CONSOLIDATED SIX-YEAR REVIEW

(MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS, RATIOS AND MISCELLANEOUS DATA)	2005	2004	2003	2002	2001	2000
Operating Results						
Revenue	**$ 5,616**	5,270	3,949	3,091	3,194	3,916
Operating income (loss)[1]	**$ (4)**	264	(75)	(71)	(195)	414
Net income (loss)[2]	**$ (104)**	252	(1)	(112)	(161)	266
Total assets	**$ 5,217**	5,047	4,413	4,154	4,359	4,754
Capitalization						
Current bank loans	**$ 1**	—	—	3	14	28
Long-term debt[2]	**2,038**	1,714	1,682	1,793	2,089	2,004
Less: Cash and cash equivalents[3]	**(231)**	(310)	(277)	(59)	(88)	(27)
Net debt[1]	**$ 1,808**	1,404	1,405	1,737	2,015	2,005
Shareholders' equity	**1,219**	1,493	1,309	980	1,033	1,345
Total capitalization net of cash and cash equivalents	**$ 3,027**	2,897	2,714	2,717	3,048	3,350
Cash Flow Data						
Capital expenditures (net of project advances)	**$ 419**	227	119	70	168	440
Cash from (used in) operations	**$ 228**	334	(26)	314	239	314
Net debt additions (repayments)	**$ 317**	15	(157)	(307)	68	(72)
EBITDA[1]	**$ 454**	569	238	215	62	720
Data per Common Share						
Net income (loss)						
— Basic	**$ (1.26)**	2.91	(0.02)	(1.30)	(1.88)	3.00
— Diluted	**$ (1.26)**	2.71	(0.02)	(1.30)	(1.88)	2.84
Common shareholders' equity at year-end[1], [4]	**$ 14.81**	19.13	15.76	12.40	13.05	16.52
Ratios						
Return (loss) on average common equity[5]	**(7.7)%**	19.1%	(0.1)%	(11.1)%	(13.5)%	19.5%
Net debt to total capitalization[1]	**59.7%**	48.5%	51.8%	63.9%	66.1%	59.9%
Funds flow coverage of financial charges[1], [6]	**3.0x**	4.5x	1.7x	1.8x	1.2x	4.2x
Miscellaneous Data						
Employees at year-end	**3,600**	4,100	4,300	4,300	4,600	4,700
Closing share price						
— TSX ($Cdn)	**$ 38.81**	56.70	35.04	28.89	30.75	28.10
— NYSE ($U.S.)	**$ 33.40**	47.30	26.95	18.30	19.27	18.81
Dividends and distributions						
Common shares	**$ 27**	28	25	23	23	23

(1) In addition to providing measures in accordance with Canadian GAAP, NOVA Chemicals presents certain supplemental measures. These measures do not have any standardized meaning prescribed by Canadian GAAP, and are, therefore, unlikely to be comparable to measures presented by other companies.

(2) On January 1, 2005, NOVA Chemicals adopted new Canadian Accounting Standards, which require certain preferred shares and securities to be classified as long-term debt as opposed to equity. Related dividends and distributions have been reclassified to interest expense, thereby reducing net income. Prior periods have been restated accordingly. Long-term debt includes current portion of long-term debt.

(3) As a result of the reclassification of the preferred shares to long-term debt (see (2)), cash and cash equivalents include restricted cash associated with the preferred shares, which is classified in investments and other assets in the Consolidated Balance Sheets. Prior periods have been restated accordingly.

(4) Common shareholders' equity divided by outstanding common shares. Years prior to 2005 assume the retractable preferred shares were exchanged for common shares, to a maximum of 8.5 million. Effective September 2005, the preferred shares are no longer convertible to common shares.

(5) Net income (loss) divided by average common equity.

(6) Funds flow from operations plus interest expense (net) less interest income divided by gross interest expense. As a result of the changes noted in (2), prior periods have been restated.

MANAGEMENT'S REPORT

To the Shareholders of NOVA Chemicals Corporation

The Consolidated Financial Statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for establishing and maintaining internal controls and procedures over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. In addition, the company has adopted a code of ethics that applies to its Chief Executive Officer, Chief Financial Officer and Corporate Controller. The code of ethics can be viewed on NOVA Chemicals' website (www.novachemicals.com). Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA Chemicals' operations are conducted in conformity with the law and with a high standard of business conduct.

Each year we document the design and operating effectiveness of internal control over external financial reporting. The results of this work have been subjected to audit by the shareholders' auditors. As at year end, we have reported that internal control over financial reporting is effective. In compliance with Section 302 of the United States Sarbanes-Oxley Act of 2002, NOVA Chemicals' Chief Executive Officer and Chief Financial Officer will provide to the Securities and Exchange Commission a certification related to NOVA Chemicals' annual disclosure document in the U.S. (Form 40-F). The same certification will be provided to the Canadian Securities Administrators.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit, Finance and Risk Committee. The Committee, which consists solely of independent directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters, and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit, Finance and Risk Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.

Jeffrey M. Lipton
President & Chief Executive Officer

Larry A. MacDonald
Senior Vice President & Chief Financial Officer

February 15, 2006
Calgary, Canada

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The following report is provided by management in respect of NOVA Chemicals' internal control over financial reporting (as defined in Rules 13a-15f and 15d-15f under the United States Securities Exchange Act of 1934):

1. NOVA Chemicals' management is responsible for establishing and maintaining adequate internal control over financial reporting for NOVA Chemicals.

2. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of NOVA Chemicals' internal control over financial reporting. Management believes that the COSO framework is a suitable framework for its evaluation of NOVA Chemicals' internal control over financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of NOVA Chemicals' internal controls, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of NOVA Chemicals' internal controls are not omitted and is relevant to an evaluation of internal control over financial reporting.

3. NOVA Chemicals' Consolidated Financial Statements include the accounts of the NOVA Innovene joint venture via proportionate consolidation in accordance with Canadian GAAP. Management has been unable to assess the effectiveness of internal control within the joint venture due to the fact that NOVA Chemicals does not have the ability to dictate or modify the controls of the joint venture and does not have the ability, in practice, to assess those controls. Management's conclusion regarding the effectiveness of internal controls does not extend to the internal controls of the joint venture. The 2005 Consolidated Financial Statements of NOVA Chemicals included $262 million and $162 million of total and net assets, respectively, as of December 31, 2005, and $128 million and $28 million of revenues and net loss, respectively, for the year then ended.

4. Management has assessed the effectiveness of NOVA Chemicals' internal control over financial reporting, as at December 31, 2005, and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in NOVA Chemicals' internal control over financial reporting that have been identified by management.

5. Ernst & Young LLP, who has audited the Consolidated Financial Statements of NOVA Chemicals for the year ended December 31, 2005, has also issued a report on management's assessment of internal controls over financial reporting under Auditing Standard No. 2 of the Public Company Accounting Oversight Board (United States). This report is located on Page 67 of this Annual Report.

Jeffrey M. Lipton
President & Chief Executive Officer

Larry A. MacDonald
Senior Vice President & Chief Financial Officer

February 15, 2006
Calgary, Canada

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Under Canadian Generally Accepted Auditing Standards and the Standards of the Public Company Accounting Oversight Board (United States)

To the Shareholders of NOVA Chemicals Corporation

We have audited the Consolidated Balance Sheets of NOVA Chemicals Corporation as at December 31, 2005, 2004, and 2003, and the Consolidated Statements of Income (Loss) and Reinvested Earnings and Cash Flows for each of the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, in 2005, the Corporation changed its method of accounting for financial instruments with characteristics of both debt and equity, and for the measurement date for reporting related to defined benefit plans.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of NOVA Chemicals Corporation as at December 31, 2005, 2004, and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian Generally Accepted Accounting Principles.

We have also audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), the effectiveness of NOVA Chemicals Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

February 15, 2006
Calgary, Canada

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

Under Standards of the Public Company Accounting Oversight Board (United States)

To the Shareholders of NOVA Chemicals Corporation

We have audited management's assessment, included on page 65 of this annual report, that NOVA Chemicals Corporation (NOVA Chemicals) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). NOVA Chemicals' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the NOVA Innovene joint venture, included in NOVA Chemicals' 2005 Consolidated Financial Statements and constituting $262 million and $162 million of total and net assets, respectively, for the year ended December 31, 2005, and $128 million and $28 million of revenues and net loss, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting at the joint venture because NOVA Chemicals does not have the ability to dictate or modify the controls of the joint venture, nor the ability, in practice, to assess those controls. Our audit of internal control over financial reporting of NOVA Chemicals did not include an evaluation of the internal controls over financial reporting of NOVA Innovene.

In our opinion, management's assessment that NOVA Chemicals maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, NOVA Chemicals maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of NOVA Chemicals as at December 31, 2005, 2004 and 2003 and the Consolidated Statements of Income (Loss) and Reinvested Earnings and Cash Flows for each of the years in the three-year period ended December 31, 2005, and our report dated February 15, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

February 15, 2006
Calgary, Canada

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND REINVESTED EARNINGS

YEAR ENDED DECEMBER 31 (MILLIONS OF U.S. DOLLARS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)	2005	2004[(1)]	2003[(1)]
Revenue	**$ 5,616**	$ 5,270	$ 3,949
Feedstock and operating costs	**4,911**	4,380	3,476
Depreciation and amortization	**290**	297	298
Selling, general and administrative	**201**	273	190
Research and development	**50**	48	45
Restructuring charges (Note 14)	**168**	8	15
	5,620	5,006	4,024
Operating income (loss)	**(4)**	264	(75)
Interest expense (net) (Note 8)	**(113)**	(108)	(130)
Equity in earnings of affiliate (Note 5)	**—**	—	39
Other gains and losses (net) (Note 15)	**8**	177	92
	(105)	69	1
Income (loss) before income taxes	**(109)**	333	(74)
Income tax (expense) recovery (Note 16)	**5**	(81)	73
Net Income (Loss)	**$ (104)**	$ 252	$ (1)
Reinvested earnings, beginning of year	**633**	584	605
Changes in accounting policies (Note 2)	**—**	(7)	5
Common share repurchases (Note 10)	**(107)**	(155)	—
Stock options retired for cash (Note 12)	**(5)**	(13)	—
Common share dividends	**(27)**	(28)	(25)
Reinvested earnings, end of year	**$ 390**	$ 633	$ 584
Weighted-average number of common shares outstanding (millions)			
— Basic	**83**	87	87
— Diluted	**83**	95	87
Net income (loss) per common share (Note 10)			
— Basic	**$ (1.26)**	$ 2.91	$ (0.02)
— Diluted	**$ (1.26)**	$ 2.71	$ (0.02)

See accompanying Notes to Consolidated Financial Statements.

(1) Years 2004 and 2003 have been restated due to a change in accounting policy — see Note 2.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31 (MILLIONS OF U. S. DOLLARS)	2005	2004[1]	2003[1]
Assets			
Current assets			
Cash and cash equivalents	**$ 166**	$ 245	$ 212
Accounts receivable (Note 3)	**564**	567	316
Inventories (Note 4)	**680**	634	392
	1,410	1,446	920
Investments and other assets (Note 5)	**181**	147	157
Plant, property and equipment, net (Note 6)	**3,626**	3,454	3,336
	$5,217	$5,047	$4,413
Liabilities and Shareholders' Equity			
Current liabilities			
Bank loans	**$ 1**	$ —	$ —
Accounts payable and accrued liabilities (Note 7)	**996**	808	587
Long-term debt due within one year (Note 8)	**301**	100	—
	1,298	908	587
Long-term debt (Note 8)	**1,737**	1,614	1,682
Deferred credits and long-term liabilities (Note 9)	**318**	355	249
Future income taxes (Note 16)	**645**	677	586
	3,998	3,554	3,104
Shareholders' Equity			
Common shares (Note 10)	**494**	499	493
Contributed surplus (Note 11)	**11**	8	—
Cumulative translation adjustment	**324**	353	232
Reinvested earnings	**390**	633	584
	1,219	1,493	1,309
	$5,217	$5,047	$4,413
Contingencies and commitments (Notes 8, 20 and 22)			

See accompanying Notes to Consolidated Financial Statements.

[1] Years 2004 and 2003 have been restated due to a change in accounting policy — see Note 2.

On behalf of the board:

Kerry L. Hawkins
Director

Jeffrey M. Lipton
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 (MILLIONS OF U.S. DOLLARS)	2005	2004[1]	2003[1]
Operating Activities			
Net income (loss)	**$(104)**	$ 252	$ (1)
Depreciation and amortization	**290**	297	298
Future income tax expense (recovery) (Note 16)	**(73)**	36	(90)
Other gains and losses (net) (Note 15)	**(8)**	(177)	(92)
Stock option expense (Note 12)	**4**	4	—
Equity in earnings of affiliate	**—**	—	(39)
Methanex dividends received	**—**	—	14
Restructuring charges	**161**	—	9
Funds flow from operations	**270**	412	99
Changes in non-cash working capital (Note 17)	**(42)**	(78)	(125)
Cash from (used in) operations	**228**	334	(26)
Investing Activities			
Proceeds on sales of assets, investments and other capital transactions	**11**	225	564
Plant, property and equipment additions	**(419)**	(242)	(130)
Turnaround costs, long-term investments and other assets	**(178)**	(9)	(57)
Change in non-cash working capital (Note 17)	**110**	(110)	7
	(476)	(136)	384
Financing Activities			
Increase (decrease) in current bank loans	**1**	—	(3)
Long-term debt additions	**419**	400	—
Long-term debt repayments	**(103)**	(2)	(152)
Decrease in revolving debt	**—**	—	(2)
Preferred securities redeemed (Note 8)	**—**	(383)	—
Common shares issued (Note 10)	**13**	37	9
Common share repurchases (Note 10)	**(125)**	(188)	—
Stock options retired for cash (Note 12)	**(11)**	(18)	—
Common share dividends	**(27)**	(28)	(25)
Project advances from third parties	**—**	15	11
Changes in non-cash working capital (Note 17)	**2**	2	2
	169	(165)	(160)
Increase (decrease) in cash and cash equivalents	**(79)**	33	198
Cash and cash equivalents, beginning of year	**245**	212	14
Cash and cash equivalents, end of year	**$ 166**	$ 245	$ 212
Cash tax payments (receipts)	**$ 55**	$ 11	$ (28)
Cash interest payments	**$ 131**	$ 107	$ 142

See accompanying Notes to Consolidated Financial Statements.

[1] Years 2004 and 2003 have been restated due to a change in accounting policy — see Note 2.