

FOUR AREAS OF FOCUS

NOVA Chemicals is committed to maximizing the value of our two product chains: ethylene and polyethylene – styrene and styrenic polymers.

The following pages describe our competitive advantages and the actions we are taking to create value for our shareholders.

We are focused on:

- **Continuous cost reduction – the foundation of our competitiveness**
- **Aggressive actions to improve our Styrenics Business**
- **Accelerating Performance Products growth**
- **New business developments to capture more of the downstream value generated by our products and technology**

CONTINUOUS COST REDUCTION

A globally competitive plastics and chemicals business begins with cost-advantaged feedstocks and production assets. NOVA Chemicals' manufacturing facilities are among the world's largest and most energy efficient – a significant advantage when raw materials alone represent approximately 60 - 80% of the company's overall production costs. There are three keys to NOVA Chemicals' global cost competitiveness:

- The Alberta Advantage
- Feedstock Flexibility
- World-Scale Assets

THE ALBERTA ADVANTAGE

NOVA Chemicals' Alberta Advantage has historically represented an average cost-advantage of more than 6¢ per pound on the cash cost of ethylene production compared to a typical ethane/propane cracker on the U.S. Gulf Coast (USGC). Feedstocks used at the Company's Joffre, Alberta, manufacturing facility come from local, ethane-rich gas reserves, which have historically had a built-in cost advantage relative to feedstocks used by competitors.



JOFFRE, ALBERTA, ETHYLENE/POLYETHYLENE FACILITY

The main components of the Alberta Advantage are: 1) lower Alberta natural gas costs compared to the USGC; 2) the province's low-cost ethane extraction and distribution system; and 3) lower fixed costs due to the scale and efficiency of the Company's world-scale ethylene plants at Joffre. Approximately 75% of the Company's ethylene is produced in Alberta.



CORUNNA, ONTARIO ETHYLENE FLEXI-CRACKER

FEEDSTOCK FLEXIBILITY

Volatile energy and feedstock costs are a reality. NOVA Chemicals' Corunna flexi-cracker near Sarnia, Ontario, is built to adjust its feedstock mix between "heavy feeds" such as crude oil, and "light feeds" such as ethane or propane. This feedstock flexibility enables the site to optimize both feedstock costs and the output mix of ethylene and co-products, to maximize margins. Most competitive North American crackers do not have this flexibility. Our Joffre ethylene crackers can also adjust portions of their feedstock mix to include propane and other natural gas liquids – an advantage during seasonal propane surpluses.

WORLD-SCALE, GLOBALLY COMPETITIVE ASSETS

In the global plastics and chemicals industry, efficiency comes with scale. NOVA Chemicals' Joffre manufacturing site is the largest ethylene and polyethylene complex in the world – its scale delivers industry-leading operational and cost advantages. In 2005, the Company's Corunna flexi-cracker began a major modernization project to enhance energy efficiency by 15% and also expand production capacity.

The Bayport, Texas, styrene monomer manufacturing facility is the world's largest ethyl-benzene styrene monomer production unit following its modernization and expansion in 2005. The facility's improved energy efficiency and lower production costs position it well to take advantage of any rising demand for styrene monomer.

IMPROVING OUR STYRENICS BUSINESS

NOVA Chemicals took aggressive action and made structural changes in 2005 to drive substantial and lasting bottom-line improvement in the Company's Styrenics Business.

The global styrenics industry has endured several difficult years, and the resulting performance of our Styrenics Business has been disappointing. NOVA Chemicals anticipates improving margins from both its recent actions and from the expected tightening of supply/demand throughout the styrenics chain in the 2006 – 2008 timeframe.

ACTION IN EUROPE

Due to excess industry capacity and low operating rates, the European Styrenics Business accounted for an average of \$30 million in annual EBITDA losses since 2000. On October 1, 2005, NOVA Chemicals combined its European Styrenics assets in a cashless transaction with those of Innovene to form NOVA Innovene. The 50:50 joint venture will generate cost synergies, which are expected to deliver \$60 million per year by 2008.



BAYPORT, TEXAS STYRENE MONOMER FACILITY

STYRENE MONOMER BALANCE

NOVA Chemicals has been obligated to buy higher-cost styrene monomer due to two long-term purchase contracts, while our more cost-effective plants ran at less than optimal rates. Had we been able to run at higher operating rates, EBITDA losses would have been reduced by an average of \$30 million per year during the last five years. The option to terminate these contracts in 2006 and 2007 will enable NOVA Chemicals to use its own, low-cost styrene monomer production.

MANUFACTURING FOCUS ON PERFORMANCE PRODUCTS

In order to reduce costs, NOVA Chemicals continued to re-align its styrenic polymer production assets in 2005, focusing each site on a smaller range of products. Early in 2006, the Company announced plans to close our Chesapeake, Virginia, manufacturing facility by the end of 2006 – an action that will improve utilization rates at other plants and reduce fixed costs by \$15 million per year. Upgrades to the Belpre, Ohio, site enabled the Company to move production of select Performance Products to Belpre from other sites to improve overall manufacturing productivity.

During the last two years, the Styrenics Business focused its technical development and capital resources on growing its Performance Products portfolio. These products include ARCEL, DYLARK and ZYLAR polymers as well as efforts to capture downstream value in the construction and packaging markets. We added 70 million pounds of styrenics Performance Products capacity in 2005, to support the expected growth for these high-value materials.

NOVIDESA IN MEXICO

In October 2005, NOVA Chemicals partnered with GRUPO IDESA, a leader in the Mexican petrochemical market, and formed NOVIDESA, a 50:50 joint venture.

This joint venture will leverage NOVA Chemicals' production technology, proprietary construction application designs, and value-added polymer products in Mexico's rapidly growing construction and packaging markets.

CONVENIENCE FOOD PACKAGING
USING ZYLAR EX RESIN



PERFORMANCE PRODUCTS GROWTH

The success of ARCEL and SURPASS resins and other NOVA Chemicals Performance Products in 2005 reflects growing market acceptance. We expect the value our customers derive from these products will deliver improved company performance through the industry cycle – and stronger, more stable returns for our shareholders.

NOVA Chemicals sells its Performance Products into high-growth markets. A few examples illustrate how these products deliver more value to customers and end-users, and, as a result, command much stronger margins than standard products.

SPECIALTY FOAM PACKAGING

As direct-to-consumer shipments and global logistics costs continue to dramatically increase, manufacturers require more advanced packaging. ARCEL resin, NOVA Chemicals' unique interpolymer packaging material, continued to gain market share in 2005. ARCEL virtually eliminates packaging-related product damage and enables shippers to use smaller package sizes, which in turn cuts logistics costs. ARCEL resin sells for more than double the price of standard expandable polystyrene packaging material as it delivers unmatched performance and

cost savings to our customers. In 2005, ARCEL gained acceptance as a preferred packaging material for major electronics manufacturers and began to penetrate new growth markets. ARCEL production capacity is expected to increase from 30 million to 100 million pounds per year by the end of 2006.

ELECTRONICS PACKAGING
USING ARCEL RESIN

FOOD SERVICE AND PACKAGING

SURPASS polyethylene resins for thin-wall Injection molding are used in food packaging applications such as margarine lids or ice cream containers. Consumers benefit from the drop-resistance, improved seal and flexibility, while converters find added value in the processability of SURPASS resins. Sales of SURPASS and SCLAIR performance polyethylene products made with Advanced SCLAIRTECH technology grew by more than 50% in 2005.

NOVA Chemicals is a leader in the development of advanced resins for the growing refrigerated and frozen food packaging markets. In 2005, NOVA Chemicals commercially introduced DYLARK FG and ZYLAR EX resins, styrenic co-polymers that extend the temperature range for safe and effective food packaging. DYLARK FG resin is specially designed to deliver high-temperature rigidity and cold-temperature toughness in freezer-to-microwave food packaging. ZYLAR EX resin combines clarity and shatter-resistance at low temperatures for superior refrigerated or frozen food packaging performance.

SURPASS, DYLARK FG and ZYLAR EX resins deliver significant performance advantages – and command significant premiums – compared to standard grades.

HEAVY-DUTY INDUSTRIAL APPLICATIONS

Use of SURPASS Performance Products in heavy-duty industrial applications is growing rapidly due to their superior performance attributes. SURPASS rotational molding resins are designed for three-dimensional applications, such as storage tanks and industrial bins, that require resilience and weight reduction. SURPASS rotational molding resins deliver improved toughness and stiffness versus competitive resins, while offering molders lower processing costs and improved throughput. These SURPASS grades enable converters to make products that can compete with products made from steel, glass, concrete and wood.

ROTATIONAL MOLDED
SURPASS POLYETHYLENE DUMPSTER



DOWNSTREAM VALUE CAPTURE

Combining an understanding of end-users' unmet needs with unique technology led NOVA Chemicals to begin a number of downstream business development projects in 2005. We expect these opportunities to position the Company to capture more of the value in the chain.

We are working with market leaders in order to combine their market access with NOVA Chemicals' resins and application technology.

The additional margin captured through royalties and licensing fees is substantially greater than the margin NOVA Chemicals would see on the sale of resins alone.

IMAGE TECHNOLOGY

In October 2005, NOVA Chemicals introduced IMage technology, a unique technology used to manufacture "in-mold labeled" expandable polystyrene cups and containers. IMage technology sets a new standard in the premium cup and container market by delivering a revolutionary combination of outstanding graphics and hot or cold insulation. Cups and containers made with IMage technology eliminate the need for "double-cupping" or protective paper sleeves.

NOVA Chemicals began to build development partnerships with cup manufacturers in the United States, Europe and Asia in 2005. Cups and containers made with IMage technology are now commercially available.

CONSTRUCTION

Building on early successes in South America, NOVA Chemicals began to expand into the trillion-dollar, global building and construction industry in 2005.

Insulated Concrete Forms (ICFs). ICFs are lightweight, high-strength, permanent concrete forms with built-in insulation. Used for foundations and exterior walls, ICFs replace masonry and other traditional construction methods to produce quality homes in less time, with less expense and with fewer skilled workers, making this new construction technology ideal for developing markets

EXPANDABLE POLYSTYRENE CUPS
USING IMAGE TECHNOLOGY



WORKERS BUILDING AN "ICF" HOUSE



FINISHED HOUSE IN CHILE

such as Mexico, India and China. The Company's current commercial targets are Chile, and the Mexican market through its new joint venture, NOVIDESA.

Wall Systems. In 2005, NOVA Chemicals signed a joint development agreement with Dietrich Metal Framing to produce composite panels that are made in a single step from expandable polystyrene and steel. Dietrich is the world's largest producer of metal framing and finishing products.

Lightweight Concrete. NOVA Chemicals has developed proprietary expandable polystyrene technology to produce lightweight concrete, a material that delivers significant cost and design advantages for construction markets. We are exploring opportunities to license this groundbreaking technology.

INNOVATION IN ROTATIONAL MOLDING

NOVA Chemicals joined forces with several of the largest and most innovative rotational molders in North America to form a Rotomolding Network in 2005. This network facilitates the development and nationwide sharing of rotomolded product designs – all specified with NOVA Chemicals' SURPASS polyethylene resins.

Historically, the growth of rotomolding applications has been constrained by the small scale and limited geographic reach of most rotomolders, because rotomolded parts are large, hollow and expensive to ship long distances. The Rotomolding Network gives large end-users a national network of rotational molding suppliers, which enables the availability and consistency of coverage from coast to coast. For example, in late 2005, the first polyethylene industrial dumpster was produced using SURPASS resins. Compared to heavy steel dumpsters, these new polyethylene dumpsters are expected to significantly improve productivity for waste haulers.

(See photo – page 15.)