company. We have made sure that we have fully educated everybody we work with. I think that is why they are in the shape they are in. I hope that helps, Fai.