

98 annual report

why invest in NOVA Chemicals?

financial highlights

<i>(millions of U.S. dollars, except per share data and ratios)</i>	1998	1997	1996
revenue	2,075	2,285	2,069
net income	18	111	153
net income per share ¹	0.17	1.21	1.66
funds from operations	170	254	281
plant, property and equipment additions	367	223	175
total assets	3,580	2,687	2,635
debt to total capitalization	45.9%²	40.0%	31.2%
return on average common equity³	1.4%	9.1%	12.5%

In U.S. dollars unless otherwise specified.

¹ Assumes 92 million common shares outstanding for comparative purposes.

² Debt to total capitalization is 39.7% on a pro forma basis assuming the \$172.5 million 9.04% preferred securities issued January 26, 1999 were issued on December 31, 1998.

³ Net income to common shareholders divided by average common equity, net of advances to parent and affiliates. In the 1998 calculation, common equity excludes the effects of the Huntsman transaction.

we are ready

“We are ready” is our answer to “Why invest in NOVA Chemicals?” We’ve assembled a dynamic leadership team; created a five-point strategy that is simple and strong; become the largest styrenics player in North America; developed unique and competitive polyethylene processing technology; and are building one of the world’s largest and lowest-cost olefins/polyolefins complexes. → We want to be the best commodity chemical company in the world, delivering the highest returns in the industry to our shareholders. → In 1999, and beyond, we will see clearer, grow stronger, get better, and move even faster.

we're going to see . . .



Our five-point strategy is simple and powerful. We will continue to: → Focus on commodity chemicals products – ethylene and polyethylene, styrene and polystyrene. → Work to achieve the lowest-cost position across our entire product slate – using our feedstock advantage, efficient, large-scale facilities, and technical acumen to deliver every grade of every product we make at the lowest cost in the industry. → Build on our sustainable competitive advantage – one of the lowest-cost feedstock positions in North America. → Invest only for high returns – applying a threshold after-tax rate of 16% return on capital for every major investment. → Be an industry consolidator – participating actively in consolidation to drive step changes in productivity, capture operational synergies, and create substantial shareholder value.

clearer

a u g u s t 9 8

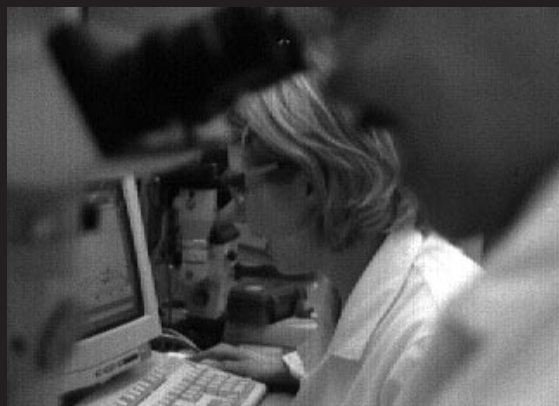
Announced our intention to divest non-core

j u l y 9 8

Granted stock options to each NOVA Chemicals' employee – establishing a clear connection between our employees' roles, NOVA Chemicals' performance and our commitment to shareholder value.

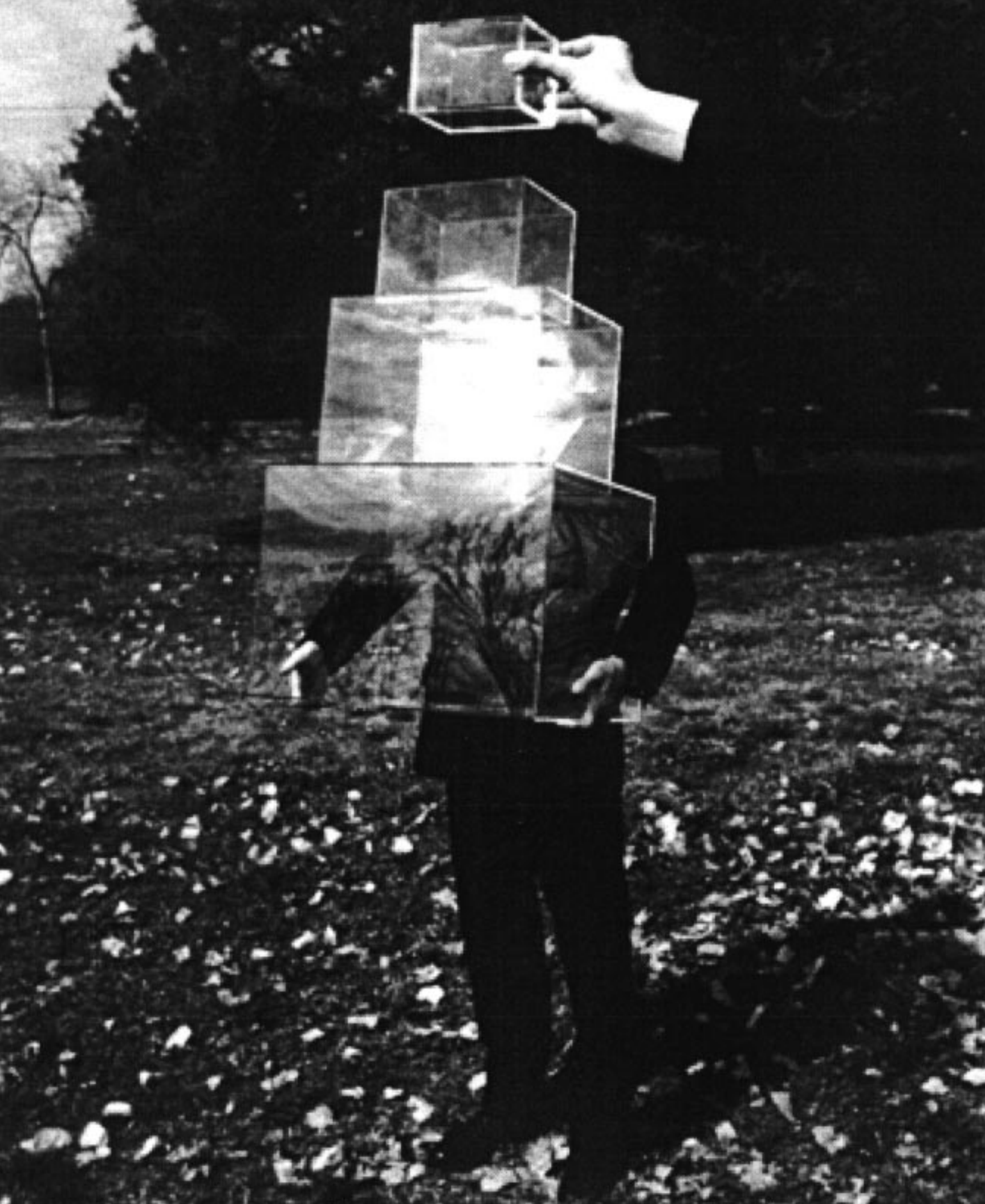


assets, such as Dynegy Inc., to sharpen our commodity chemicals focus and strengthen our balance sheet.



Improving operations and productivity, and streamlining our polystyrene product line to reduce costs and improve overall margins.

we're growing . . .



When completed in 2000, we expect our Joffre, Alberta facility to be North America's largest and lowest-cost olefins/polyolefins manufacturing complex. Our polyethylene technology, called Advanced SCLAIRTECH™, is capable of delivering superior resins and serving as a platform to build licensing revenues. Our Huntsman styrenics acquisition makes NOVA Chemicals not only North America's largest styrenics player, but also the most versatile, offering customers one of the broadest polystyrene product portfolios and technology platforms in the industry.

stronger

Joffre plant expansion will increase overall ethylene



s e p t e m b e r 9 8

Announced the discovery of new single-site catalysts. Moving from the position of polyethylene technology buyer to polyethylene technology developer – and a potential industry leader – all at a fraction of the investment made by others.

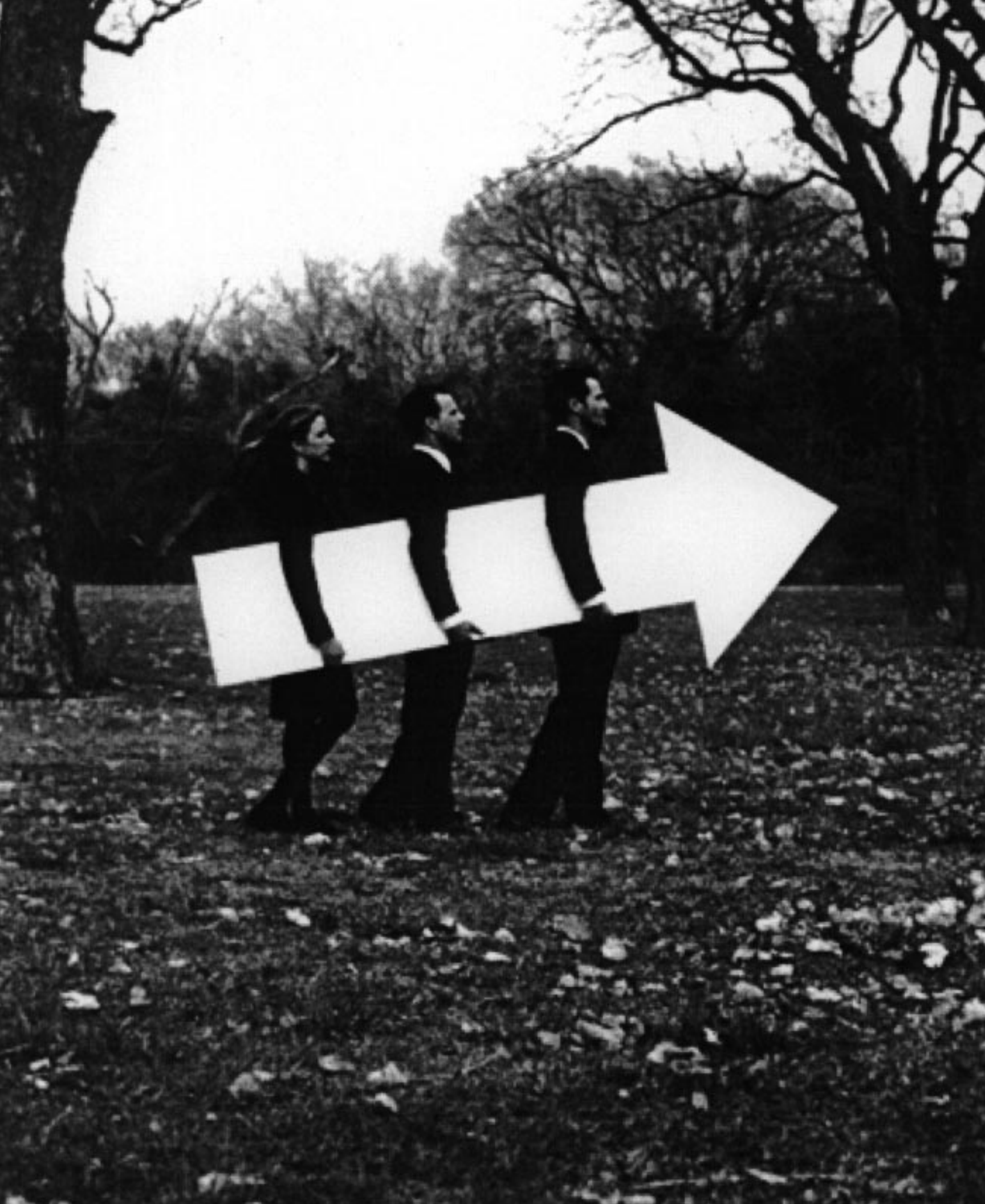
production capacity by 28%, and polyethylene production capacity by 33% starting in mid-2000.



january 99

Increased Sarnia plant styrene capacity by 58% with new state-of-the-art processes and achieved lower unit production costs.

we're going to get . . .



We're getting even better at reducing costs and improving business processes, and integrating these improvements throughout our company. How? By combining talented people with advanced information and process technology. Better technology drives better logistics planning, purchasing and manufacturing and enables all employees to leverage these advantages enterprise-wide. It also enables us to accelerate the speed and accuracy at which we are able to work.

better

Olefins/Polyolefins business targeting earnings improvements of \$45 million after-tax in 1999.



Styrenics business reduced unit fixed costs by 18% over 1997 levels.

Olefins/Polyolefins employees went the entire year without a lost-time incident. Safe operating practices protect our employees and our neighbors, and mean fewer processing interruptions and lower operating costs.



Committed to reducing fixed and variable costs with integrated purchasing and logistics functions in 1999.

we're going to move . . .



At NOVA Chemicals, we believe “speed wins.” Moving quickly means we are constantly seeking more efficient ways to accomplish the tasks that will deliver measurable, bottom-line results. Whether it’s the time it takes to create a new, complex plastic resin for a customer, produce a billion pounds of polyethylene or convert product inventory into cash, we are moving faster in a world that demands and rewards speed. It also means we must have a leadership team and board of directors ready and able to move rapidly to both identify and exploit opportunities when they arise.

faster

*Optimizing the value of our investment in integrated
target the highest return products and customers,*



*Moore Township plant increased 1998 throughput rates of both low- and high-density polyethylene by 10%,
setting output records and lowering unit costs.*

*business information technology to improve our business processes,
speed up services and reduce costs.*



*Polyethylene and polystyrene research and development organizations accelerated product development cycle times
to speed up technological innovation.*



Jeff Lipton, President and CEO

Why invest in NOVA Chemicals? The answer is straightforward – because we are ready to deliver. NOVA Chemicals was created on July 2, 1998, spun out of the merger of NOVA Corporation and TransCanada PipeLines. We are building a new, vibrant company based on the strengths of the former NOVA Corporation. We will continue to respect and invest in every individual employee and we are committed to being a good neighbor at all of our locations. We are also building on a unique physical asset base. Our modern, world-scale plants and unique feedstock positions provide true competitive advantage.

To this foundation, we have added outstanding leaders, strategic focus, a sense of urgency and a commitment to be the best commodity chemical company in the world. To deliver on our commitment, we must bring more value to our customers, and deliver higher returns to shareholders than any other company in our industry.

Our corporate strategy is simple. It is based on our strengths and deals with the realities of our highly competitive industry.

→ ***We will focus on commodity chemicals:*** While it seems that almost every company in our industry wants to shift its emphasis to specialty products, we are focusing all of our talent and energy on commodity resins and

NOVA Chemicals'
new Executive
Leadership Team

Dan Boivin
Senior Vice President and
President, Olefins/Polyolefins

Wes Lucas
Senior Vice President and
President, Styrenics



petrochemicals. Why? Because we believe we can deliver outstanding returns in these businesses by building on our unique strengths and developing an unrelenting drive for productivity. We also believe that continued strong demand growth will generate excellent opportunities for many years to come.

→ *We will be the low-cost supplier of every grade of every product we make:* Everyone in our industry is trying to achieve this goal. Few have any chance of attaining it. Monomer costs generally represent more than 50% of industry revenue in our key product lines, polystyrene and polyethylene. No company can hope to be a low-cost provider unless it has very low-cost feedstock. We have, as outlined on page 44, one of the lowest-cost feedstock positions in North America and we are improving our operations, logistics and purchasing costs at a rapid rate.

→ *We will build on our sustainable competitive advantage:* In tough businesses like ours, even the best companies can't generate greater than cost of capital returns through a business cycle without uniqueness in some important aspect of their operations. We will only invest shareholder capital in new projects where we have sustainable advantages – like low-cost ethane and plant scale in Alberta.

→ *We will invest only for high returns:* We will not invest in major projects unless we can earn 16% after-tax on the capital we employ. We've chosen a very high hurdle rate, significantly greater than the cost of capital

Sheila O'Brien

Senior Vice President,
Human Resources,
Public Affairs and
Investor Relations

Larry MacDonald

Senior Vice President,
Manufacturing East



we expect to face in the next decade. We will never be the best unless we earn superior returns on our growth. And we have more than enough opportunities to choose from.

→ *We will actively participate in industry consolidation:* We feel that step changes in productivity are necessary to stay at the forefront of competition. We are convinced that consolidation of similar businesses is the only route that will deliver the production and product-line simplification, and the purchasing, logistics and overhead cost reductions, we seek.

Our corporate strategy is designed to be clear to our employees, customers and investors. Although it is simple, we will not be simple-minded about deploying it. Every element is consistent and aimed at the best use of resources and capital.

We are investing \$750 million at our Joffre, Alberta site, building on our substantial, low-cost feedstock advantage. Our project will start up in mid-2000 and will make Joffre one of the world's largest ethylene/polyethylene complexes. We are working with two power companies to build a new cogeneration unit, and BP Amoco will build a world-scale linear alpha olefins plant on the site. When the program is complete, NOVA Chemicals will be North America's lowest-cost and third-largest ethylene producer, and fifth-largest polyethylene producer.

Terry Poole

*Executive Vice President,
Finance and Strategy*

Jack Mustoe

*Senior Vice President,
Legal and General Counsel*

John Wheeler

*Senior Vice President and
Chief Information Officer*



On December 31, 1998, with the acquisition of the major portion of Huntsman Corporation's styrenics business, we became the largest styrenics producer in North America. We now have very low-cost styrene and the broadest polystyrene product line in the industry. When we're through rationalizing product lines and plants, fully utilizing technology and European and U.S. market positions, and reducing overhead costs, we expect to be the lowest-cost provider. The deal will generate high returns and positions NOVA Chemicals to become the world's best polystyrene producer.

We accomplished a number of other important things in 1998. We have developed unique, patentable polyethylene catalyst and process technology that has the potential to place us among the leaders in our industry. This technology, called Advanced SCLAIRTECH, will enable NOVA Chemicals to be at the forefront of new polyethylene product development without paying royalties, and will allow us to produce high-margin products at the lowest costs in the industry.

We have also invested in new information systems that are fully installed and operating. These systems are supporting our people today as they maximize productivity and upgrade our product and customer mix. We have centralized information technology, supply

Dale Spiess

Senior Vice President,
Polyethylene Sales and Marketing

Wayne Lunt

Senior Vice President and
Chief Financial Officer



management and logistics functions and have recruited very talented and experienced people to lead these new organizations. We are changing the way we work throughout our company, and we expect to deliver higher quality service while substantially reducing our costs.

These achievements are impressive, but the one I am most proud of is our safety record. In the midst of major, fast-paced change our employees had by far the safest year in our history. Our 2,100 Olefins/Polyolefins employees went the entire year without losing a single work day due to an injury. In fact, our entire company experienced only three lost-time incidents, an extraordinary accomplishment for any company.

We have restructured our Board of Directors and appreciate the steady advice provided by those who have stayed with us, and the speed with which the new directors have learned about our business. The Board, led by Ted Newall as Chairman and Gerry Maier as Vice Chairman, has been extremely supportive of our strategy, our aggressive actions and our ambitions.

We have also formed one of the best leadership teams in our industry. They are smart, experienced and charged with energy. We believe we can do good things, have fun and generate outstanding returns for shareholders.

The Executive Leadership Team is joined by the broader NOVA Chemicals Leadership Team, and the rest of our employees, in our commitment to be the best commodity chemical company in the world. Employees at NOVA Chemicals own a stake in the future of this company: in July 1998, every employee was granted stock options and as of December 1998, 73% held shares. Every member of the top three levels of management has also committed to a very significant investment in common shares. We are investing our futures and a very large portion of our personal net worth in this highly cyclical business.

Our company was launched at a difficult time in the supply/demand cycle. Profitability declined in the first six months of our existence. Our 1998 earnings of \$18 million are a significant reduction from the \$111 million we earned in 1997. However, our company improved. We have lowered operating costs, expanded market share and have maintained a relatively strong balance sheet.

Why invest in NOVA Chemicals? There is more.

Pricing for polystyrene is the lowest it has been in decades and pricing for polyethylene is not much better. These low prices have been driven by oversupply and a sharp reduction in Asian and South American demand. Prices could go even lower in the short term, but low prices motivate plant closings and slow down capacity expansions. Demand for our products grows faster than GDP, and we will be ready when demand overtakes supply. We will be much more efficient, serve our customers better and, importantly, be much bigger.

A dollar invested in NOVA Chemicals today will provide significantly more exposure to polystyrene and polyethylene price improvements than any other investment.

We started with a clear objective and strategy, and throughout 1998, NOVA Chemicals has worked to become better and stronger. We've also been faster at it than most expected. We believe in our ability to generate excellent returns for our shareholders. We know, after six months, we are ready.



Jeffrey M. Lipton, President and CEO

financial review

ethylene & polyethylene

Ethylene is a petrochemical building block we use in the production of polyethylene and polystyrene.

Polyethylene is used to make everyday plastic products, including housewares, toys, garbage bags and plastic film.

our products

styrene & polystyrene

Styrene, formed from benzene and ethylene, is a feedstock used in the production of polystyrene.

Our polystyrene (solid, expandable (EPS) and high-performance) resins are used to produce construction materials and household items like smoke detectors, appliances and food service-ware, and electronics such as television consoles and computer peripherals.

NOVA Chemicals ranks 4th

NOVA Chemicals ranks 6th

NOVA Chemicals ranks 1st

NOVA Chemicals ranks 1st

our industry ranking†

NOVA Chemicals ranks 8th

NOVA Chemicals ranks 14th

NOVA Chemicals ranks 4th

NOVA Chemicals ranks 3rd

north america

ethylene production

- 1 Equistar
- 2 Dow
- 3 Exxon
- ▶ 4 NOVA Chemicals
- 5 Shell

polyethylene production

- 1 Equistar
- 2 Exxon
- 3 Dow
- 4 Union Carbide
- 5 Chevron
- ▶ 6 NOVA Chemicals

styrene production

- ▶ 1 NOVA Chemicals
- 2 Lyondell
- 3 Chevron
- 4 Sterling
- 5 Dow

polystyrene production*

- ▶ 1 NOVA Chemicals
- 2 Dow
- 3 BASF
- 4 Petrofina
- 5 Chevron

our operations

global

ethylene production

- 1 Dow
- 2 Equistar
- 3 Shell
- 4 Exxon
- 5 BP Amoco
- 6 Union Carbide
- 7 SABIC
- ▶ 8 NOVA Chemicals

polyethylene production

- 1 Dow
- 2 Exxon
- 3 Equistar
- 4 Union Carbide
- 5 Borealis
- 6 Solvay
- 7 Elenac
- 8 Polimeric
- 9 Phillips
- 10 Chevron
- 11 BP Amoco
- 12 Petrofina
- 13 Mobil
- ▶ 14 NOVA Chemicals

styrene production

- 1 Dow
- 2 Shell
- 3 BASF
- ▶ 4 NOVA Chemicals
- 5 Lyondell

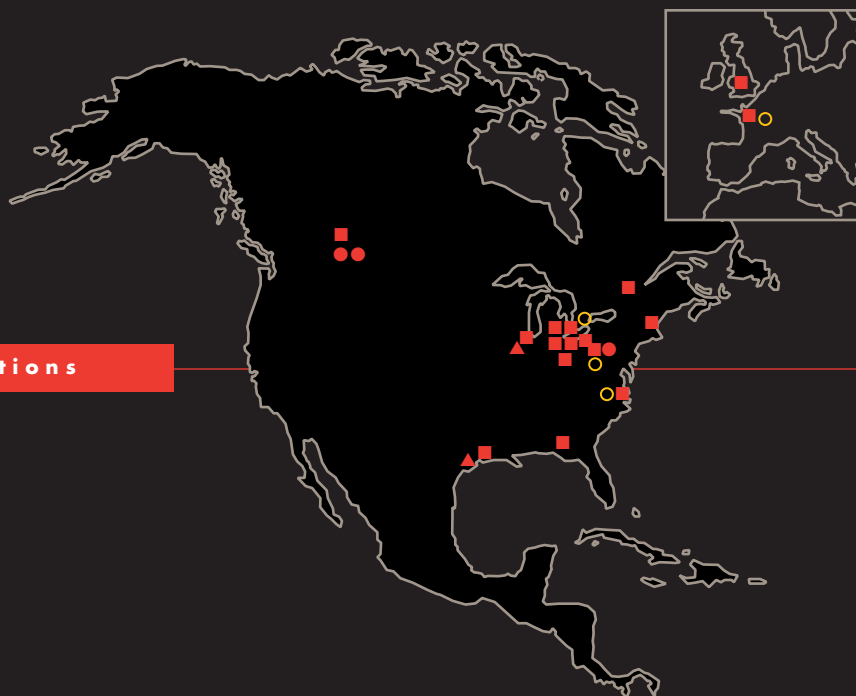
polystyrene production*

- 1 BASF
- 2 Dow
- ▶ 3 NOVA Chemicals
- 4 Chi Mei

† ranking as at December 31, 1998

* solid, expandable and high-performance polystyrene

- plant site
- research/technical facilities
- ▲ NOVA Chemicals' minority interest, joint venture or tolling arrangements
- pilot plants



Styrenics sites

- Bayport, Texas
- Channelview, Texas*†
- Sarnia, Ontario
- Beaver Valley, Pennsylvania
- Belpre, Ohio
- Carrington, United Kingdom
- Chesapeake, Virginia
- Decatur, Alabama
- Joliet, Illinois
- Montréal, Québec
- Painesville, Ohio
- Peru, Illinois*
- Ribécourt, France
- Springfield, Massachusetts

* tolling arrangement

† equity ownership

Olefins/Polyolefins sites

- Corunna, Ontario
- Joffre, Alberta
- Moore Township, Ontario
- St. Clair River, Ontario
- Rockport, New Jersey

Equity investments

- 27.1% interest in Methanex Corporation
- 25.5% interest in Dynegy Inc.



Olefins/Polyolefins

polyethylene capacity 2.6 billion pounds

NOVA Chemicals produces and markets a range of polyethylene products. These resins are marketed under the brand names NOVAPOL® and SCLAIR® and are used by our customers for a wide variety of end uses:

→ **LLDPE (Linear Low-Density Polyethylene)** Shrink film, stretch film, heavy duty sacks, agricultural film and merchandise bags

→ **LDPE (Low-Density Polyethylene)** Foam packaging, wire and cable insulation, grocery sacks and industrial liners

→ **HDPE (High-Density Polyethylene)** Household chemical bottles, pails, pipe, drums, grocery sacks, ice cream tubs and shipping containers

Polyethylene is produced by polymerizing (a process involving heat and additives) ethylene. In the process of producing ethylene from natural gas and petroleum-based feedstocks, a number of valuable “co-products” are created. NOVA Chemicals uses these products for its own production requirements or markets them to third parties.

→ **Propylene** Polypropylene

→ **Butadiene** Rubber, household plumbing applications

→ **High purity and specialty hydrogen** Agricultural fertilizers, edible oils

→ **Energy products** Diesel fuel, gasoline components, heating oil, industrial fuels

→ **Benzene** Nylon, styrene, specialty chemicals

→ **CO₂** Enhanced oil recovery

growing for our

north america
7%

global
2%

polyethylene market share



Styrenics

demand products

polystyrene capacity 3.1 billion pounds*

**north america
28%***

**global
9%***

styrenic polymers market share

* post styrenics acquisition

NOVA Chemicals produces and markets several types of styrenic polymers under the NOVA Chemicals brand name and other brand names such as ARCEL®, DYLARK®, DYLENE®, DYLITE®, GEDEXCEL®, NAS® and ZYLAR®.

→ **Styrene monomer** Base material for polystyrene, EPS, ABS (acrylonitrile butadiene styrene), acrylics, coatings and specialty products

→ **Polystyrene** Refrigerator liners, CD and cassette cases, food service-ware (cups, plates, utensils), food packaging, housewares, toys, appliances and tub and shower surrounds

→ **Expandable polystyrene (EPS)** Cups, foam packaging, flotation devices, concrete forms, construction insulation, sports equipment and safety equipment

→ **High-performance styrenics** Television consoles, appliances, consumer products, electronics, computer peripherals, cosmetics packaging and medical devices

→ **DYLARK** Automotive instrument panels, microwaveable food packaging, industrial parts

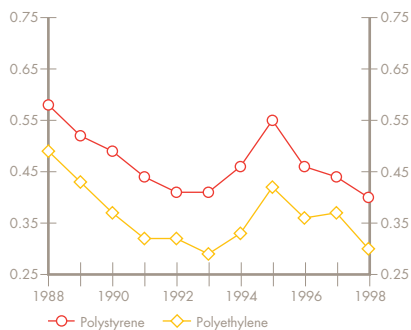
With the acquisition of the majority of Huntsman Corporation's U.S. and European styrenics businesses at the end of 1998, NOVA Chemicals now has one of the broadest product portfolios and technology bases of any styrenics producer. We also have a greater ability to offer high-value product characteristics such as ignition resistance, color matching and specialized performance.

NOVA Chemicals was launched as an independent company on July 2, 1998. At the end of 1998, NOVA Chemicals' market capitalization was \$1.2 billion.

Polyethylene and Polystyrene

Prices (dollars per pound)

Pricing for our key products, polyethylene and polystyrene, is driven by global supply/demand balances, which in turn are driven by economic growth.



Launch of Independent Chemical Company

On July 2, 1998, NOVA Corporation was launched as an independent, publicly traded commodity chemical company immediately following the merger of NOVA Corporation and TransCanada PipeLines Limited (TransCanada). Effective January 1, 1999, NOVA Corporation and its wholly owned subsidiary, NOVA Chemicals Ltd., amalgamated to form NOVA Chemicals Corporation (NOVA Chemicals). All periods prior to July 2, 1998 presented for comparative purposes represent the results of NOVA Chemicals Ltd., which accounted for approximately 99% of the ongoing assets and revenues of NOVA Corporation. *In the third quarter of 1998, NOVA Chemicals began reporting its financial results in U.S. dollars while continuing to follow Canadian generally accepted accounting principles (GAAP).*

Styrenics Acquisition

On December 31, 1998, NOVA Chemicals acquired the majority of Huntsman's United States and European styrenics businesses. While the operating results for 1998 do not reflect any impact from this transaction, the balance sheet fully reflects the acquisition. To help explain the potential impact of the styrenics acquisition on NOVA Chemicals' future consolidated results, certain pro forma financial results are included in Note 3 to the financial statements.

Forward-Looking Information

The information in this Annual Report contains forward-looking statements with respect to NOVA Chemicals Corporation (NOVA Chemicals), its subsidiaries and affiliated companies. By their nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include: commodity chemicals price levels (which depend, among other things, on supply and demand for these products, capacity utilization and substitution rates between these products and competing products); feedstock prices; operating costs; technology developments; Canadian-U.S. exchange rates; meeting time and budget targets for significant capital investments; avoiding unplanned facility shutdowns; safety, health and environmental risks associated with the operation of chemical plants and marketing of chemical products, including transportation of these products; public perception of chemicals and chemical end products; performance of Dynegy Inc. and Methanex Corporation; and other risks detailed from time to time in the publicly filed disclosure documents and securities commissions reports of NOVA Chemicals and its subsidiaries or affiliated companies.

Key Risks and Uncertainties Faced by NOVA Chemicals

NOVA Chemicals is in the commodity chemicals industry. Pricing volatility is driven by the supply/demand balance for the end products we produce: polyethylene and polystyrene. Demand for these products is driven by global GDP growth. As global economies grow, consumers demand greater volumes of the end products produced from our plastic resins: plastic bags, construction materials, food service-wares and electronics, for example.

The commodity chemicals price cycle is characterized by periods of strong prices called peaks, and periods of weak prices called troughs. The cyclical nature of the industry is driven by the addition of new capacity to fulfil demand requirements. Construction of new capacity often occurs in large increments as producers attempt to maximize economies of scale. This new supply often outpaces demand growth, leading to an excess of supply over demand, or a trough period. The last three commodity chemicals cycles have lasted an average of seven years. Although global GDP growth and world plant operating rates can be helpful indicators of the timing and duration of each portion of the cycle, NOVA Chemicals is not able to forecast the timing of these cycles.

As a result of these cycles, NOVA Chemicals' earnings are most sensitive to changes in the prices for the products we produce. In manufacturing businesses, end-product prices typically vary with input costs, and financial performance is largely contingent upon the difference between revenue and variable operating costs. At NOVA Chemicals, feedstock costs generally represent more than 50% of revenues. Since polyethylene and polystyrene are produced from natural gas and petroleum-based feedstocks, world crude oil and natural gas prices play a significant role in the margins and prices of our end products. NOVA Chemicals attempts to minimize input costs by negotiating long-term arrangements for the purchase of a significant portion of its feedstock requirements and/or putting in place financial hedges.

At year-end 1998, polyethylene prices were one cent per pound below previous trough levels, while polystyrene prices were four cents per pound below previous trough levels. In 1999, polyethylene supply is expected to exceed demand due to significant capacity additions and weakened economies in Asia and South America. The polystyrene supply/demand balance is expected to be somewhat tighter in 1999. Less than 300 million pounds of new capacity is planned for 1999 and 2000. In addition, some industry plant closures occurred in 1998 and more are planned for 1999. Strong demand growth for both polyethylene and polystyrene is expected to continue in 1999; however, this growth is not expected to offset the effects of current excess supply.

The key factors accounting for the change in NOVA Chemicals' operated net income from 1997 to 1998 were:

lower product prices

– weighted average benchmark polyethylene prices down nine cents per pound

– weighted average benchmark polystyrene prices down four cents per pound

offset by lower feedstock costs

+ ethylene and benzene prices down 26%

+ crude oil prices down 29%

– natural gas prices up 10%

and lower fixed costs

+ \$10 million after-tax reduction

NOVA Chemicals Earnings Highlights

(millions of dollars except per share amounts)	1998	1997	1996
Net income (loss)			
Olefins/Polyolefins	\$ 61	\$ 145	\$ 163
Styrenics	(35)	(38)	(2)
Corporate and other	3	(14)	(26)
NOVA Chemicals operated	29	93	135
Methanex	(25)	39	(10)
Dynege	26	(19)	28
Styrenics restructuring charge and other	(12)	(2)	–
Net income	\$ 18	\$ 111	\$ 153
Net income per share ¹	\$ 0.17	\$ 1.21	\$ 1.66

¹ Assumes 92 million common shares outstanding for comparative purposes.

Factors Affecting NOVA Chemicals 1999 Net Income ¹

Assumptions ²	Estimated annual income increase (decrease)	Assumed third-party sales
Increase in profit margin of U.S. 1¢ per pound		
Ethylene ³	\$ 5 million	1.0 billion lbs.
Polyethylene	\$ 17 million	2.6 billion lbs.
Styrene ⁴	\$ 5 million	0.8 billion lbs. ⁵
Polystyrene ^{4,6}	\$ 18 million	2.8 billion lbs.
Propylene	\$ 5 million	0.9 billion lbs.
U.S. \$10 million increase in Methanex's net income	\$ 3 million	
U.S. \$10 million increase in Dynege's net income	\$ 3 million	

¹ The company has not disclosed the potential impact of foreign exchange rate changes for 1999, as substantially all of its anticipated Canadian dollar costs have been hedged.

² A decrease in these factors will have the opposite effect on net income.

³ Excludes cost-of-service third-party sales.

⁴ Includes production capacity acquired with Huntsman acquisition.

⁵ Estimate based on projected utilization rates. Is not net of short-term purchase arrangements.

⁶ Includes solid polystyrene and EPS.

Changes in NOVA Chemicals Net Income

(millions of dollars; after tax)	1998 Compared with 1997	1997 Compared with 1996
Lower margins ¹	\$ (108)	\$ (23)
Higher sales volumes	25	7
Lower (higher) fixed costs	10	(8)
Higher (lower) licensing revenue	2	(3)
Lower (higher) interest expense	6	(7)
Lower (higher) depreciation expense	6	(7)
Other	(5)	(1)
Decrease in NOVA Chemicals' operated net income	(64)	(42)
Styrenics restructuring charge	(12)	–
Higher (lower) equity earnings in Methanex	(64)	49
Higher (lower) equity earnings in Dynege	45	(49)
Other	2	–
Decrease in net income	\$ (93)	\$ (42)

¹ Calculated as revenue less variable operating costs.

NOVA Chemicals 1998 Financial Performance

In 1998, NOVA Chemicals earned \$18 million (\$0.17 per share), down \$93 million from the \$111 million (\$1.21 per share) earned in 1997. Net income from the businesses NOVA Chemicals operates was \$29 million, down from \$93 million in 1997 largely as a result of a significant decline in product prices. The negative impact of these lower product prices was partially offset by lower average feedstock costs, higher sales of co-products from NOVA Chemicals' ethylene facility at Corunna and a reduction in fixed costs, the after-tax impact of which was \$10 million.

During 1998, the commodity chemicals industry experienced an excess of supply over demand, leading to significantly lower average selling prices. Weighted average benchmark polyethylene prices fell nine cents or 21% per pound, while weighted average benchmark polystyrene prices fell four cents or 9% per pound.

NOVA Chemicals' equity investments in Methanex Corporation (Methanex) yielded a loss of \$25 million in 1998, down significantly from an equity earnings contribution of \$39 million in 1997. Methanol prices declined due to a supply/demand imbalance similar to that experienced in the polyethylene and polystyrene markets. NOVA Chemicals' Dynegy Inc. (Dynegy) investment contributed earnings of \$26 million in 1998, compared with a loss of \$19 million in 1997. Results for 1997 included a one-time restructuring charge, NOVA Chemicals' share of which was \$39 million.

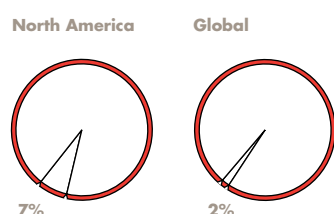
NOVA Chemicals' 1998 net income was also negatively impacted by a \$12 million after-tax charge taken in the third quarter of 1998 to restructure the Styrenics business.

Further details on the financial and operating performance of NOVA Chemicals follow in the Olefins/Polyolefins (page 42) and Styrenics (page 47) sections.

Olefins/Polyolefins NOVA Chemicals' Olefins/Polyolefins business includes the results of operations from the Joffre ethylene and polyethylene production facilities, the Corunna ethylene facility, the Moore Township and St. Clair River polyethylene production facilities, and revenues from the licensing of SCLAIRTECH™ technology.

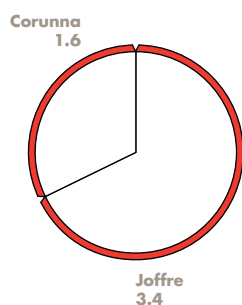
1998 Market Share

The polyethylene industry has many players. In 1998, NOVA Chemicals had market share of 7% in North America and 2% globally. By capacity we ranked the sixth-largest in North America and the fourteenth-largest in the world.



Joffre/Corunna Ethylene Capacity
(billions of pounds)

We are North America's fourth-largest ethylene producer, generating a total of 5.0 billion pounds annually from our Joffre and Corunna plants.



OUR OLEFINS / POLYOLEFINS OPERATIONS

Polyethylene Produced at Three Sites in North America

With total polyethylene production capacity of approximately 2.6 billion pounds, NOVA Chemicals is the sixth-largest producer in North America, where we produce polyethylene at three locations. We have: 1.3 billion pounds of LLDPE capacity at Joffre; 750 million pounds of LDPE and HDPE capacity at the Moore Township site; and up to 600 million pounds of LLDPE and HDPE capacity at the St. Clair River site. Based on announced expansions, including NOVA Chemicals' own construction of an 850-million-pound facility at Joffre, NOVA Chemicals expects to be North America's fifth-largest polyethylene producer by 2001.

Fourth-Largest Producer of Ethylene in North America

In 1998, NOVA Chemicals had North America's fourth-largest ethylene production capacity, at 5.0 billion pounds. The company's Joffre, Alberta site is currently the fourth-largest ethylene production site in North America, with annual capacity of 3.4 billion pounds. Two ethylene plants, E1 and E2, operate at Joffre, producing ethylene from natural-gas-derived ethane. In 1998, the Joffre facility ran at essentially full capacity despite a planned maintenance turnaround at E2. With the expected start-up of a new ethylene plant (E3) and the new polyethylene plant in 2000, Joffre will become one of the largest ethylene and polyethylene complexes in the world.

NOVA Chemicals' Corunna plant, near Sarnia, Ontario, has an annual capacity of approximately 1.6 billion pounds of ethylene and 4.5 billion pounds of chemicals and energy products (also known as co-products). This facility features one of the world's most flexible feedstock operating platforms – enabling the facility to process a wide range of hydrocarbon feedstocks. A variety of primary petrochemicals are produced and either consumed internally by NOVA Chemicals' manufacturing operations or sold to third parties. In 1998, the Corunna facility sold a total of 4.4 billion pounds of co-products, including 800 million pounds of propylene.

Sales Volumes

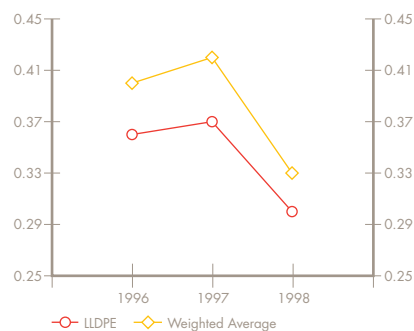
(millions of pounds)	1998	1997	1996
Polyethylene			
Linear low-density (LLDPE)	1,143	1,192	1,142
Low-density (LDPE)	296	253	259
High-density (HDPE)	457	444	411
SCLAIR	562	531	534
Total	2,458	2,420	2,346

The key factors affecting Olefins/Polyolefins net income in 1998 were:

- weighted average benchmark polyethylene prices fell nine cents per pound compared to 1997
- + crude oil prices declined 29% below 1997 levels
- natural gas prices increased 10% over 1997 levels
- + polyethylene sales volumes reached record levels

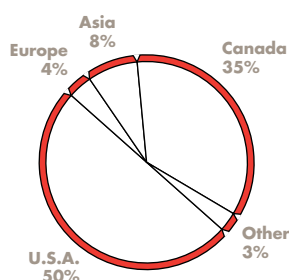
Average Polyethylene Benchmark Prices (dollars per pound)

Our Olefins/Polyolefins business remained profitable in 1998, despite polyethylene prices that were nine cents or 21% lower per pound than in 1997.



1998 Polyethylene Sales Revenue by Region

In 1998, 85% of our polyethylene sales revenues of \$750 million were derived from North American customers.



OLEFINS / POLYOLEFINS BUSINESS

Financial Highlights

(unaudited; millions of dollars except as noted)

	1998	1997	1996
Revenue	\$ 1,614	\$ 1,806	\$ 1,753
EBITDA ¹	\$ 280	\$ 416	\$ 409
Depreciation	\$ 122	\$ 128	\$ 127
Operating income	\$ 158	\$ 288	\$ 282
Net income	\$ 61	\$ 145	\$ 163
Capital expenditures			
strategic	\$ 230	\$ 100	\$ 4
maintenance	55	63	48
Total capital expenditures	\$ 285	\$ 163	\$ 52
Capital employed ²	\$ 852	\$ 922	\$ 997
After-tax return on capital employed ³	9.5%	18.1%	16.5%

¹ Earnings before interest, taxes, depreciation and amortization.

² Capital employed equals plant, property and equipment, working capital and investments, and excludes capital under construction.

³ Equals net income plus after-tax interest expense divided by capital employed.

Average Benchmark Prices on the U.S. Gulf Coast¹

(dollars per pound)

	1998	1997	1996
Ethylene ²	\$ 0.18	\$ 0.25	\$ 0.22
Polyethylene – linear low-density	\$ 0.30	\$ 0.37	\$ 0.36
Weighted average polyethylene ³	\$ 0.33	\$ 0.42	\$ 0.40

¹ Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company.

Source: Phillip Townsend Associates, Inc. (PTAI).

² Source: DeWitt and Company, Inc.

³ Benchmark prices weighted according to NOVA Chemicals' product mix. Source: PTAI.

1998 Performance

Polyethylene prices are the most significant profit driver for the Olefins/Polyolefins business. In 1998, this business remained profitable despite the lowest polyethylene prices in more than 10 years. The Olefins/Polyolefins business earned \$61 million, down from the \$145 million earned in 1997. During 1998, weighted average benchmark polyethylene prices were nine cents per pound or 21% lower than in 1997. The negative effect of these weaker product prices was somewhat offset by lower feedstock costs and stronger sales volumes.

In 1998, NOVA Chemicals' Olefins/Polyolefins business worked towards its goals of improving marketing efforts, reducing costs and building for the future. The Olefins/Polyolefins' marketing efforts were focused on maximizing sales, shifting polyethylene sales to higher margin, value-added business and improving customer service. These efforts resulted in record polyethylene sales volumes. In addition, our polyethylene plants operated at 95% of design capacity, with the Moore Township and St. Clair River facilities producing record volumes of polyethylene.

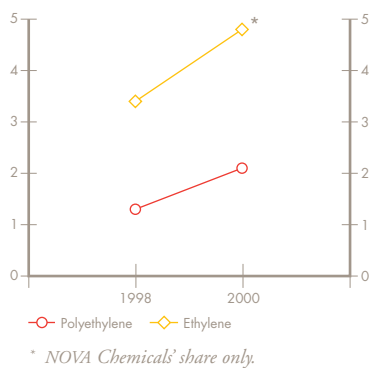
A portion of NOVA Chemicals' polyethylene is sold in non-North American markets. Due to the decline in Asian polyethylene demand, NOVA Chemicals reduced Asian sales and moved volumes to other international and domestic markets with stronger market pricing.

New, Large-Scale Facilities

To achieve significant economies of scale, build on its competitive feedstock advantage in Alberta, and build a platform from which to upgrade its product mix, NOVA Chemicals has two plants under

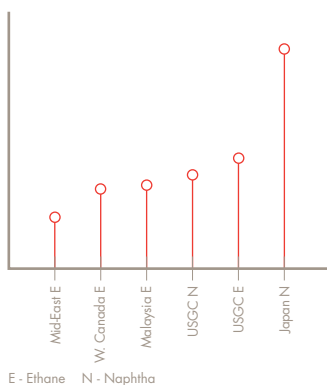
Joffre Production Capacity (billions of pounds at year-end)

At Joffre, we are building a 2.8 billion pound ethylene plant (E3) (with Union Carbide) and an 850 million pound polyethylene plant, both scheduled for start-up in mid-2000.



Ethylene Cost of Production

Western Canada is the world's second-lowest-cost production region for ethylene – the primary feedstock for polyethylene production.



Source: Chem Systems.
Data depicted are relative cash costs of producing ethylene at ethane and naphtha crackers in various regions.

construction at Joffre. These are expected to start up in mid-2000 and consist of a 2.8 billion pound ethylene plant (E3), in a joint venture with Union Carbide Canada Inc. (Union Carbide), and an 850 million pound polyethylene plant that will produce polyethylene using our proprietary Advanced SCLAIRTECH technology. In addition, construction of a 400-megawatt cogeneration plant, in which NOVA Chemicals is a 20% participant, is under way. This plant will supply cost-effective power to the entire Joffre site. CU Power Canada Limited (40%) and EPCOR Power Development Corporation (40%) are the other participants in this project.

During 1998, construction of these large-scale plants progressed on budget and on schedule. On completion, NOVA Chemicals will have invested approximately \$750 million in the Joffre expansion. By combining advanced technology, large-scale facilities and access to low-cost feedstock, NOVA Chemicals expects to earn significant returns from its investments in these plants.

In addition, BP Amoco Corporation will build a linear alpha olefins plant on the Joffre site. The plant will supply linear alpha olefins to NOVA Chemicals' polyethylene facilities at a competitive cost and will contribute to the cost-efficiencies of the large-scale Joffre manufacturing site.

Making Progress with Technology

NOVA Chemicals has retrofitted its St. Clair River facility with portions of the Advanced SCLAIRTECH technology. In late 1998, we successfully ran trials of this new technology, and product development and testing are currently under way with customers.

We have also developed a series of unique, single-site catalyst families which can be used in our solution manufacturing facilities, and which we believe can be used in our gas phase manufacturing facilities. Patents have been applied for and the first were published in late 1998. The use of these catalysts with our Advanced SCLAIRTECH technology platform has the potential to offer superior performance and value to our customers.

These developments are expected to position NOVA Chemicals among polyethylene technology leaders. When fully proven and patented, we believe our process and catalyst technology will be the low-cost route to the new products our customers will want in the coming decade.

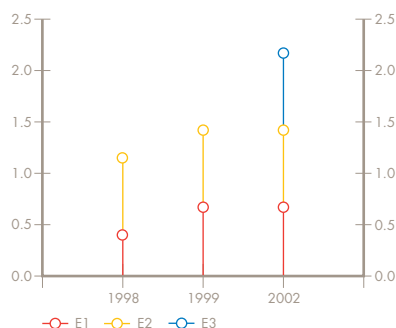
Our Cost Advantages Compared to USGC Producers

Our Joffre, Alberta ethylene plant is the low-cost production leader in North America and is strategically situated adjacent to one of North America's largest natural gas supply basins. Joffre's feedstock cost advantage is built on three approximately equal elements: low-cost natural gas; highly efficient ethane gathering and extraction; and significant economies of scale in the conversion of ethane to ethylene. Of these three elements, the only expected fluctuation of note is in the cost of natural gas. A moderate transportation disadvantage results from the Joffre facilities' relative distance to major markets.

Over the last several years, the price of natural gas in Alberta has been lower than U.S. Gulf Coast (USGC) natural gas prices by a margin which is more than the transportation differential between the two areas. Even if the price differential between these markets were to narrow as a result of additional natural gas export capacity into the higher priced U.S. markets, we expect to continue producing ethylene at Joffre at a lower cost than the average USGC ethylene producer, taking our moderate polyethylene transportation disadvantage into account. This is because of the efficient ethane gathering and extraction facilities in Alberta and our large-scale, low-cost ethylene conversion process.

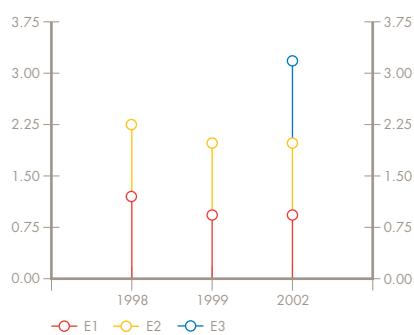
Internal Ethylene Consumption at Joffre (billions of pounds)

In 1999, NOVA Chemicals' internal consumption of ethylene at Joffre will increase with the expiry of the E1 cost-of-service contracts on December 31, 1998.



External Ethylene Sales at Joffre (billions of pounds)

In 2002, with E3 onstream, NOVA Chemicals' external ethylene sales at Joffre are expected to total more than 3.0 billion pounds.



Effective January 1, 1999, we finalized new, more favorable ethane supply agreements for a portion of the ethane used to produce ethylene at our Joffre facilities, E1 and E2. We now have binding commitments in place to satisfy the ethane requirements of E1 and E2, and for a significant portion of the requirements for our facility under construction, E3. All of these arrangements provide for NOVA Chemicals' ethane requirements up to mid-2004 and many extend beyond this time frame.

New pipelines may be constructed to transport natural gas liquids, including ethane, out of the province, potentially affecting the supply of ethane in Alberta. One such project has received approval from the National Energy Board. This may reduce the long-term potential for ethylene production facility expansions within Alberta. These developments are not expected to materially impact NOVA Chemicals' current operations or planned E3 expansion.

More Market-Facing Ethylene Sales Agreements

Up until December 31, 1998, all of the ethylene produced in NOVA Chemicals' ethylene facilities, E1 and E2, was either consumed internally or sold under long-term, cost-of-service agreements which provided for the recovery of costs. Due to their "cost-of-service" nature, these contracts moderated both the upside and downside earnings impact of changing market dynamics. In 1998, these contracts contributed earnings of \$21 million, including \$2 million contributed by E1. The cost-of-service contracts in place for E1 expired on December 31, 1998.

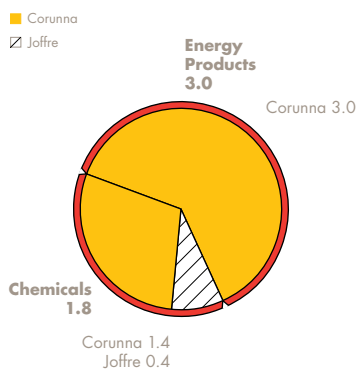
Starting January 1, 1999, approximately 60% (1.0 billion pounds) of the ethylene produced from E1 will be sold to third parties, with the remaining 40% to be used internally by NOVA Chemicals to produce polyethylene. Starting in the year 2000, we have contracts in place to market approximately 1.2 billion pounds per year of ethylene from E3 to third parties. For the 1.0 billion pounds of ethylene from E1 and the 1.2 billion pounds from E3, we have negotiated more flexible, market-facing contracts, rather than the current cost-of-service pricing mechanism in place for E2 ethylene. These new contracts consist of cost-recovery mechanisms and a market-indexed component, the combination of which is expected to result in increased earnings. In 1999, these higher earnings may be partially offset by the effect of lower operating rates at the Joffre facilities, due to weakness in the market for derivative products and a current oversupply of ethylene. The cost-of-service contracts for E2 expire on June 30, 2004.

Valuable Co-Products Reduce Corunna Ethylene Costs

The Corunna "flexi-cracker" ethylene facility is one of North America's most flexible ethylene production facilities, able to process a range of feedstocks from crude oil to natural gas liquids. In 1998, approximately 70% of Corunna's feedstock supply was crude oil and condensates, while the remaining 30% was natural gas liquids (NGLs). Corunna's operators can optimize the feedstock mix based on forecast prices for crude oil, NGLs and co-products, resulting in lower-cost ethylene for our polyethylene and styrene manufacturing operations. Due to changing feedstock requirements, we have much shorter-term purchasing arrangements for our crude oil and NGLs for Corunna than our ethane feedstock arrangements at Joffre. As a result of its use of "heavier" feedstocks such as crude oil, Corunna produces a large volume of co-products. Combined with co-products from Joffre, these chemical and energy products generated more than \$300 million of revenue in 1998.

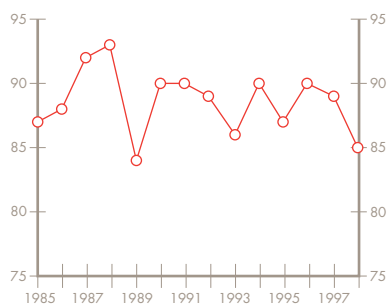
Co-Product Sales (billions of pounds)

In 1998, NOVA Chemicals sold 1.8 billion pounds of chemicals and 3.0 billion pounds of energy products, generating more than \$300 million in revenue.



North American Polyethylene Operating Rates (per cent)

North American industry plant operating rates for polyethylene are expected to remain below 90% in the near term due to excess supply, Asian economic uncertainty and somewhat slower GDP growth in North America.



Source: Chemical Markets Associates, Inc. (CMAI)

Target of \$45 Million (Annualized) of Olefins/Polyolefins Net Income Improvements for 1999

Although NOVA Chemicals cannot control its most significant profit driver, product prices, it can focus on reducing controllable costs. In 1999, despite the current weak olefins/polyolefins markets, we are targeting \$45 million after-tax of annualized net income improvements. These improvements will come from: lower depreciation charges for E1; recontracted, long-term ethane supply and ethylene sales agreements; and reduced polyethylene processing royalties. We are also targeting additional reductions in fixed costs for 1999 by focusing on centralizing our logistics and purchasing functions and on optimizing the value of our company-wide information technology system. Due to the timing of some of these improvements, we do not expect to see their full impact in 1999.

OUTLOOK FOR POLYETHYLENE PRICES

Polyethylene prices depend on the global balance between product supply and demand. Demand growth is highly sensitive to growth in the global economy. Over the last 10 years, annual polyethylene demand has grown at an average rate of 1.9 times annual GDP growth. In 1999, we expect polyethylene demand growth to continue at this rate.

Average Annual Growth 1989-1998

	GDP (%)	Polyethylene Demand (%)	Multiple of GDP (x)
North America	2.5 ¹	4.2	1.7
Europe	2.2 ²	3.3	1.5
Asia	3.7	8.2	2.2
Total global	2.6 ¹	5.0	1.9

Source: Standard and Poor's DRI World Economic Outlook

¹ Estimated 1998 U.S. growth rates.

² Western Europe only.

Historically, a correlation has existed between industry plant operating rates (overall plant production as a percentage of capacity) and average commodity chemicals pricing. In the 1985 and 1993 troughs, polyethylene operating rates were 87% and 86% respectively. In the last peak years, 1988 and 1995, operating rates were 93% and 87% respectively. In 1998, North American polyethylene plant operating rates averaged 88%, down slightly from the average in 1997.

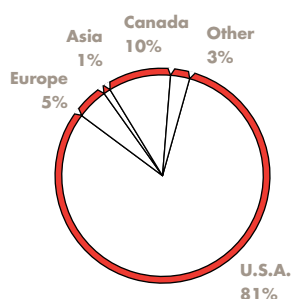
Based on available data, planned global capacity additions total 6.8 billion pounds of polyethylene in 1999 (5% of global capacity) and 8.3 billion pounds of polyethylene in 2000 (6% of global capacity). As a result, we expect operating rates to remain below 90% in the near term assuming only modest global GDP growth of approximately 2%.

Styrenics In 1998, NOVA Chemicals' Styrenics business included the results of operations from the Beaver Valley, Montréal, Decatur, Painesville and Springfield polystyrene facilities, the Sarnia styrene facility and our Channelview styrene tolling arrangements. On December 31, 1998, NOVA Chemicals completed the acquisition of the majority of Huntsman's United States and European styrenics businesses, making us North America's largest and the world's third-largest styrenics producer.

1998 Polystyrene

Sales Revenue by Region

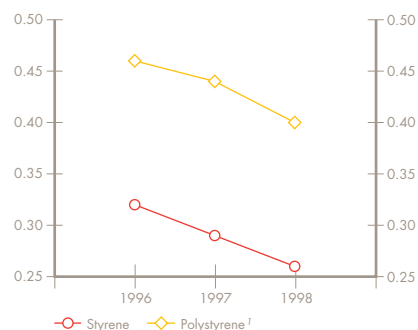
In 1998, North American sales accounted for 91% of polystyrene sales revenues of \$500 million. NOVA Chemicals increased sales in North America in response to significant declines in Asian and European market prices.



Average Styrene/Polystyrene

Benchmark Prices (dollars per pound)

In 1998, polystyrene prices fell four cents (9%) per pound below 1997 levels to 40 cents per pound. Despite the significant decline, our Styrenics business improved earnings by \$3 million over 1997.



¹ Weighted according to NOVA Chemicals' product mix.

OUR STYRENICS OPERATIONS

1998 Operations – Polystyrene Produced at Five Sites in North America

Prior to the Huntsman acquisition, NOVA Chemicals had a total capacity of 1.3 billion pounds in 1998, and was the third-largest polystyrene producer in North America. We produced polystyrene at five locations. In 1998, we had: 130 million pounds of capacity at Montréal; 395 million pounds of capacity at Decatur; and 310 million pounds of capacity at Springfield. We also produced EPS and other styrenic polymers, with 405 million pounds of capacity at Beaver Valley and 70 million pounds at Painesville. In 1998, we sold a total of 1.2 billion pounds of polystyrene.

STYRENICS BUSINESS

Financial Highlights (results do not reflect the impact of the Huntsman acquisition)

(unaudited; millions of dollars except as noted)	1998	1997	1996
Revenue	\$ 542	\$ 564	\$ 399
EBITDA ¹	\$ (8)	\$ (16)	\$ 35
Depreciation	\$ 29	\$ 32	\$ 23
Operating income (loss)	\$ (37)	\$ (48)	\$ 12
Net loss	\$ (35)	\$ (38)	\$ (2)
Capital expenditures			
strategic	\$ 66	\$ 24	\$ 111
maintenance	16	36	12
Total capital expenditures	\$ 82	\$ 60	\$ 123
Capital employed ²	\$ 465	\$ 512	\$ 461
After-tax return on capital employed ³	(5.4%)	(5.5%)	2.6%

¹ Earnings before interest, taxes, depreciation and amortization.

² Capital employed equals plant, property and equipment, working capital and investments, and excludes capital under construction.

³ Equals net income plus after-tax interest expense divided by capital employed.

Average Benchmark Prices on the USGC¹

(dollars per pound)	1998	1997	1996
Styrene	\$ 0.26	\$ 0.29	\$ 0.32
Weighted average polystyrene ²	\$ 0.40	\$ 0.44	\$ 0.46

¹ Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company. Source: PTAI.

² Average benchmark prices and NOVA Chemicals' actual realized prices (for certain products where there are no benchmarks available), weighted according to NOVA Chemicals' product mix. Includes expandable polystyrene (EPS), but excludes high-performance styrenics, DYLARK and other. Source: PTAI and NOVA Chemicals.

The key factors which affected Styrenics' net income in 1998 were: lower product prices

– weighted average benchmark polystyrene prices fell four cents (9%) per pound below 1997 levels, reaching record lows averaging four cents per pound below the previous trough in 1993

offset by lower feedstock costs

+ benzene costs declined 20%

+ ethylene costs declined 23%

and lower fixed costs

+ unit fixed costs were reduced 18%

Styrenics Acquisition – New Plant Capacities (millions of pounds)

Styrene	
Bayport, Texas	1,250
Polystyrene	
Belpre, Ohio	480
Chesapeake, Virginia	400
Joliet, Illinois	230
Peru, Illinois ¹	120
Total U.S.	1,230
Carrington, U.K.	400
Total Polystyrene	1,630
Expandable Polystyrene	
Ribécourt, France	200
Total Styrenic Polymer Capacity	1,830

¹ Tolling arrangement. Plan to decommission processing units in the third quarter of 1999.

Sales Volumes

(millions of pounds)	1998	1997	1996
Polystyrene (including EPS) ¹	1,055	1,059	1,062
High-Performance Styrenics, DYLARK and other ¹	155	157	83
Total	1,210	1,216	1,145

¹ Sales of EPS and DYLARK are annualized for 1996 as business was acquired October 1, 1996.

1998 Performance

In 1998, NOVA Chemicals' Styrenics business posted a net loss of \$35 million, a \$3 million improvement over 1997 levels, despite a four cent or 9% decline in weighted average benchmark polystyrene prices. To offset the negative effect of these prices, the Styrenics business implemented new marketing strategies targeted at higher margin products and customers. The Styrenics business also successfully reduced unit fixed costs by 18% in 1998, largely as a result of its restructuring efforts.

Due to record low prices in Asia in 1998, NOVA Chemicals proactively reduced polystyrene sales outside of North America. As a result, sales volumes were flat year-over-year. In 1998, EPS producers in Asia exported large volumes of product into North America at low prices. North American EPS prices fell an average of four cents per pound in 1998.

In early 1999, a technology upgrade and plant expansion was completed at NOVA Chemicals' Sarnia styrene plant. Capacity increased from 600 million pounds to 950 million pounds. A complete retrofit of the plant occurred, including the installation of a new ethylbenzene unit. As a result, unit operating costs are targeted to improve to first quartile levels. Our environmental performance at the site is also expected to improve to industry leading levels.

To further reduce costs and better position operations for improved performance in 1999, the Styrenics business implemented improvement initiatives in the areas of logistics, purchasing and information technology.

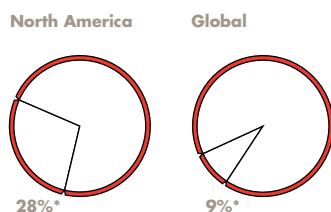
1999 Operations – Styrenics Acquisition

Financial results from the Styrenics business have recently been poor, largely due to record low industry prices. However, during peak pricing periods, the business has earned greater than a 50% after-tax return on capital employed. Market conditions for polystyrene are expected to improve in 1999 as demand for polystyrene is expected to grow at a rate of more than twice GDP.

NOVA Chemicals chose to strengthen its Styrenics business in 1998 with the \$783 million acquisition of approximately 1.3 billion pounds of styrene capacity, 1.8 billion pounds of polystyrene capacity and significant technological capabilities (the Huntsman styrenics acquisition). We are now the largest styrenics (styrene and styrenic polymers) producer in North America, and the third-largest producer in the world. We expect to significantly improve the performance of our Styrenics business by realizing the consolidation synergies available as a result of this acquisition.

1998 Market Share (Pro Forma)

In 1998, NOVA Chemicals acquired the majority of Huntsman's U.S. and European styrenics businesses, vaulting us to the position of North American leader in polystyrene production, with a 28% market share, and third worldwide, with a 9% market share.



* includes expandable polystyrene (EPS)

Annual Styrene Supply (Pro Forma Huntsman Acquisition) (millions of pounds)

Sarnia, Ontario	950 ¹
Bayport, Texas	1,250
Channelview, Texas ²	800
	3,000

¹ Capacity increased in early 1999 by 350 million pounds.

² Equity arrangement and long-term tolling arrangement.

Annual Styrenics Capacity (Pro Forma Huntsman Acquisition) (millions of pounds)

Styrene	3,000
Polystyrene	2,465
Expandable Polystyrene	675
Total Styrenic Polymer Capacity	3,140

Synergies from Styrenics Acquisition

We are targeting a total of \$65 million (after-tax) in annual synergies (\$105 million pre-tax) within the next three years as a result of this acquisition. These consist of:

\$45 million (after-tax) in cost reductions

- optimizing plant operations
- rationalizing product lines
- taking advantage of logistical opportunities
- leveraging purchasing power
- eliminating duplicate functions
- optimizing information technology

\$20 million (after-tax) in business improvements

- leveraging compounding (the capability to add color and other performance characteristics to polymers) and other leading technologies
- improving product performance/consistency
- developing new products and technologies
- entering new markets and expanding product applications

To capture some of the cost reduction synergies, we announced our intent to decommission the Peru polystyrene processing units in the third quarter of 1999. NOVA Chemicals has a tolling arrangement in place with Huntsman for the supply of polystyrene from this site until decommissioning. Following decommissioning, we can increase production at other plants to cost-effectively replace this capacity.

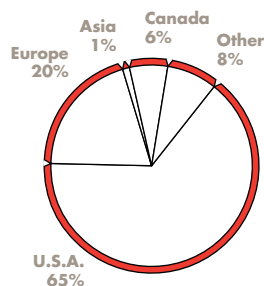
Styrene Supply

NOVA Chemicals maintains control over its styrene feedstock costs by producing some of its internal ethylene and benzene requirements and negotiating long-term agreements for the remainder. We consume a significant portion of our styrene supply in the production of polystyrene and also market styrene to third parties in North America and Europe. The combination of low-cost styrene production and a substantial merchant market position provides NOVA Chemicals with a strong foundation for its polystyrene manufacturing operations.

The Bayport styrene facility (part of the Huntsman styrenics acquisition) is a low-cost, on-purpose styrene production facility. Our Channelview supply consists of two contracts for 400 million pounds each. The first is a long-term tolling arrangement that was created when NOVA Chemicals purchased an equity interest in Lyondell Chemicals' (then ARCO Chemical's) POSM-II plant. The second contract is a long-term tolling arrangement, also with Lyondell Chemicals, that was put in place in 1996. Lyondell Chemicals produces styrene as a co-product of its propylene oxide manufacturing process at its Channelview facilities.

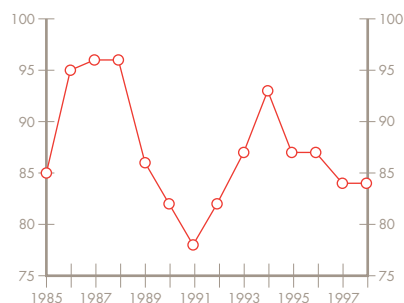
1998 Polystyrene Sales Revenues by Region (Pro Forma Huntsman Acquisition)

With our acquisition of Huntsman's U.S. and European styrenics businesses, 71% of 1998 pro forma polymer sales revenues were derived from North American customers, and European and Asian sales revenues represented 20% and 1% respectively.



North American Polystyrene Operating Rates (per cent)

North American industry operating rates for polystyrene averaged 84% in 1998, but are expected to increase in the near term, due to lower planned global capacity additions and industry-wide shutdowns of higher-cost capacity.



Source: CMAI

Target of \$30 Million of Styrenics Net Income Improvements in 1999

Although NOVA Chemicals cannot control its most significant profit driver, product prices, it can focus on reducing controllable costs and improving margins. In 1999, NOVA Chemicals is targeting \$30 million (after-tax) of Styrenics net income improvements. These will come from cost reductions and increased sales associated with the Sarnia styrene expansion and improved manufacturing, purchasing and logistics execution. In addition, NOVA Chemicals is targeting to realize a portion of the synergies associated with the Huntsman acquisition in 1999.

OUTLOOK FOR POLYSTYRENE PRICES

Polystyrene prices depend on the global balance between product supply and demand. Demand growth is highly sensitive to growth in the global economy. Over the last 10 years, annual polystyrene demand has grown at an average rate of 1.4 times annual GDP growth. Popular consumer products and electronics have contributed significantly to rapid growth in polystyrene demand. We expect market conditions to improve for polystyrene in 1999, if demand grows at historical rates and higher-cost capacity continues to be shut down.

Average Annual Growth 1989-1998

	GDP (%)	Polystyrene Demand (%)	Multiple of GDP (x)
North America	2.5 ¹	2.8	1.1
Europe	2.2 ²	2.0	0.9
Asia	3.7	7.2	1.9
Total global	2.6 ¹	3.6	1.4

Source: Standard and Poor's DRI World Economic Outlook

¹ Estimated 1998 U.S. growth rates.

² Western Europe only.

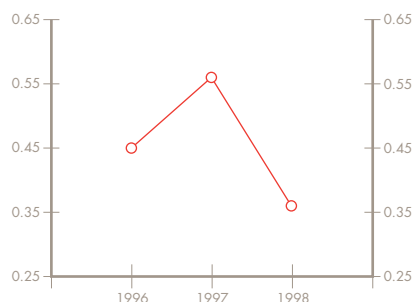
Historically, polystyrene prices have been related to industry plant operating rates. Typically, at operating rates of between 85% and 90%, margins remain at or near their cyclical lows. Once plant operating rates increase, indicating that demand is growing faster than supply, margins increase. In the 1985 and 1992 troughs, North American polystyrene operating rates were 85% and 82% respectively. In the last peak years, 1988 and 1994, operating rates were 96% and 93% respectively. In 1998, North American polystyrene plant operating rates averaged 84%, unchanged from 1997, as supply continued to exceed demand.

Based on available data, planned North American capacity additions total less than 200 million pounds of polystyrene in 1999 and less than 100 million pounds in 2000, significantly less than the projected demand growth. Also, a number of industry participants, including NOVA Chemicals, have announced plans to shut down higher-cost capacity. This is expected to result in higher plant operating rates.

equity investments NOVA Chemicals holds two equity investments: a 27.1% interest in Methanex and a 25.5% interest in Dynegy. NOVA Chemicals has announced its intent to divest its stake in Dynegy.

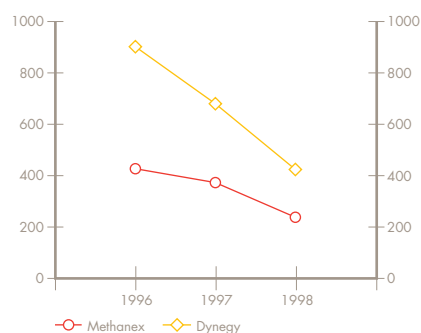
Average Realized Methanol Prices
(dollars per gallon)

In 1998, Methanex's realized price for methanol averaged 36 cents per gallon, down 20 cents (36%) from 1997.



Market Value of Methanex and Dynegy Investments
(millions of dollars)

At year-end 1998, the market values of NOVA Chemicals' investments in Methanex and Dynegy were \$238 million and \$424 million respectively. In August 1998, NOVA Chemicals announced its intent to divest its 25.5% stake in Dynegy.



Methanex Financial Highlights

(millions of dollars, except as noted)	1998	1997	1996
Equity earnings contribution (loss) ¹	\$ (25)	\$ 39	\$ (10)
Investment in Methanex	\$ 398	\$ 422	\$ 370
Market value of investment ²	\$ 238	\$ 373	\$ 427
Shares held by NOVA Chemicals (millions)	46.9	46.9	46.9
Per cent ownership ³	27.1%	26.7%	24.8%

¹ Includes asset write-down of \$22 million (NOVA Chemicals' share) in 1996.

² Based on year-end closing price of Methanex shares on NASDAQ.

³ Increased as a result of not participating in Methanex's share buy-back programs.

Methanex Review

NOVA Chemicals' 27.1% interest in Methanex yielded a loss of \$25 million compared to earnings of \$39 million in 1997. Methanol prices fell dramatically in 1998 to trough levels. Methanex's realized price for methanol averaged 36 cents per gallon in 1998, down 20 cents per gallon (36%) from 1997 levels.

Flat industry demand and the addition of new capacity have resulted in the lowest methanol pricing levels in a decade. In this environment, many producers are experiencing negative cash margins. High-cost methanol facilities in many parts of the world are being shut-in.

Construction of Methanex's low-cost third plant in Chile (Chile III) is progressing and commercial production is expected to commence as planned, early in 1999. When this new low-cost plant is fully operational, Methanex intends to reduce production at its higher-cost facilities.

Dynegy Financial Highlights

(millions of dollars, except as noted)	1998	1997	1996
Equity earnings contribution (loss) ¹	\$ 26	\$ (19)	\$ 28
Investment in Dynegy	\$ 307	\$ 277	\$ 284
Market value of investment ²	\$ 424	\$ 680	\$ 902
Shares held by NOVA Chemicals (millions)	38.8	38.8	38.8
Per cent ownership	25.5%	25.7%	25.8%

¹ Includes asset write-down of \$39 million (NOVA Chemicals' share) in 1997.

² Based on year-end closing price of Dynegy shares on NYSE.

Dynegy Review

NOVA Chemicals' investment in Dynegy contributed earnings of \$26 million compared to a loss of \$19 million in 1997. Results for 1997 included a one-time restructuring charge, NOVA Chemicals' share of which was \$39 million. Dynegy's 1998 income included a gain from the sale of Ozark Gas Transmission, which was partially offset by severance charges. Dynegy's total 1998 operating margin and equity earnings increased 17% for the year, led by a 91% increase in the contribution from its wholesale gas and power segment. This performance offset the lower operating margin caused by a weak pricing environment in the liquids segment.

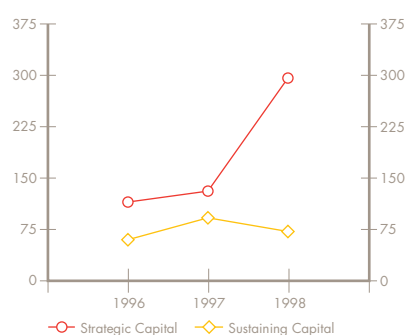
As announced on August 24, 1998, NOVA Chemicals intends to divest its Dynegy investment. We are targeting to complete this divestiture in 1999.

liquidity and capital structure In 1998, NOVA Chemicals invested a total of \$1.15 billion, largely in the styrenics acquisition and in large-scale manufacturing facilities at Joffre. In 1999, NOVA Chemicals intends to maintain its financial flexibility in order to be able to take advantage of future value-creating opportunities.

Capital Expenditures

(millions of dollars)

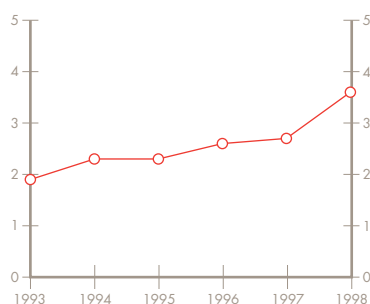
NOVA Chemicals invested a total of \$1.15 billion in 1998, primarily to acquire Huntsman's U.S. and European styrenics businesses and to fund the ethylene and polyethylene facility construction at Joffre.



Total Assets

(billions of dollars)

NOVA Chemicals' asset base grew to almost \$3.6 billion in 1998, up 33% from \$2.7 billion in 1997.



\$170 Million Generated in Funds from Operations

NOVA Chemicals generated \$170 million of funds from operations in 1998, down only 33% (\$84 million) from 1997 levels, despite an 84% (\$93 million) drop in net income from the prior year.

1998 Capital Investments and Funding of the Styrenics Acquisition

In 1998, a total of \$1.15 billion was invested by NOVA Chemicals.

- \$783 million for the Huntsman acquisition (including working capital but excluding transaction and integration costs); and
- \$367 million for capital expenditures largely to fund the construction of E3 and the new Advanced SCLAIRTECH polyethylene facility at Joffre.

Financing for these expenditures was accomplished through:

- cash flow from operations of \$198 million (including \$28 million of non-cash working capital changes);
- increasing debt by \$544 million;
- issuing \$210 million of preferred securities on October 22, 1998 which pay distributions at a rate of 9.5%; and
- issuing \$198 million of 6.95% retractable preferred shares to Huntsman. These are retractable into a maximum of 8.5 million common shares on or after April 1, 2001. If market prices result in an entitlement greater than 8.5 million shares, holders will receive the difference in preferred stock.

Estimated Strategic Capital Expenditures

(millions of dollars)	Capital Spending to date	Total Project Cost
E3 plant ¹	\$ 141	\$ 375
Advanced SCLAIRTECH polyethylene plant	92	280
Cogeneration plant ¹	26	45
Linear alpha olefins plant and other ¹	19	50
Total	\$ 278	\$ 750

¹ NOVA Chemicals' share.

Debt to Total Capitalization

In 1999, NOVA Chemicals has a budget of approximately \$500 million for capital projects. This amount reflects \$400 million related to the Joffre expansion projects, with the remainder directed to sustaining operations. In 1999, continuing capital expenditures will require NOVA Chemicals to draw on available credit under its revolving bank credit facility and to access capital markets for amounts in excess of free cash flow from operations. As a result, debt ratios may increase. The sale of NOVA Chemicals' investment in Dynege is an important source of cash to pay down debt.

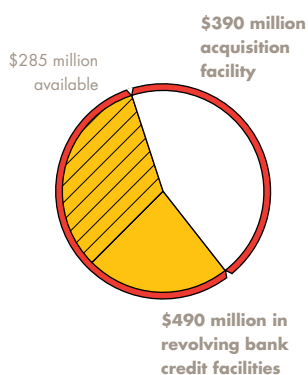
At year-end 1998, NOVA Chemicals' debt to total capitalization ratio was 45.9%. Assuming the January 26, 1999 \$172.5 million of preferred securities had been issued on December 31, 1998, the debt to total capitalization ratio would have been 39.7%. In 1999 and beyond, NOVA

Senior Debt Ratings

Senior unsecured debt	
Moody's	Baa2
Standard & Poor's	BBB+
DBRS	BBB
CBRS	B++

Committed Credit Facilities

At December 31, 1998, NOVA Chemicals had \$880 million in committed credit facilities, of which \$285 million was available.



Chemicals will target a debt to total capitalization ratio in the range of 40% for maximum financial flexibility and continued access to capital markets.

Capitalization

December 31 (millions of dollars)	Pro Forma 1998 ¹	1998 Actuals	1997	1996
Short-term debt	\$ —	\$ —	\$ 57	\$ —
Long-term debt ²	1,108	1,281	726	571
Shareholders' equity ³	1,685	1,512	1,173	1,257
Total capitalization	\$ 2,793	\$ 2,793	\$ 1,956	\$ 1,828
Debt to total capitalization	39.7%	45.9%	40%	31%
Interest coverage				
on long-term debt	1.5x	1.3x	4.6x	6.3x
EBITDA/interest expense	5.8x	4.8x	6.8x	9.3x

¹ Assumes the \$172.5 million 9.04% preferred securities due 2048 (issued January 26, 1999) were issued on December 31, 1998.

² Net of available cash and includes current portion.

³ 1997 and 1996 amounts are net of advances to parent and affiliates.

Maturities through to 2004

- A \$75 million, 270-day accounts receivable securitization program established January 15, 1999, matures October 12, 1999.
- Acquisition credit facility matures March 31, 2000.
- A \$150 million 6.5% debenture issue matures September 22, 2000.
- Revolving bank credit facility matures February 2, 2003.

Interest Expense Down in 1998

Interest expense was lower in 1998 than in 1997 due to a reduction in debt levels resulting from: cash flow from operations; receipt of cash (to be directed towards the payment of taxes) on the split-off from TransCanada on July 2, 1998; and the issuance of preferred securities in October 1998. Offsetting these decreases was additional debt associated with the Huntsman acquisition and with major construction projects. Debt related to construction totalled \$350 million at December 31, 1998. Interest on this additional debt is capitalized as a cost of construction until the plants are put into service.

For further details on interest expense and income taxes, please see notes 9 and 15, respectively, to the financial statements.

Subsequent Event: Issuing of Preferred Securities

NOVA Chemicals issued \$172.5 million of preferred securities on January 26, 1999. These securities are due in 2048 and pay distributions at a rate of 9.04%. The proceeds from these securities were used to repay bank debt.

Hedging Activities

The Audit, Finance and Risk Committee of NOVA Chemicals' Board of Directors regularly reviews foreign exchange and feedstock commodity hedging activity, ensuring it complies with NOVA Chemicals' hedging policy. Financial instruments are not used for speculative purposes and are limited to the underlying net economic exposure.

Foreign Exchange Hedging

NOVA Chemicals' net foreign exchange exposure results from virtually all of its revenues being directly or indirectly denominated in U.S. dollars, while a significant portion of its costs are

denominated in Canadian dollars. To protect itself from the negative effects of a strong Canadian dollar, NOVA Chemicals began to hedge a significant portion of its anticipated Canadian dollar costs in 1993.

Through the 1994 to 1996 time frame, the Canadian dollar traded within a narrow range around the embedded average exchange rate for the hedge portfolio. Subsequent to 1996, the Canadian dollar deteriorated significantly against the U.S. dollar.

At December 31, 1998, NOVA Chemicals had hedged approximately \$2.5 billion of anticipated Canadian dollar costs at an average exchange rate of one Canadian dollar = U.S. 74.17 cents extending to March 2003. At the Bank of Canada noon exchange rate as of December 31, 1998 of Cdn. \$1.00 = U.S. 65.34 cents, the unrealized pre-tax mark to market loss on these hedges was \$261 million. On March 4, 1999, the unrealized pre-tax mark to market loss on these hedges was \$238 million.

If NOVA Chemicals had not entered into this hedging program, after-tax earnings would have been \$33 million higher in 1998, \$11 million higher in 1997 and \$5 million lower in 1996.

Commodity Hedging and Feedstock Acquisition

NOVA Chemicals purchased approximately 55 billion cubic feet of natural gas and 28 million barrels of crude oil, natural gas liquids and condensates in 1998 to fulfil its proprietary feedstock requirements. NOVA Chemicals manages the exposure to fluctuating commodity prices on its physical feedstock requirements by varying the mix of fixed and floating price contracts and by entering into commodity futures contracts. The extent to which hedging instruments are used depends on market conditions and adherence to NOVA Chemicals' hedging policy. NOVA Chemicals limits its position in the futures market to its proprietary feedstock requirements and does not use hedging instruments for speculative purposes. On December 31, 1998, the unrealized pre-tax mark to market gain of all commodity positions was \$29 million. On March 4, 1999, the unrealized pre-tax mark to market gain of all commodity positions was \$39 million.

Dividends and Distributions

NOVA Chemicals pays dividends on its common shares on a quarterly basis, currently at the rate of Canadian \$0.10 per quarter. There are no material restrictions on NOVA Chemicals' ability to declare and pay dividends on its common shares. The declaration and payment of dividends is at the discretion of the Board of Directors of NOVA Chemicals. The Board will consider earnings, capital requirements, the financial condition of NOVA Chemicals and other relevant factors.

NOVA Chemicals pays distributions on its preferred securities on a quarterly basis, at an annual rate of 9.5% on the \$210 million issue and 9.04% on the \$172.5 million issue. NOVA Chemicals has the right to defer, from time to time, and subject to certain conditions, payment of distributions on the securities for up to 20 consecutive quarterly periods. These distributions are tax deductible.

In 1999, NOVA Chemicals will pay dividends at a rate of 6.95% on the \$198 million of retractable preferred shares related to the Huntsman acquisition. Please see note 12 to the financial statements for information related to dividend payments in 2000 and beyond.

Year 2000 update This Year 2000 Readiness Disclosure, as defined and used in the Year 2000 Information and Readiness Act, is entitled to all protections under that Act.

NOVA Chemicals' Year 2000 Readiness

Certain computerized hardware, process control systems, software systems and applications used by NOVA Chemicals are date sensitive and their ability to perform properly may be adversely affected by the Year 2000 issue. NOVA Chemicals has a working group, led by NOVA Chemicals' Chief Information Officer, dedicated to the Year 2000 issue. In a process that began in 1996, NOVA Chemicals continues to address the issue by preparing an inventory of all systems and equipment, analyzing risks, determining compliance levels, selecting practical remediation options and testing most implemented solutions. This approach seeks to minimize the potential risk of Year 2000 business disruption.

NOVA Chemicals (including its wholly owned subsidiaries but excluding the assets acquired through the Huntsman acquisition) is not entirely Year 2000 ready at this time, but has targeted March 31, 1999 to have virtually all high-impact business and production processes ready. NOVA Chemicals considers its high-impact systems to include those systems or processes which, upon failure, could have a material adverse impact on health and safety, the community, the environment and NOVA Chemicals' financial well-being. As of March 4, 1999, remediation work on high-impact business and production systems was approximately 85% complete. The exceptions are due to delays in receiving necessary components from vendors or a decision by NOVA Chemicals to delay some testing until the second quarter of 1999 to take advantage of scheduled plant maintenance.

NOVA Chemicals' Year 2000 project remains within its budget of \$10 million. The expenditures related to NOVA Chemicals' Year 2000 compliance programs are not expected to be material. NOVA Chemicals expects it will incur costs in connection with Year 2000 remediation, but believes that adequate provisions have been made in its financial statements for such costs.

Assessing Our Critical Suppliers and Customers

NOVA Chemicals also continues to assess the Year 2000 capabilities of customers, critical suppliers and key service providers to determine, to the extent possible, that external parties will not adversely impact NOVA Chemicals' businesses. Over 800 critical suppliers and service providers of NOVA Chemicals have been contacted and asked to provide information regarding their Year 2000 readiness planning and progress. As of March 4, 1999, NOVA Chemicals has received responses from 87% of these parties. We are now in the process of conducting telephone interviews with all suppliers who have not yet provided us with their response. Telephone interviews and on-site reviews are also being used to update information we received in the third and fourth quarters of 1998.

Year 2000 Contingency Plan

NOVA Chemicals is reviewing and modifying, if necessary, its existing emergency response plans to handle Year 2000 circumstances. Additional contingency plans are being created and enabled for all critical manufacturing and business processes, including external linkages. Our

comprehensive contingency plans describe responses for a spectrum of possible Year 2000 events from “nuisance scenarios” to significant outages. Some of the contingency planning scenarios we are considering include electrical power disruption, impacts to transportation and communication infrastructure and disruption to the supply chain caused by key suppliers, service providers and customers. NOVA Chemicals is working collaboratively with many of its customers to determine the necessary level of support required. A specific example of the type of contingency plans considered includes maintaining on-site feedstock, product and parts inventories at sufficient levels to withstand a temporary interruption.

Huntsman Acquisition Year 2000 Readiness

Effective December 31, 1998, NOVA Chemicals acquired the majority of Huntsman’s United States and European styrenics businesses. NOVA Chemicals is currently assessing the Year 2000 readiness of these businesses and the costs of becoming Year 2000 ready with respect to business systems, manufacturing systems, suppliers and customers of the acquired styrenics businesses. Year 2000 project teams have been established and have responsibility for the Year 2000 effort for the Huntsman styrenics acquisition. July 31, 1999 has been targeted with respect to the Year 2000 readiness of high-impact systems with prioritized testing, documentation of results and contingency planning continuing throughout 1999. Costs supporting the efforts for the Year 2000 enabling of this styrenics acquisition are budgeted at \$6 million.

Summary

Although NOVA Chemicals is striving to be completely prepared, it is still possible that there will be a negative impact as a result of Year 2000 issues. Based on its progress to date, however, NOVA Chemicals believes that such impact, if any, will not have a material adverse effect on NOVA Chemicals’ business, operations or financial condition.

NOVA Chemicals is currently assessing the Year 2000 readiness (and the costs of becoming Year 2000 ready) of the companies in which it has an equity interest. If any of the costs associated with Year 2000 readiness for these partially owned entities are found to be material, NOVA Chemicals will disclose them in due course.

Consolidated Six-Year Review

(unaudited; millions of U.S. dollars, except per share amounts, ratios and miscellaneous)¹

	1998	1997	1996	1995	1994	1993
Operating Results						
Revenue	\$ 2,075	2,285	2,069	2,077	1,835	1,596
Operating income	\$ 103	229	271	510	216	73
Net income	\$ 18	111	153	354	285	46
Total Assets	\$ 3,580	2,687	2,635	2,316	2,290	1,860
Capitalization						
Current bank loans ²	\$ –	57	–	–	202	194
Long-term debt ^{2,3}	1,281	726	571	415	302	389
Shareholders' equity ⁴	1,512	1,173	1,257	1,194	746	503
Total Capitalization	\$ 2,793	1,956	1,828	1,609	1,250	1,086
Cash Flow Data						
Plant, property & equipment additions	\$ 367	223	175	93	139	175
Funds from operations	\$ 170	254	281	478	256	159
Net debt additions (repayments) ^{2,5}	\$ 486	23	50	(105)	(98)	143
Data Per Common Share⁶						
Net income	\$ 0.17	1.21	1.66	3.85	3.10	0.50
Common shareholders' equity at year-end ^{4,7}	\$ 12.96	12.75	13.66	12.98	8.11	5.47
Ratios						
Return on average common equity	% 1.4	9.1	12.5	36.5	45.6	9.6
Total debt to capitalization ⁵	% 45.9	40.0	31.2	25.8	40.3	53.7
Funds flow coverage of financial charges	3.8x	5.3x	7.1x	13.9x	6.9x	5.1x
Miscellaneous Data						
Employees at year-end ⁸	4,200	3,400	3,400	2,700	2,800	3,000

¹ For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = \$0.68 U.S.

² Net of cash available for debt repayment.

³ Long-term debt includes current portion of debt.

⁴ All years prior to 1998 figure are net of advances to parent and affiliates.

⁵ Net additions (repayments) include current bank loans.

⁶ Assumes 92 million common shares outstanding for comparative purposes.

⁷ 1998 assumes the retractable preferred shares were exchanged for 8.5 million common shares.

⁸ 1998 includes the addition of Huntsman employees.

Summarized Quarterly Financial Information

Three months ended (unaudited; millions of dollars, except for share data)

	March 31		June 30		September 30		December 31	
	1998	1997	1998	1997	1998	1997	1998	1997
Revenue	\$ 554	607	526	564	500	554	495	560
Operating income	\$ 49	81	9	62	29	54	16	32
Net income	\$ 17	50	(14)	41	13	39	2	(19)
Net income per share ¹	\$ 0.18	0.54	(0.15)	0.45	0.14	0.43	–	(0.21)

¹ Assumes 92 million common shares outstanding for comparative purposes.

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 developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. 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.

The Board of Directors is responsible for ensuring that management fulfils 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 non-management 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 and Chief Executive Officer*
March 4, 1999
Calgary, Canada



Wayne E. Lunt, *Senior Vice President and Chief Financial Officer*

Auditors' Report

To the Shareholders of NOVA Chemicals Corporation:

We have audited the consolidated balance sheets of NOVA Chemicals Corporation as at December 31, 1998, 1997 and 1996 and the consolidated statements of income and reinvested earnings and cash flows for each of the years in the three year period ended December 31, 1998. These financial statements are the responsibility of the management of NOVA Chemicals Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Chemicals Corporation as at December 31, 1998, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1998 in accordance with accounting principles generally accepted in Canada.

March 4, 1999
Calgary, Canada



ERNST & YOUNG LLP
Chartered Accountants

Consolidated Statement of Income and Reinvested Earnings

Year ended December 31 (millions of U.S. dollars, except per share amounts)

	1998	1997	1996
Revenue	\$ 2,075	\$ 2,285	\$ 2,069
Feedstock and operating costs	1,636	1,724	1,480
Research and development	29	28	30
Selling, general and administrative	138	144	138
Restructuring charge (note 14)	18	—	—
Depreciation	151	160	150
	1,972	2,056	1,798
Operating income	103	229	271
Interest expense (note 9)	(46)	(56)	(45)
Equity in earnings of affiliates (note 6)	1	18	18
Other	2	(5)	(5)
	(43)	(43)	(32)
Income before income taxes	60	186	239
Income taxes (note 15)	(42)	(75)	(86)
Net income	18	111	153
Reinvested earnings, beginning of year	804	802	690
Preferred securities issue costs	(7)	—	—
Merger-related transaction costs and adjustments (note 1)	(7)	—	—
Elimination of intercompany advances to parent on amalgamation (note 18)	(167)	—	—
Common share dividends	(12)	(109)	(41)
Preferred securities distributions	(2)	—	—
Reinvested earnings, end of year	\$ 627	\$ 804	\$ 802
Average number of common shares outstanding (millions)	92	92	92
Net income per share	\$ 0.17	\$ 1.21	\$ 1.66

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31 (millions of U.S. dollars)

	1998	1997	1996
Assets			
Current assets			
<i>Cash and cash equivalents</i>	\$ 37	\$ —	\$ 164
<i>Receivables (note 4)</i>	348	301	228
<i>Inventories (note 5)</i>	280	207	269
<i>Advances to parent and affiliates (note 18)</i>	—	175	73
	665	683	734
Investments and other assets (note 6)	733	780	746
Plant, property and equipment, net (note 7)	2,182	1,224	1,155
	\$ 3,580	\$ 2,687	\$ 2,635
Liabilities and Shareholders' Equity			
Current liabilities			
<i>Bank loans</i>	\$ —	\$ 57	\$ —
<i>Accounts payable and accrued liabilities (note 8)</i>	473	253	269
<i>Long-term debt installments due within one year (note 9)</i>	17	36	37
	490	346	306
Long-term debt (note 9)	1,280	690	698
Long-term debt to affiliate (note 18)	—	66	66
Deferred credits (note 10)	298	237	235
	2,068	1,339	1,305
Shareholders' Equity			
Preferred securities (note 11)	210	—	—
Retractable preferred shares (note 12)	198	—	—
Common shares (note 13)	492	491	491
Contributed surplus	—	14	14
Cumulative translation adjustment	(15)	39	23
Reinvested earnings	627	804	802
	1,512	1,348	1,330
Contingencies and commitments (notes 9 and 19)			
	\$ 3,580	\$ 2,687	\$ 2,635

On behalf of the Board:



Kerry L. Hawkins, *Director*



Jeffrey M. Lipton, *Director*

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31 (millions of U.S. dollars)

	1998	1997	1996
Operating Activities			
Net income	\$ 18	\$ 111	\$ 153
Depreciation	151	160	150
Deferred income taxes	2	1	(4)
Equity in earnings of affiliates	(1)	(18)	(18)
Funds from operations	170	254	281
Changes in non-cash working capital (note 16)	28	(27)	(158)
Cash from operations	198	227	123
Investing Activities			
Huntsman acquisition (note 3)	(783)	–	–
Proceeds on sale of assets	–	11	–
Plant, property and equipment additions	(367)	(223)	(175)
Long-term investments and other assets	(6)	(7)	(20)
Changes in non-cash working capital (note 16)	–	18	–
	(1,156)	(201)	(195)
Financing Activities			
Increase (decrease) in current bank loans	(57)	57	(8)
Huntsman acquisition debt financing	585	–	–
Long-term debt repaid	(36)	(34)	(35)
Long-term debt additions	10	–	257
Preferred securities issued	203	–	–
Retractable preferred shares issued	198	–	–
Preferred securities distributions	(2)	–	–
Common share dividends	(12)	(109)	(41)
Intercompany and other	24	(104)	(39)
Changes in non-cash working capital (note 16)	82	–	–
	995	(190)	134
Increase (decrease) in cash and cash equivalents	37	(164)	62
Cash and cash equivalents, beginning of year	–	164	102
Cash and cash equivalents, end of year	\$ 37	\$ –	\$ 164

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(all amounts in U.S. dollars unless otherwise noted)

Note 1

*Basis of
Presentation*

On July 2, 1998, NOVA Corporation was split off as an independent, publicly traded, commodity chemical company following the merger of NOVA Corporation and TransCanada PipeLines Limited. All amounts presented relating to the period prior to July 2, 1998 represent NOVA Chemicals Ltd., which accounted for approximately 99% of the ongoing assets and revenues of NOVA Corporation as at July 2, 1998. On January 1, 1999, NOVA Corporation and NOVA Chemicals Ltd. amalgamated and the resulting corporation adopted the name NOVA Chemicals Corporation (“NOVA Chemicals” or the “Corporation”).

The majority of the pricing for NOVA Chemicals’ products and feedstocks and a portion of other costs are set in U.S. dollars. In addition, the majority of NOVA Chemicals’ competitors report results in U.S. dollars. Accordingly, beginning with the third quarter of 1998, NOVA Chemicals is reporting its financial results in U.S. dollars while continuing to follow Canadian generally accepted accounting principles (GAAP). For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = \$0.68 U.S., except for reported fair market values which were converted at the rates in effect on the relevant dates.

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the accounts of its joint ventures. They have been prepared by management on the historical cost basis in accordance with GAAP. These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described in Note 22, “United States Accounting Principles”. All amounts are reported in U.S. dollars unless otherwise indicated.

Note 2

*Summary of
Significant
Accounting Policies*

Cost-of-Service

Under the terms of certain sales agreements, the Corporation sells ethylene on a take-or-pay basis, for a price determined by a cost-of-service formula that includes cost of feedstock and fuel, operating expenses, depreciation, income taxes, return on capital and realized foreign exchange gains or losses in respect of debt service. The return on capital includes a 20% after-tax return on equity based on a deemed debt to equity ratio.

Cash and Cash Equivalents

NOVA Chemicals’ short-term investments are considered to be cash equivalents and are recorded at cost, which approximates current market value.

Foreign Currency Translation

The Corporation’s foreign operations are considered self-sustaining and are translated into Canadian dollars using the current rate method. Resulting translation gains or losses are deferred in a separate component of common shareholders’ equity entitled “Cumulative Translation Adjustment” until there is a realized reduction of the investment in the foreign operations. Foreign-denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange. For ethylene cost-of-service operations, the exchange differential is recoverable from customers and is reported as a reduction in or addition to the associated long-term monetary item. For non-cost-of-service operations, the unrealized translation gains or losses are deferred and amortized on a straight-line basis over the remaining lives of the related items.

Hedging Activity

The Corporation enters into forward contracts and options to reduce its exposure to changes in feedstock prices or foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions mature. They offset the effects of changes in commodity purchase prices or foreign exchange gains or losses on foreign cash flow.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

Investments

Investments in affiliates in which the Corporation exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments are carried at cost.

Joint Ventures

NOVA Chemicals applies the proportionate consolidation method of accounting for its investments in joint venture operations. A joint venture is an economic activity in which NOVA Chemicals and its co-venturers have agreed to jointly share, on a continuing basis, the power to determine the venture's strategic operating, investing and financing policies. Under the proportionate consolidation method, NOVA Chemicals records, on a line-by-line basis within its financial statements and notes, its pro rata share of the joint venture's assets, liabilities, revenues, expenses and cash flows.

Plant, Property and Equipment (PP&E)

NOVA Chemicals' PP&E consists primarily of manufacturing equipment, land and buildings for producing petrochemicals. PP&E is carried at cost and financing costs incurred during major construction are capitalized as part of the cost of the asset. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when such costs can be reasonably determined.

Depreciation

Plant and equipment are depreciated on a straight-line basis at annual rates averaging 7%. In 1998, the useful life estimates for certain assets were changed from six years to 15 years. The impact of this change in estimated useful lives reduced depreciation expense by \$10 million in 1998. These rates are designed to write these assets off over their estimated useful lives. The Alberta ethylene plants and the hydrogen plant are depreciated over the lives of the related sales agreements.

Income Taxes

Cost-of-service activities operate under billing structures that allow NOVA Chemicals to recover related income tax costs from customers based on the taxes payable method. NOVA Chemicals records income tax expenses on these operations equal to recoverable amounts. For non-cost-of-service operations, the deferral method of tax allocation accounting is followed.

Pension Plans

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services and is expensed as the employees provide services. It reflects management's best estimates of the expected investment yields, salary escalations, mortality rates, terminations and members' retirement ages. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups. The adjusted market value of pension plan assets is determined based on a four-year moving average of pension plan asset market values.

Note 2*continued**Post-Retirement Benefits other than Pensions*

NOVA Chemicals provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement benefit costs are expensed as the employees provide services.

Measurement Uncertainty

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Note 3*Huntsman
Acquisition*

On December 31, 1998, NOVA Chemicals acquired the majority of Huntsman Corporation's ("Huntsman") U.S. and European styrenics businesses, excluding Huntsman's North American expandable polystyrene business, (the "Huntsman Acquisition") for \$783 million (\$637 million plus Huntsman's book value for working capital of \$146 million). The value of \$113 million assigned to working capital by NOVA Chemicals differs from Huntsman's book value due to differences in accounting policies.

The acquisition has been accounted for using the purchase method of accounting. The purchase price has been allocated, on a preliminary basis, subject to future amendment, as follows:

(millions of dollars)

Net assets acquired at assigned values		
<i>Current assets</i>		\$ 183
<i>Current liabilities</i>		(70)
<i>Plant, property and equipment</i>		774
<i>Other assets</i>		12
<i>Deferred income taxes and other liabilities</i>		(57)
		\$ 842
Consideration		
<i>Retractable preferred shares (note 12)</i>		\$ 198
<i>Cash</i>		585
		783
Transaction and integration costs		59
		\$ 842

The following are unaudited pro forma consolidated results of operations for 1998 and 1997, assuming the Huntsman acquisition had taken place at the beginning of each of 1998 and 1997:

<i>(millions of dollars, except per share amounts)</i>	Pro Forma 1998	Pro Forma 1997
Revenue	\$ 2,785	\$ 3,048
Net income (loss)	\$ (3)	\$ 87
Net income (loss) per share	\$ (0.32)	\$ 0.66

This unaudited pro forma information does not purport to be indicative of the results that actually would have been obtained if the operations were combined during the periods presented, and is not intended to be a projection of future results or trends. This information does not reflect cost savings that management believes will be realized primarily through rationalization of operations and logistics and economies of scale.

Note 4

<i>December 31 (millions of dollars)</i>		1998	1997	1996
<i>Receivables</i>				
Trade		\$ 312	\$ 281	\$ 218
Other		44	23	18
		356	304	236
Less allowance for doubtful accounts		(8)	(3)	(8)
		\$ 348	\$ 301	\$ 228

In 1996, NOVA Chemicals sold a portion of its trade receivables to certain financial institutions on a revolving basis subject to certain limits. Trade receivables sold at December 31, 1996 were \$70 million. In 1997, this program was discontinued.

Note 5

<i>December 31 (millions of dollars)</i>		1998	1997	1996
<i>Inventories</i>				
Materials and supplies		\$ 27	\$ 26	\$ 27
Raw materials		123	71	86
Finished goods		130	110	156
		\$ 280	\$ 207	\$ 269

Note 6

<i>Year ended December 31 (millions of dollars)</i>		1998		1997		1996	
		Investment	Equity Earnings (Losses)	Investment	Equity Earnings (Losses)	Investment	Equity Earnings (Losses)
<i>Investments and Other Assets</i>							
Equity investments							
Methanex ¹	\$	398	\$ (25)	\$ 422	\$ 39	\$ 370	\$ (10)
Dynegey ¹		307	26	277	(19)	284	28
Other		10	—	8	(2)	11	—
NOVA Gas							
International (note 18)		—	—	66	—	66	—
Other assets		18	—	7	—	15	—
	\$	733	\$ 1	\$ 780	\$ 18	\$ 746	\$ 18

¹ Equity earnings include NOVA Chemicals' share of Dynegey asset write-down of \$39 million in 1997 and Methanex asset write-down of \$22 million in 1996.

Methanex Corporation

NOVA Chemicals owns 27.1% of Methanex as at December 31, 1998 (December 31, 1997 – 26.7% and December 31, 1996 – 24.8%). Methanex produces and markets methanol. The market value of NOVA Chemicals' investment in Methanex shares at December 31, 1998 was approximately \$238 million (1997 – \$373 million and 1996 – \$427 million).

The following is summarized financial information for Methanex.

<i>Year ended December 31 (millions of dollars)</i>		1998	1997	1996
Revenue		\$ 721	\$ 1,223	\$ 877
Operating expenses and depreciation		\$ 811	\$ 987	\$ 787
Net income (loss) ¹		\$ (68)	\$ 190	\$ (7)
<i>December 31 (millions of dollars)</i>				
Current assets		\$ 570	\$ 815	\$ 623
Property, plant and equipment and other assets		1,141	1,104	1,026
Current liabilities		(116)	(198)	(120)
Long-term liabilities		(576)	(560)	(494)
Shareholders' equity		\$ 1,019	\$ 1,161	\$ 1,035

¹ The 1996 net loss includes an \$86 million after-tax write-down of plant carrying values.

Note 6*continued***Dynegy**

NOVA Chemicals owns 25.5% of Dynegy (formerly NGC) as at December 31, 1998 (December 31, 1997 – 25.7% and 1996 – 25.8%). Dynegy is a leading gatherer, processor, transporter and marketer of energy products in the United States.

The market value of NOVA Chemicals' investment in Dynegy's shares at December 31, 1998 was approximately \$424 million (1997 – \$680 million and 1996 – \$902 million). The following is summarized financial information for Dynegy.

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue	\$ 14,258	\$ 12,594	\$ 6,735
Operating expenses and depreciation	\$ 14,138	\$ 12,330	\$ 6,459
Net income (loss) ^{1,2}	\$ 108	\$ (69)	\$ 105
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Current assets	\$ 2,094	\$ 2,154	\$ 1,804
Property, plant and equipment and other assets ²	3,139	2,488	2,056
Current liabilities	(1,877)	(1,904)	(1,436)
Long-term liabilities	(2,024)	(1,561)	(1,423)
Redeemable preferred shares	(200)	(194)	–
Shareholders' equity ²	\$ 1,132	\$ 983	\$ 1,001

¹ The net loss for 1997 includes a restructuring charge of \$132 million (after-tax) relating primarily to Dynegy's natural gas liquids and crude oil business.

² These amounts have been adjusted to conform with Canadian accounting principles.

Purchase Price Excess

The cost of certain investments exceeded NOVA Chemicals' share of their underlying net book values at their acquisition dates. At December 31, the unamortized purchase price excesses were as follows:

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Dynegy ¹	\$ 32	\$ 34	\$ 35
Methanex ²	\$ 99	\$ 112	\$ 114

¹ The purchase price excess is allocated to goodwill and amortized over 20 years at the rate of \$2 million per year.

² The purchase price excess is allocated to plant, property and equipment and is amortized over 20 years at the rate of \$7 million per year.

Other Assets

Other assets are mainly composed of deferred debt issue costs which are being amortized on a straight-line basis over the terms of the related debt instruments.

Petrochemicals Joint Ventures

As at December 31, 1998 and 1997, NOVA Chemicals owns a 50% interest in an ethylene plant (E3) and a 20% interest in a cogeneration facility located at Joffre, Alberta. Both facilities are currently under construction with completion dates in the year 2000. The amounts included in plant under construction for these facilities is \$167 million at December 31, 1998.

As at December 31, 1998, 1997 and 1996, NOVA Chemicals owns a 20% interest in the Cochin pipeline and associated infrastructure, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States; a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership; and a 33.3% interest in an ethane gathering system in Alberta. As at December 31, 1998 and 1997, NOVA Chemicals owns a 50% interest in NOVA-Borealis Compounds LLC, which manufactures wire and cable polyethylene products for sale in North and South America. During 1997, NOVA Chemicals sold its 100% interest in Chemical Research and Licensing Company, the principal asset of which was a 50% interest in a Catalytic Distillation Technologies Partnership.

Note 7

<i>December 31 (millions of dollars)</i>		1998	1997	1996
<i>Plant, Property and Equipment</i>	Plant and equipment	\$ 2,956	\$ 2,211	\$ 2,096
	Land	26	18	15
	Under construction	419	206	112
		3,401	2,435	2,223
	Accumulated depreciation	(1,219)	(1,211)	(1,068)
	Net book value	\$ 2,182	\$ 1,224	\$ 1,155

Note 8

<i>December 31 (millions of dollars)</i>		1998	1997	1996
<i>Accounts Payable and Accrued Liabilities</i>	Accounts payable			
	Trade	\$ 184	\$ 178	\$ 138
	Other	25	44	40
		209	222	178
	Accrued liabilities			
	Interest	13	15	13
	Site cleanup and restoration	3	4	3
	Dividends	6	-	-
	Other ¹	155	23	44
		177	42	60
	Income taxes payable (receivable)	87	(11)	31
	\$ 473	\$ 253	\$ 269	

¹ Includes accruals related to Huntsman acquisition (see note 3) and also includes accruals related to the restructuring charge (see note 14).

Note 9

<i>December 31 (millions of dollars)</i>		1998		1997		1996	
	Maturity	Debt	Average	Debt	Average	Debt	Average
			Interest Rate		Interest Rate		Interest Rate
Ethylene Plants E1 and E2	1998 to 2004	\$ 94	6.2%	\$ 131	6.4%	\$ 162	6.4%
Foreign currency exchange differential recoverable from customers through the contractual billing process		(17)		(16)		(15)	
		77		115		147	
Huntsman acquisition facility	2000	390	5.9%	-	-	-	-
Unsecured debentures and notes	2000 to 2028	625	7.1%	608	7.1%	583	7.1%
Unsecured loans	2000 to 2003	205	6.4%	-	-	-	-
Other		-		3		5	
		1,297		726		735	
Less instalments due within one year		(17)		(36)		(37)	
		\$ 1,280		\$ 690		\$ 698	

Huntsman Acquisition Facility (unsecured)

Financing for the Huntsman acquisition was provided through a syndicate of lenders. Interest on the facility is at a variable LIBOR (London Inter-Bank Offer Rate) based rate. The facility is due March 31, 2000. Net proceeds from any sale of the Corporation's investment in Dynegy must be applied to any borrowings under this facility.

Ethylene Plants: E1 and E2

Effective February 25, 1997, the secured financing on the ethylene plants was replaced by an unsecured facility. The replacement facility is repayable under an amortization schedule concurrent with the expiry of the original 20-year fixed

Note 9*continued*

term cost-of-service ethylene sales contracts. Final instalment for the E1 portion of the loan was December 1998, and for the E2 portion of the loan is June 2004.

Unsecured Debentures and Notes

These financings consist of unsecured borrowings which rank pari passu in all respects with other unsecured and unsecured debt of the Corporation. The 5-year \$150 million 6½% notes are due in September 2000 and the 10-year \$100 million 7% notes are due in September 2005. The 30-year \$100 million 7⁷/₈% debentures due in 2025 are not redeemable prior to September 15, 2005. On or after such date, the debentures may be redeemed at the option of the Corporation under terms and conditions of the Trust Indenture they were issued under. The 30-year \$150 million 7% debentures due 2026 and the 32-year \$125 million 7¼% debentures due 2028 are redeemable at the option of the holders in 2003 and 2008, respectively.

Repayment Requirements

Repayment requirements in respect of long-term debt for the five years following December 31, 1998 are: 1999 – \$17 million, 2000 – \$557 million, 2001 – \$17 million, 2002 – \$17 million, and 2003 – \$222 million.

Unsecured Loans

At December 31, 1998, NOVA Chemicals had a committed credit facility from a syndicate of Canadian banks of \$490 million (Cdn. \$750 million). The credit facility allows unsecured borrowings at floating rates under a revolving credit line with 364-day renewable revolving periods. At the end of each 364-day period, either the banks or NOVA Chemicals may elect to convert the amounts outstanding under the facility into a four-year term loan. Drawings under this facility, as at December 31, 1998, were \$205 million.

Interest Expense

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Interest on long-term debt	\$ 51	\$ 51	\$ 30
Interest on long-term debt to affiliate	3	5	5
Interest on short-term debt	5	3	11
Other	1	–	–
Gross interest expense	60	59	46
Interest capitalized during plant construction	(12)	–	–
Interest income	(2)	(3)	(1)
Interest expense (net)	\$ 46	\$ 56	\$ 45

Note 10***Deferred Credits***

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Deferred income taxes	\$ 194	\$ 161	\$ 157
Pension and post-retirement benefit obligations	53	30	20
Site cleanup and restoration	39	34	38
Other	12	12	20
	\$ 298	\$ 237	\$ 235

Note 11***Preferred Securities***

On October 22, 1998, NOVA Chemicals issued \$210 million of preferred securities due December 31, 2047. The securities are redeemable by the Corporation at any time on or after October 22, 2003. Distributions on these securities are payable at an annual rate of 9½% and are deductible for tax purposes by the Corporation. The after-tax amount of the distributions is charged to reinvested earnings. The Corporation may, subject to certain conditions, elect to defer distributions for a period of up to 20 consecutive quarters.

Note 11*continued*

The Corporation may elect to pay the maturity amount, the redemption amount and the deferred distributions by delivering to a trustee, preferred shares, common shares or other equity securities of NOVA Chemicals. The trustee would then sell the delivered securities and pay cash to the holders of the preferred securities. The principal amount has been classified as equity as the Corporation has the unrestricted ability to settle the amount by issuing its own equity securities.

Note 12**Retractable
Preferred Shares**

In connection with the Huntsman Acquisition, a subsidiary of the Corporation issued retractable preferred shares for \$198 million on December 31, 1998 (see note 3). Dividends are cumulative and are at the following rates:

December 31, 1998 to March 31, 2001	6.95%
April 1, 2001 to March 31, 2002	5.95%
April 1, 2002 and thereafter	2.00%

The shares are redeemable by the subsidiary on or after January 1, 2004. The shares are retractable by holders of the shares into common shares of NOVA Chemicals on or after April 1, 2001. Accordingly, the shares have been recorded as a component of shareholders' equity. The number of common shares to be issued will be based on market prices to a maximum of 8.5 million shares.

If holders would be entitled, based on the market-based exchange rate, to receive more than the maximum 8.5 million shares, they would receive the difference in NOVA Chemicals preferred stock.

Note 13**Common Shares**

a) Authorized

Unlimited number of voting common shares without par value.

b) Issued and Outstanding

Changes in common share capital during 1998, 1997 and 1996 are summarized below:

<i>(millions of dollars, except number of shares)</i>	1998		1997		1996	
Beginning of year	13,000,008	\$ 491	13,000,008	\$ 491	13,000,006	\$ 491
For acquisition ¹	—	—	—	—	2 ¹	—
July 2	13,000,008	491				
Reporting entity change ²	92,075,820	491	—	—	—	—
For director compensation	6,600	—	—	—	—	—
For cash on exercise of stock options	70,299	1	—	—	—	—
End of year ³	92,152,719	\$ 492	13,000,008	\$ 491	13,000,008	\$ 491

¹ On June 30, 1996, NOVA Chemicals Ltd. issued common shares to acquire from NOVA Corporation all of the outstanding common shares of Novamerica Investments Ltd. The acquisition was accounted for under the continuity of interests method.

² On July 2, 1998, NOVA Corporation (now NOVA Chemicals Corporation) replaced NOVA Chemicals Ltd. as reporting entity. Accordingly, the number of common shares outstanding at July 2 represents the number of NOVA Corporation common shares outstanding on that date (see note 1).

³ Stated common share capital for legal purposes at December 31, 1998 is \$1,936 million.

c) Shares Reserved for Future Issue

<i>December 31 (number of shares)</i>	1998
Under the stock option plan ¹	8,929,701
Under the director compensation plan	47,800
	8,977,501

¹ Under the incentive stock option plan, options are outstanding to officers and employees to purchase 5,566,918 shares at prices ranging from \$12.603 to \$30.75 per share with expiration dates between February 27, 1999 and July 2, 2008. A total of 3,362,783 shares are reserved but unallocated.

Note 13*continued*

d) Options

	Number of Shares	Exercise Prices	Weighted Average Exercise Prices
Outstanding at July 2, 1998 ¹	3,977,028	\$11.356 – \$26.346	\$ 20.684
Granted	1,691,350	\$24.950 – \$30.750	\$ 29.594
Exercised	(70,299)	\$11.356 – \$21.225	\$ 13.987
Cancelled	(31,161)	\$18.376 – \$30.750	\$ 26.387
Outstanding at December 31, 1998	5,566,918	\$12.603 – \$30.750	\$ 23.444

¹ On July 2, 1998, as part of the merger of NOVA Corporation and TransCanada PipeLines Limited all options outstanding under the NOVA Corporation Stock Option Plan were cancelled and replaced with options issued under the TransCanada PipeLines Limited Stock Option Plan and options issued under NOVA Chemicals Stock Option Plan.

There were 3,089,586 shares exercisable at December 31, 1998. The weighted average remaining contractual life of these options is seven years. Options may be exercised over a 10-year period and generally 25% of the options vest at the grant date with further vesting of 25% for each of the next three years.

e) Shareholder Rights Plan

In May 1994, NOVA's shareholders approved a shareholder rights plan where one right was issued for each outstanding common share and these rights were maintained for NOVA Chemicals' shareholders after the split-off. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a takeover bid for NOVA Chemicals' common shares, or until a person acquires 15% or more of NOVA Chemicals' common shares. The plan expires in May 1999.

Note 14*Restructuring Charge*

In July 1998, NOVA Chemicals recorded a restructuring charge of \$18 million (before-tax). The charge primarily resulted from a reduction of the workforce in the Styrenics business.

Note 15*Income Taxes*

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Income before income taxes	\$ 60	\$ 186	\$ 239
Statutory income tax rate	44.62%	44.62%	44.62%
Computed income tax expense	\$ 27	\$ 83	\$ 107
Increase (decrease) in taxes resulting from:			
<i>Manufacturing and processing deduction</i>	(2)	(11)	(13)
<i>Higher (lower) effective foreign tax rates</i>	(1)	(7)	(14)
<i>Non-taxable equity in earnings of affiliates</i>	–	(9)	(8)
<i>Non-provision of deferred income taxes on cost-of-service operations¹</i>	15	14	15
<i>Other</i>	3	5	(1)
	\$ 42	\$ 75	\$ 86
<i>Current income taxes</i>	\$ 40	\$ 74	\$ 90
<i>Deferred income taxes</i>	2	1	(4)
	\$ 42	\$ 75	\$ 86

¹ For certain petrochemical operations, agreements for certain cost-of-service operations provide for the recovery of income taxes from customers. The Corporation records income tax expense on these operations equal to the amounts recoverable under the agreements, and therefore there is no effect on net income. Some agreements limit the recoverable amount to current taxes payable. Accordingly, the provision for income taxes excludes deferred income tax recoveries relating to these operations. Cumulative unrecorded deferred income taxes payable amounted to \$31 million at December 31, 1998 (\$46 million at December 31, 1997; \$60 million at December 31, 1996).

Note 15 *continued*

The principal timing difference in calculating deferred income taxes, for both cost-of-service and non-cost-of-service operations, relates to deductions for tax purposes in respect of plant, property and equipment in excess of depreciation provided for in the accounts.

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Income before taxes			
<i>Canada</i>	\$ 34	\$ 172	\$ 132
<i>Foreign</i>	26	14	107
	\$ 60	\$ 186	\$ 239
Current income taxes			
<i>Canada</i>	\$ 36	\$ 71	\$ 89
<i>Foreign</i>	4	3	1
	40	74	90
Deferred income taxes			
<i>Canada</i>	6	4	16
<i>Foreign</i>	(4)	(3)	(20)
	2	1	(4)
Total income taxes	\$ 42	\$ 75	\$ 86

Note 16

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
<i>Changes in Non-Cash Working Capital</i>			
Receivables	\$ (47)	\$ (73)	\$ (36)
Inventories	(73)	62	(109)
Accounts payable and accrued liabilities	220	(16)	(29)
Changes in non-cash working capital	100	(27)	(174)
Reclassification and other items not having a cash effect	10	18	16
Changes in non-cash working capital having a cash effect	\$ 110	\$ (9)	\$ (158)
These changes relate to the following activities:			
<i>Operating activities</i>	\$ 28	\$ (27)	\$ (158)
<i>Investing activities</i>	–	18	–
<i>Financing activities</i>	82	–	–
	\$ 110	\$ (9)	\$ (158)

Note 17*Post-Retirement Benefits* **Pension Plans**

The Corporation's pension plans cover substantially all employees. Pensions at retirement are mainly related to years of service and remuneration during the last years of employment and the Canadian pension plans are partially indexed to inflation. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. The Corporation funds the plans using a valuation based on the projected unit credit method, and the plans' assets consist primarily of publicly traded equity and fixed income securities. The assumed future rates of return on assets and discount rates used to determine the estimated projected benefit obligations of the plans were 7.5% for 1998 and 8% for 1997 and 1996. The assumed long-term salary and wage escalation rates, including merit increases, averaged 4.5% for 1998, 5.0% for 1997 and 5.5% for 1996.

Note 17

continued

Pension expense consisted of the following:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Current service cost	\$ 12	\$ 10	\$ 8
Interest cost on projected benefit obligations	18	18	17
Expected return on assets	(18)	(20)	(16)
Net total of other components	(1)	1	1
	11	9	10
Amounts attributable to cost-of-service contracts	(1)	(1)	(1)
Net pension expense	\$ 10	\$ 8	\$ 9

The status of the pension plans is as follows:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Changes in benefit obligations			
Benefit obligation at beginning of year	\$ 243	\$ 225	\$ 220
<i>Foreign currency exchange rate changes</i>	(10)	—	—
<i>Current service cost</i>	12	10	8
<i>Interest cost</i>	18	18	17
<i>Experience (gain) loss</i>	4	8	(4)
<i>Acquisition of Huntsman</i>	6	—	—
<i>Special termination benefits</i>	7	1	—
<i>Benefits paid</i>	(24)	(19)	(16)
Net benefit obligation at end of year	\$ 256	\$ 243	\$ 225
Change in plan assets			
Actuarial value of plan assets at beginning of year	\$ 245	\$ 231	\$ 203
<i>Foreign currency exchange rate changes</i>	(9)	—	—
<i>Actual return on plan assets</i>	31	27	29
<i>Employer contributions</i>	8	6	15
<i>Special termination benefits</i>	1	1	—
<i>Benefits paid</i>	(24)	(20)	(16)
Actuarial value of plan assets at end of year	\$ 252	\$ 245	\$ 231
Surplus (deficiency) on an accounting basis	\$ (4)	\$ 2	\$ 6

One of the Corporation's pension plans has an aggregate benefit obligation of \$32 million which is in excess of the fair value of its plan assets of \$19 million. All of the Corporation's other plans have assets with fair values in excess of their accumulated benefit obligations.

The actuarial market value of plan assets is determined on a four-year moving average basis. The market value of the Corporation's pension plan assets at December 31, 1998 amounted to \$270 million (1997 – \$281 million and 1996 – \$268 million).

Post-Retirement Benefits other than Pensions

The Corporation provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement costs are funded as they are incurred. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.0% for 1998 and 5.5% for 1997 and 1996. Long-term medical inflation was assumed to be 4.5% in 1998 (1997 – 5.5% and 1996 – 5.5%) and the discount rates used to calculate the accumulated post-retirement benefit obligations were 7.5% for 1998 and 8% for 1997 and 1996. A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional \$2 million at December 31, 1998.

The Corporation accrues the cost of providing post-retirement benefits as the employees provide services. Prior to 1993, the cost of providing post-retirement benefits for employees was expensed when paid. The change to the accrual method was applied prospectively and resulted in an accumulated unrecorded obligation. This obligation is being

Note 17*continued*

recognized over the expected average remaining service lifetime of the employees, which is 15 years. At December 31, 1998, the unrecorded obligation is approximately \$10 million (1997 – \$11 million and 1996 – \$13 million).

Post-retirement benefit expense consisted of the following:

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Current service cost	\$ 1	\$ 1	\$ 1
Interest cost	2	2	1
Curtailement loss	–	1	–
Net total of other components	1	1	3
	4	5	5
Amounts attributable to cost-of-service contracts	(1)	(1)	(1)
Net post-retirement benefit expense	\$ 3	\$ 4	\$ 4

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Post-retirement benefit obligation at beginning of year	\$ 19	\$ 18	\$ 18
<i>Foreign currency exchange rate changes</i>	(1)	–	–
<i>Current service cost</i>	1	1	1
<i>Interest cost</i>	2	2	1
<i>Experience (gain) loss</i>	4	(1)	(3)
<i>Acquisitions</i>	3	–	2
<i>Benefits paid</i>	(1)	(1)	(1)
Post-retirement benefit obligation at end of year	\$ 27	\$ 19	\$ 18

Note 18**Related-Party Transactions**

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Transactions during the year:			
Interest expense to parent	\$ 3	\$ 5	\$ 5

<i>December 31 (millions of dollars)</i>	1998	1997	1996
Advances to (from) parent and affiliate:			
NOVA Corporation (parent) ¹	\$ –	\$ 177	\$ 75
NOVA Gas International ¹	–	(2)	(2)
	\$ –	\$ 175	\$ 73
Long-term debt due to affiliate:			
Note due to NOVA Gas International, bearing interest at 7.75%	\$ –	\$ 66	\$ 66

¹ The comparative balance sheets at December 31, 1997 and 1996 are the balance sheets of NOVA Chemicals Ltd. (see note 1). The advances to parent and affiliates are eliminated against shareholders' equity in the December 31, 1998 NOVA Chemicals Corporation balance sheet.

Note 19**Contingencies and Commitments**

- a) Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Corporation.
- b) The Corporation leases office space, data processing and transportation equipment under various operating leases. The minimum lease payments are approximately \$632 million in total with annual amounts of \$33 million in 1999, \$33 million in 2000, \$32 million in 2001, \$32 million in 2002, \$32 million in 2003 and \$470 million thereafter.
- c) In addition to the future site cleanup and restoration costs which have been accrued (see Notes 8 and 10), costs will be incurred in the future for plant sites when they are sold or are no longer used in the Corporation's operations. The liability with respect to these costs is not currently determinable.

Note 20**Segmented
Information**

NOVA Chemicals operates its petrochemicals business under the following principal business segments:

a) Financial Information by Business Segment

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue			
Olefins and polyolefins	\$ 1,614	\$ 1,806	\$ 1,753
Styrenics	542	564	399
Intersegment eliminations	(81)	(85)	(83)
	\$ 2,075	\$ 2,285	\$ 2,069
Depreciation			
Olefins and polyolefins	\$ 122	\$ 128	\$ 127
Styrenics	29	32	23
	\$ 151	\$ 160	\$ 150
Operating income (loss)			
Olefins and polyolefins	\$ 158	\$ 288	\$ 282
Styrenics	(37)	(48)	12
Re-engineering, computer system development and other costs	(18)	(11)	(23)
	\$ 103	\$ 229	\$ 271
Net income (loss)			
Olefins and polyolefins	\$ 61	\$ 145	\$ 163
Styrenics	(35)	(38)	(2)
Equity investments, corporate and other	(8)	4	(8)
	\$ 18	\$ 111	\$ 153
Plant, property and equipment additions			
Olefins and polyolefins	\$ 285	\$ 163	\$ 52
Styrenics	82	60	123
	\$ 367	\$ 223	\$ 175
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Assets			
Olefins and polyolefins	\$ 1,283	\$ 1,192	\$ 1,207
Styrenics	1,500	514	469
Investment in Methanex	398	422	370
Investment in Dynegy	307	277	284
Corporate and other ^{1,2}	92	282	305
	\$ 3,580	\$ 2,687	\$ 2,635

¹ Amounts include all cash and cash equivalents.

² 1997 and 1996 amounts include advances to parent and affiliates (see note 18).

Note 20*continued*

b) Financial Information by Geographic Area

<i>Year ended December 31 (millions of dollars)</i>	1998	1997	1996
Revenue ¹			
Canada	\$ 990	\$ 1,049	\$ 1,034
United States	909	943	753
Other	176	293	282
	\$ 2,075	\$ 2,285	\$ 2,069
Export sales from Canadian operations			
United States	\$ 499	\$ 554	\$ 471
Other	91	135	110
	\$ 590	\$ 689	\$ 581
Operating income (loss) ²			
Canada	\$ 124	\$ 259	\$ 225
United States	(21)	(30)	46
	\$ 103	\$ 229	\$ 271
Equity in earnings of affiliates			
Canada	\$ (25)	\$ 39	\$ (10)
United States	26	(21)	28
	\$ 1	\$ 18	\$ 18
<i>December 31 (millions of dollars)</i>	1998	1997	1996
Assets ²			
Canada	\$ 1,901	\$ 1,965	\$ 1,993
United States	1,463	722	642
Europe	216	—	—
	\$ 3,580	\$ 2,687	\$ 2,635

¹ Based on location of customer.² Based on location of the operating facilities.**Note 21***Financial Instruments**Financial Instrument Fair Values*

Financial instrument fair values represent a reasonable approximation of amounts NOVA Chemicals would have received or paid to counter-parties on December 31, 1998 to unwind positions prior to maturity. At December 31, 1998, NOVA Chemicals has no plans to unwind these positions prior to maturity. The carrying amounts represent the receivable or payable recorded in the balance sheets. The carrying amounts reported in the balance sheets for cash, accounts receivable and payable, advances to parent and affiliates, long-term debt to affiliates and current bank loans approximate their fair value. NOVA Chemicals does not have a significant exposure to any individual customer or counter-party. Fair values and carrying amounts for long-term debt and derivative instruments are disclosed below.

<i>December 31 (millions of dollars)</i>	1998	1997	Carrying Amount 1996	1998	1997	Estimated Fair Value ¹ 1996
Long-term debt ²	\$ 1,297	\$ 726	\$ 735	\$ 1,306	\$ 778	\$ 788

¹ The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analyses, based on NOVA Chemicals' current incremental borrowing rates for similar borrowing arrangements.² Includes debt instalments due within one year.

Derivatives and other Hedging Instruments

NOVA Chemicals sells petrochemical products at prices based on U.S. dollars, purchases energy commodities, invests in foreign operations and issues short- and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, commodity prices and interest rates. NOVA Chemicals manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating an offsetting position. The estimated fair values only represent the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged. NOVA Chemicals does not provide or require security on its derivative positions.

a) Foreign Exchange Risk Management

NOVA Chemicals has U.S., Canadian and European-based petrochemical operations. The selling price for products sold by these operations is established in terms of the U.S. dollar. A portion of the Corporation's expenses is established in Canadian dollars. NOVA Chemicals reduces its exposure to fluctuations in the Canadian/U.S. dollar exchange rate by using forward exchange contracts and options. The forwards and options to deliver U.S. dollars and receive Canadian dollars outstanding at December 31, 1998, maturing through 1999 to 2003, are as follows:

<i>December 31 (millions of dollars unless otherwise noted)</i>		1998	1997	1996
Foreign exchange forwards				
<i>Notional amount</i>	U.S.	\$ 2,493	\$ 2,653	\$ 2,114
<i>Average exchange rate per U.S. dollar</i>	Cdn.	\$ 1.35	\$ 1.34	\$ 1.34
<i>Estimated fair value¹</i>	U.S.	\$ (261)	\$ (122)	\$ (2)
<i>Carrying value</i>	U.S.	\$ -	\$ -	\$ -
Foreign exchange options				
<i>Notional amount</i>	U.S.	\$ -	\$ 120	\$ 140
<i>Average exchange rate per U.S. dollar</i>	Cdn.	\$ -	\$ 1.38	\$ 1.36
<i>Estimated fair value¹</i>	U.S.	\$ -	\$ (3)	\$ 4
<i>Carrying value</i>	U.S.	\$ -	\$ -	\$ -

¹ Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

b) Commodity Price Risk Management

NOVA Chemicals uses commodity futures to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements, while limiting, somewhat, the benefits of favorable short-term price movements. They are not used for speculative purposes. Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. At December 31, 1998, 1997, and 1996, the notional volume and estimated fair value of outstanding contracts for natural gas are as follows:

Note 21
continued

<i>December 31 (millions of dollars unless otherwise noted)</i>		1998	1997	1996
Floating to fixed price swaps				
<i>Notional volume</i>	mmGJ	49.7	50.4	10.2
<i>Weighted average price/GJ</i>	Cdn.	\$ 1.93	\$ 1.78	\$ 1.53
<i>Estimated fair value</i>	U.S.	\$ 19.1	\$ 8.0	\$ –
<i>Carrying value</i>	U.S.	\$ –	\$ –	\$ –
<i>Term to maturity</i>	years	1-3	1-4	1-3
Pricing basis swaps ¹				
<i>Notional volume</i>	mmcf	41.4	57.7	29.2
<i>Weighted average basis differential per mcf</i>	U.S.	\$ 0.688	\$ 0.690	\$ 0.700
<i>Estimated fair value</i>	U.S.	\$ 11.6	\$ (8.9)	\$ –
<i>Carrying value</i>	U.S.	\$ –	\$ –	\$ –
<i>Term to maturity</i>	years	1-3	1-4	2-3
Options				
<i>Notional volume</i>	mmcf	13.5	10.8	–
<i>Weighted average price/mcf</i>	U.S.	\$ 2.61	\$ 2.04	\$ –
<i>Estimated fair value</i>	U.S.	\$ (1.5)	\$ (0.3)	\$ –
<i>Carrying value</i>	U.S.	\$ –	\$ –	\$ –
<i>Term to maturity</i>	years	0.25	0.25-0.75	–
Futures				
<i>Notional volume</i>	mmcf	–	1.5	1.4
<i>Weighted average price/mcf</i>	U.S.	\$ –	\$ 2.59	\$ 2.21
<i>Estimated fair value</i>	U.S.	\$ –	\$ (0.5)	\$ 0.2
<i>Carrying value</i>	U.S.	\$ –	\$ –	\$ –
<i>Term to maturity</i>	years	–	0.25	0.25–0.5

¹ Under the pricing basis swaps the Corporation will pay or receive the difference between the market price for intra-Alberta gas delivery, and the NYMEX market price less a fixed differential established in the contract.

NOVA Chemicals also uses commodity futures, options and swaps to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and alternative feedstock transactions. Notional volumes for futures, swaps and option contracts at December 31, 1998 were 1.1 mmbbls (1997 – 2.9 mmbbls and 1996 – 0.6 mmbbls). At December 31, 1998, the estimated fair value of outstanding contracts was \$(0.2) million (1997 – \$(0.7) million and 1996 – \$(0.5) million). The term to maturity in all cases is less than one year and the carrying value is nil.

c) Credit Risk Management

Credit exposure on financial instruments arises from the possibility that a counter-party to an instrument in which NOVA Chemicals has an unrealized gain fails to perform. NOVA Chemicals only transacts with counter-parties having a minimum credit rating of A for its foreign exchange instruments and a minimum credit rating of BBB for its commodity risk management instruments. A limit on contingent exposure has been established for each counter-party based on the counter-party's credit rating. Credit exposure on commodity price risk instruments is managed through credit approval and monitoring procedures. NOVA Chemicals does not anticipate any counter-parties will fail to meet their obligations. At December 31, 1998, NOVA Chemicals' credit exposure was \$nil for foreign currency instruments (1997 – \$nil) and \$21 million (1997 – \$16 million) for commodity-based instruments.

Note 22
**United States
Accounting
Principles**

a) Reconciliation to Accounting Principles Generally Accepted in the United States			
Year ended December 31 (millions of dollars)	1998	1997	1996
Net income in accordance with Canadian basis	\$ 18	\$ 111	\$ 153
Add (deduct) adjustments for:			
Equity in earnings (losses) of affiliates ¹	(4)	(2)	1
Other losses ²	—	(8)	—
Foreign exchange losses ³	(80)	(78)	(6)
Development costs ⁴	1	3	2
Inventory valuation adjustment ⁵	(1)	(3)	3
Preferred securities distribution	(2)	—	—
Arrangement costs ⁶	(27)	—	—
Income taxes ⁷	—	—	1
Prior period adjustment under Canadian GAAP ⁸	—	—	(6)
Translation of convenience adjustment ⁹	—	1	12
Other	—	(1)	1
Net income using U.S. basis	\$ (95)	\$ 23	\$ 161
Net income per share using U.S. basis	\$ (1.03)	\$ 0.25	\$ 1.75
Comprehensive income (loss) ¹⁰			
Net income (loss) using U.S. basis	\$ (95)	\$ 23	\$ 161
Unrealized foreign exchange losses on translation of self-sustaining foreign operation	(57)	(45)	(16)
Comprehensive income (loss) in accordance with U.S. basis	\$ (152)	\$ (22)	\$ 145
December 31 (millions of dollars)	1998	1997	1996
Balance sheet items in accordance with United States basis ¹¹			
Current assets	\$ 681	\$ 716	\$ 811
Investments and other assets ⁷	729	830	862
Plant, property and equipment	2,525	1,252	1,229
Current liabilities	(751)	(482)	(329)
Long-term debt			
preferred securities	(210)	—	—
other long-term debt	(1,280)	(778)	(820)
Deferred credits ⁷	(557)	(239)	(318)
Retractable preferred shares	(198)	—	—
Common shareholders' equity	\$ 939	\$ 1,299	\$ 1,435

¹ NOVA Chemicals' share of adjustments made to Methanex's and Dynegey's financial information to comply with U.S. accounting principles.

² U.S. accounting principles require impaired assets to be written down to fair market value, whereas Canadian generally accepted accounting principles ("GAAP") require assets to be written down to net recoverable amounts.

³ Canadian GAAP allows deferral of gains and losses on hedges of anticipated transactions. U.S. GAAP will allow deferral of these gains and losses for companies that apply FAS133. NOVA Chemicals will be required to apply this standard in 2000 for U.S. GAAP purposes, but may choose to do so earlier. NOVA Chemicals will be reviewing FAS133 to determine the impacts of application, one of which will be the elimination of this Canadian/U.S. GAAP difference.

⁴ U.S. accounting principles require that all research and development costs be expensed as incurred. Canadian principles allow capitalization of development costs if certain criteria are satisfied.

⁵ U.S. accounting principles require an allocation of fixed production overhead to inventory. Canadian accounting principles allow these costs to be expensed during the period.

⁶ Under U.S. GAAP, transaction costs related to a business combination accounted for using the pooling of interests method are recognized as an expense.

⁷ U.S. accounting principles require companies to recognize deferred income taxes based on the liability method, whereas Canadian accounting principles require that the deferral method be used. Under the U.S. basis, companies are also required to record deferred income tax liabilities and long-term receivables for deferred income taxes to be collected from cost-of-service customers in future years. These amounts are not recorded under the Canadian basis.

⁸ Methanex reached a settlement with Revenue Canada in 1996 regarding the reassessment of its 1988 income tax return. Under Canadian GAAP, the settlement has been charged to prior year earnings. Under U.S. GAAP, the settlement would have been charged to current period earnings.

⁹ Beginning with the third quarter of 1998, NOVA Chemicals is reporting its financial results in U.S. dollars. All periods prior to July 2, 1998 have been restated at one exchange rate (\$1.00 Canadian = \$0.68 U.S.). Under U.S. GAAP all periods must be translated at the respective period exchange rates.

¹⁰ Accounting principles generally accepted in the U.S. require, for the year commencing January 1, 1998, the presentation of a separate statement of comprehensive income. This statement is not required under Canadian GAAP. Comprehensive net income includes all changes in equity during the period including items that are not in net income.

¹¹ U.S. accounting principles require corporate joint ventures to be accounted for using the equity method, whereas Canadian principles require proportionate consolidation of all joint ventures. The equity method does not result in any change to NOVA Chemicals' net income or shareholders' equity; however, all assets, liabilities, revenue, expenses and most cash flow items are decreased when compared with the amounts that are presented using proportionate consolidation.

b) Projected Pension Benefit Obligations (PPBOs)

United States accounting principles require the discount rate assumption for the valuation of PPBOs to be calculated based on the year-end rate for high-quality Canadian fixed income investments. This compares with the Canadian basis of accounting which uses management's best estimate of the long-term fixed income investment rate. For 1998, the U.S. basis discount rate was 6.25% compared with 7.5% using the Canadian basis. Using a 6.25% discount rate would have resulted in a \$59 million increase in the PPBOs on an accounting basis as at December 31, 1998. For 1997, the U.S. basis discount rate was 6.5% compared with 8.0% using the Canadian basis. Using a 6.5% discount rate would have resulted in a \$10 million increase in the PPBOs on an accounting basis as at December 31, 1997. For 1996, the U.S. basis discount rate was 7.5% compared with 8.0% using the Canadian basis. Using a 7.5% discount rate would have resulted in a \$5 million increase in the PPBOs on an accounting basis as at December 31, 1996.

c) Interest and Income Tax Payments

Under United States reporting rules, disclosure of third-party interest payments and income tax payments is required. Third-party interest payments were \$59 million in 1998, \$52 million in 1997 and \$35 million in 1996. Income tax payments were \$46 million in 1998, \$115 million in 1997 and \$158 million in 1996.

d) Stock-Based Compensation

Under U.S. reporting rules, the Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") requires that companies with stock-based compensation plans either recognize compensation expense based on new fair-value accounting methods or continue to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and disclose pro forma net earnings (loss) per share assuming the fair-value method had been applied. NOVA Chemicals has elected to follow APB 25 and related interpretations in accounting for employee stock options.

On July 2, 1998, as part of the merger of NOVA Corporation and TransCanada PipeLines Limited, all options outstanding under the NOVA Corporation Stock Option Plan were cancelled and replaced with options issued under the TransCanada PipeLines Limited Stock Option Plan and options issued under NOVA Chemicals Stock Option Plan.

For the 1998 year, the SFAS 123 pro forma calculation includes those options issued under NOVA Chemicals' Stock Option Plan that were granted and vested during 1998 plus NOVA Chemicals' proportionate share of options granted under the NOVA Corporation Stock Option Plan in 1995, 1996 and 1997, one quarter of which vested during 1998 (1997 – one quarter of 1995, 1996 and 1997; 1996 – one quarter of 1995 and 1996).

Options are issued at the market price on date of grant and therefore, under APB 25, no compensation expense has been recorded.

Under SFAS 123, NOVA Chemicals' pro forma net (loss) earnings for U.S. GAAP would be \$(98) million (1997 – \$22 million and 1996 – \$158 million) and primary (loss) earnings per common share would be \$(1.06) (1997 – \$0.24 and 1996 – \$1.73).

For disclosure purposes, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted in 1998, 1997 and 1996, respectively: expected dividend yield of 1%, 3% and 3%; expected volatility of 92.4%, 18.9% and 20.3%; risk-free interest rate of 4%, 5% and 6%; and expected life of 1½ years, 5 years and 5 years. The weighted average fair value of the stock options granted in 1998, 1997 and 1996 was \$5.87, \$1.65 and \$1.86 respectively.

e) Consolidated Statement of Cash Flows Presentation

Under U.S. reporting rules, the \$198 million of retractable preferred shares issued as consideration in the 1998 acquisition of the Huntsman business would not be included in the statement of cash flows.

Note 22*continued*

f) U.S. Accounting Developments

For 1999, U.S. reporting requirements will require NOVA Chemicals to apply SFAS 133. When adopted, SFAS 133 will impact the financial results of NOVA Chemicals. SFAS 133 requires that the fair value of a derivative financial instrument be presented in the balance sheet and gains and losses for a period be recognized in either the income statement or statement of comprehensive income according to its nature. The impact on NOVA Chemicals' financial statements is yet to be determined.

Note 23*Year 2000
Assessment*

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the company. In 1996, the company commenced the identification of manufacturing and computer systems that require modification or replacement. An assessment of the readiness of third parties, such as customers, suppliers and others, is ongoing.

It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Note 24*Subsequent Event*

On January 26, 1999, NOVA Chemicals issued \$172.5 million of redeemable preferred securities. These securities are due in 2048 and have a distribution rate of 9.04% (tax-deductible).



The Board of Directors of NOVA Chemicals is committed to continuing to be a leader in corporate governance practices. Today, NOVA Chemicals not only meets but generally exceeds the standards proposed by the TSE Committee and those proposed by other influential commentators on governance. As its first major series of decisions, the NOVA Chemicals' Board confirmed and put in place a strong and deeply experienced management team led by President and Chief Executive Officer Jeff Lipton, who has 34 years of successful experience in the chemical industry. NOVA Chemicals' Board of Directors brings a broad wealth of North American and international business experience to their deliberations. I would like to thank the Board on behalf of shareholders for their dedication and commitment to making NOVA Chemicals the best commodity chemical company in the world.

Ted Newall, Chairman of the Board

Dr. Frank Peter Boer has been a director of NOVA Chemicals since February 1991. He resides in Village of Golf, Florida. He is President and Chief Executive Officer of Tiger Scientific, Inc., a firm specializing in science and technology consulting and investments. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.

Robert Emmet Dineen, Jr. has been a director of NOVA Chemicals since July 1998. He resides in New York, New York and is a partner of Shearman & Sterling, Attorneys-at-Law, New York, New York.

Louis Yves Fortier, C.C., Q.C. has been a director of NOVA Chemicals since July 1998. He resides in Westmount, Québec and is Chairman and a senior partner of Ogilvy Renault, Barristers and Solicitors, Montréal, Québec. He is also a director of DuPont Canada Inc., Hudson's Bay Company, Northern Telecom Limited, Royal Bank of Canada and Southam Inc.

Kerry Lloyd Hawkins has been a director of NOVA Chemicals since July 1998. He resides in Winnipeg, Manitoba and is President of Cargill Limited, Winnipeg, Manitoba. He is also President of Prince Rupert Grain, Chairman of Saskferco Products Inc., and a director of TransCanada, Shell Canada Limited and Hudson's Bay Company.

Jeffrey Marc Lipton has been a director of NOVA Chemicals since April 1996. He is President and Chief Executive Officer of NOVA Chemicals and resides in Calgary, Alberta. He is a director of the American Plastics Council, the Chemical Manufacturers Association and of certain subsidiaries and affiliates of NOVA Chemicals,

including Dynege Inc. He is also Chairman of Methanex Corporation.

Gerald James Maier has been Vice Chairman and a director of NOVA Chemicals since July 1998. He is Chairman Emeritus of TransCanada. Prior to July 1998, he was Chairman of TransCanada. Prior to April 1996 he was Chairman and Chief Executive Officer of TransCanada. He is Chairman of the VanHorne Institute and Notre Dame College, and a director of the following companies: BCE Inc., Bank of Nova Scotia, Petro-Canada, Stream-Flo Industries, Xpronet Inc., United Western Communications Ltd. and the Manning Foundation.

James Edward (Ted) Newall, O.C. has been a director of NOVA Chemicals since August 1991. He is Chairman of NOVA Chemicals, and, prior to July 1998, was Chief Executive Officer of NOVA Corporation. He resides in Calgary, Alberta. He is also a director of BCE Inc., Alcan Aluminium Limited, Royal Bank of Canada, Maple Leaf Foods, Canadian Pacific Ltd. and Bell Canada. He is Chair, Board of Governors of the University of Calgary and Honorary Chairman of the Business Council on National Issues.

Dr. Nicholas Pappas has been a director of NOVA Chemicals since February 1992 and resides in Centerville, Delaware. Dr. Pappas is President and Chief Executive Officer of BioTraces, Inc. Dr. Pappas is also Chairman of the Board of ChemFab Corp and a member of the boards of the Medical Center of Delaware, Yenkin-Majestic Corp. and Witco Corp., and a member of American Men of Science, Sigma Xi and Alpha Chi Sigma.

Robert Lorne Pierce, Q.C. has been a director of NOVA Chemicals since May 1977. He is Chairman and Chief Executive Officer of Foothills Pipe Lines Ltd. He resides in Calgary, Alberta. He also serves on the boards of the Bank of Nova Scotia, Interstate Natural Gas Association of America and Greystone Capital Management Inc.

Janice Gaye Rennie, F.C.A. has been a director of NOVA Chemicals since April 1991 and resides in Edmonton, Alberta, where she is Principal of Rennie & Associates. She is a director of EPCOR Utilities Inc. (formerly Edmonton Power), Weldwood of Canada Limited and Research Technology Management Inc. In January 1993, she was appointed to the Audit Committee of the Province of Alberta and served as its Chairman until October 1997.

Joseph Dale Thompson has been a director of NOVA Chemicals since July 1998. He resides in Edmonton, Alberta and is Chairman of PCL Construction Group Inc. He is also a director of TransCanada, Shana Corporation, CFE Industries Inc. and Jonan Enterprises Ltd.

Margaret Kent Witte has been a director of NOVA Chemicals since July 1998. She resides in Medina, Washington and is Chairman, President and Chief Executive Officer of Royal Oak Mines Inc. She is also a director of Highwood Resources Ltd. and Talisman Energy Inc.

The governance of NOVA Chemicals is the responsibility of the Board of Directors and is delivered by four committees of the Board and NOVA Chemicals' Executive Leadership Team, comprised of senior management.

Since 1992, NOVA Chemicals has had a broad-reaching plan for corporate governance. With NOVA Chemicals' increasing national and international development, the directors and management have established forward-looking governance policies which are regularly evaluated and modified to ensure effectiveness.

The Board of Directors is responsible for making decisions regarding the business and affairs of NOVA Chemicals and establishes the overall policies and standards for NOVA Chemicals.

The Board of Directors and the Committees of the Board meet on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and Committee meetings.

Committees of the Board

The committees of NOVA Chemicals' Board of Directors, their mandates and membership are outlined below:

Audit, Finance and Risk

This committee monitors all aspects of NOVA Chemicals' financial activities and risk management, including the review of NOVA Chemicals' finance-related public documents. Members include: Mrs. Rennie, Ms. Witte and Messrs. Dineen, Hawkins (Chairman), Newall (ex-officio) and Thompson.

Corporate Governance

This committee is responsible for the composition, compensation and governance of the Board of Directors of NOVA Chemicals and recommends nominees for election or appointment as directors. This committee is also responsible for maintaining an effective working relationship between the Board of Directors and NOVA Chemicals' management. Members include: Ms. Witte and Messrs. Dineen, Fortier, Maier (Chairman), Newall (ex-officio) and Pierce.

Public Policy and Responsible Care®

This committee is responsible for overseeing NOVA Chemicals' safety, health and environmental management; corporate contributions; public policy matters; and the management of NOVA Chemicals' corporate reputation. Members include: Mrs. Rennie, Drs. Boer (Chairman) and Pappas and Messrs. Fortier, Newall (ex-officio) and Thompson.

Human Resources

This committee is responsible for overseeing policies and practices of NOVA Chemicals with respect to human resources. It reviews recommendations for senior executive appointments and the terms and conditions of their employment. It is also responsible for the administration of NOVA Chemicals' compensation, savings, profit-sharing and pension plans. Members include: Drs. Boer and Pappas (Chairman) and Messrs. Hawkins, Maier, Newall (ex-officio), Pierce and Thompson.

Technology

Advisory Committee

In December 1996, a Technology Advisory Committee was created to advise NOVA Chemicals on its research strategy and programs. The Technology Advisory Committee consists of two directors of NOVA Chemicals, Drs. Pappas and Boer (Co-Chair); as well as Mr. Dan Boivin, Senior Vice President and President, Olefins/Polyolefins of NOVA Chemicals; Mr. Paul Clark (Co-Chair), Vice President, Technology of NOVA Chemicals; Mr. Gerry Dyer, retired Research and Development Director, DuPont Canada Inc.; and three world-renowned research scientists: Dr. Michel Boudart, Professor, Stanford University; Dr. Musa Kamal, Professor, McGill University; and Dr. Kurt Zilm, Professor, Yale University.

Continuous improvement and a lasting competitive advantage are key to our success. To keep our focus on enhancing shareholder value, we measure our performance across all areas of our company. This includes measuring how we perform for our shareholders, with our customers, within our communities and with our employees. We call this measurement system our Balanced Scorecard.

To build these relationships and keep them strong, NOVA Chemicals uses a combination of innovative programs and strategic community investment. We also champion ongoing open and honest communications, and Responsible Care.

NOVA Chemicals' focused five-part strategy demands an accurate and detailed yardstick for measurement. To that end, the Balanced Scorecard is currently being redesigned for 1999 to reflect our overriding goal of enhanced shareholder value and to track our performance against our strategy. The revised version will appear in next year's Annual Report.

NOVA Chemicals was one of the pioneers of the Responsible Care movement when it began in 1984. We've made much progress since then, but we will continue to improve our Responsible Care performance.

Our Vision

We will be a global leader in our commitment to Responsible Care and the quality of our safety, health and environmental management systems. Our ultimate goal is to operate with *zero* incidents that result in harm to people, property or the environment. Our Responsible Care policy and principles will guide our operations and our business conduct.

Our Objectives

We will monitor our performance in key areas including health and safety in our facilities and within our communities, product life-cycle management, waste management, emissions control, risk communications and regulatory compliance. In December 1998, NOVA Chemicals retained a leading environment, health and safety consulting firm to independently assess Responsible Care management systems in place at NOVA Chemicals. The assessment concluded our Responsible Care management practices place NOVA Chemicals among the first quartile of Responsible Care companies in the chemical industry.

Leadership

Responsible Care is integral to our way of doing business and is a line accountability. Our Responsible Care Council, a company-wide leadership team that reports to the Executive Leadership Team, oversees our Responsible Care systems, processes and results.

The Future

As NOVA Chemicals continues to grow, we will continue to manage our operations and products to ensure any potential safety, health and environmental impacts are addressed for each of our processes and products at all stages of their life cycle. Through strategic management planning and implementation we will continue to take the necessary steps to protect our stakeholders and the environment.

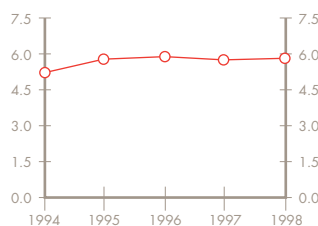
NOVA Chemicals has completed a Responsible Care Annual Report. You can access it through our website at www.novachem.com. If you do not have access to the World Wide Web, please call our office at (403) 750-3600.

Responsible Care® is a registered trademark of the Canadian Chemical Producers' Association in Canada and the Chemical Manufacturers Association in the United States.

Greenhouse Gas Emissions

(million tonnes)

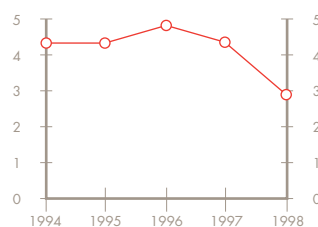
Our greenhouse gas emissions are managed through the use of energy efficient technologies (e.g., cogeneration), by dedicating resources to research development and implementation of emission reduction solutions, and through education.



Hydrocarbon Emissions

(thousand tonnes)

Reduction in our hydrocarbon emissions has been facilitated through the application of improved technology and diligence on leak detection and repair activities.

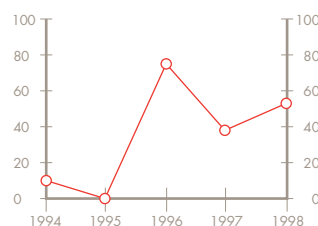


Responsible Care

Audit Performance

(percentage audit opinions substantially ensure compliance or better)

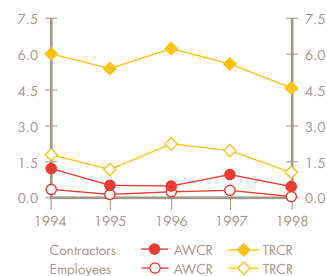
In 1998, 14 Responsible Care audits were conducted to measure our operational performance against five compliance measures. We increased our performance in the key measure, "% Above Substantially Ensures Compliance" to 53% in 1998, up 20% from 1997.¹



Injury/Illness

(no. of cases x 200,000 hrs/no. of hrs worked)

NOVA Chemicals' 1998 employee performance was fourth best for Away from Work Case Rate (AWCR)² and eighth best for Total Recordable Case Rate (TRCR)³ among the 35 peer companies participating in this performance survey.



Incidents

(no. of incidents)

Incidents are grouped into four categories depending on their health, safety and environmental impact. Critical and major incidents are the two most serious categories. The apparent increase in major incidents is due to a significant lowering of our reporting threshold in mid-1997, to provide improved data for preventive measures decision making.



¹ There are five levels of audit opinion which measure compliance with regulatory and internal health, safety and environmental requirements. "Substantially ensures" is second from the top. Since 1996 there have been 12 to 15 facility audits completed annually.

² "AWCR" (Away from Work Case Rate) represents work-related injuries/illnesses that result in individuals requiring time off work.

³ "TRCR" (Total Recordable Case Rate) represents work-related injuries/illnesses that are more serious in nature than first aid.

Shareholder Information

Annual Meeting

Shareholders are invited to attend NOVA Chemicals' annual meeting on May 14, 1999 at 10:30 a.m. at the Telus Convention Centre in Calgary, Alberta.

Shareholder Information

For inquiries on stock-related matters, including dividend payments, stock transfers and address changes, contact NOVA Chemicals toll-free at 1-800-661-8686 Monday through Friday from 8:00 a.m. to 5:00 p.m. Mountain Time or via e-mail at shareholders@novachem.com.

Transfer Agent and Registrar

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta, Canada T2P 2Z1
Phone: (403) 232-2400
Toll-Free: 1-800-387-0825
Fax: (403) 264-2100
Internet: www.cibcmellon.ca
E-mail: inquiries@cibcmellon.ca

Non-Resident Investors

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States and other countries where Canadian tax treaties apply. Consult your tax adviser.

Share Registration

NOVA Chemicals' common shares are listed on the New York, Toronto, Montréal and Alberta stock exchanges under the trading symbol "NCX". On December 31, 1998, approximately 92.1 million shares were outstanding and there were some 32,000 registered shareholders.

NOVA Chemicals' common shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal and Halifax offices of CIBC Mellon Trust Company. The common shares are also transferable at ChaseMellon Shareholder Services, New York, New York.

Rapports annuels en français

On peut obtenir un exemplaire de ce rapport en français auprès du service des affaires publiques ou du service des relations avec les investisseurs au (403) 750-3600.

Requests for Additional Information

For copies of NOVA Chemicals' quarterly reports, or additional copies of this annual report, contact NOVA Chemicals at (403) 750-3600 or via e-mail at publications@novachem.com.

How to Contact

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Internet: www.novachem.com
E-mail: invest@novachem.com

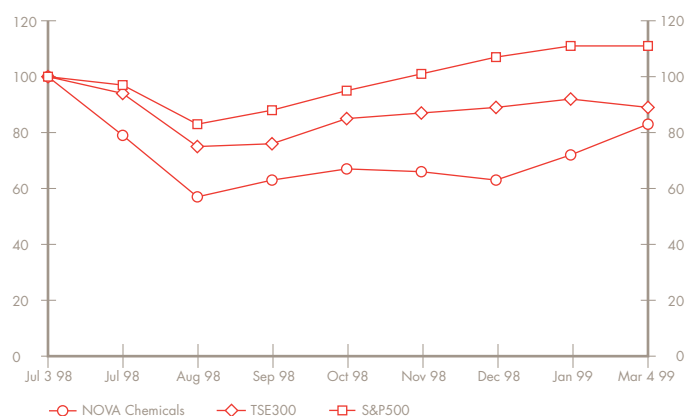
Public Affairs and

Investor Relations

(403) 750-3600

Total Return Performance

NOVA Chemicals' common shares began trading on July 3, 1998 on the Toronto Stock Exchange and other Canadian stock exchanges, and on July 6, 1998 on the New York Stock Exchange.




Total return = appreciation in share value, assuming reinvestment of dividends. Assumes \$100 invested on July 3, 1998.

NOVA Chemicals Share Price History¹

	1998
Dividends paid (Canadian dollars) ²	\$ 0.40
Market price (TSE) (Canadian dollars)	
high	\$ 31.75
low	\$ 17.25
close	\$ 20.00
Market price (NYSE) (U.S. dollars)	
high	\$ 21 ⁷ / ₁₆
low	\$ 11
close	\$ 13 ¹ / ₁₆
Common dividend yield	2%
Shares outstanding	
year-end (millions)	92
average (millions)	92
Shareholders at year-end (thousands)	32

¹ NOVA Chemicals was launched as an independent publicly traded company on July 2, 1998. As a result, no share price information is available prior to that date.

² The dividends shown represent dividends totalling Cdn. \$0.20 (approximately U.S. \$0.13) paid up to and including July 2, the effective date of the Arrangement. Following the Arrangement, NOVA Chemicals made its first dividend payment of Cdn. \$0.10, (approximately U.S. \$0.07) per share on November 15, 1998, and on December 3, 1998 declared the fourth quarter dividend payable at the rate of Cdn. \$0.10 (approximately U.S. \$0.07) on February 15, 1999 which will result in a dividend of Cdn. \$0.40, (approximately U.S. \$0.28) per share on an annualized basis. This dividend rate per share reflects the five for one consolidation of the shares of NOVA Chemicals arising after the Arrangement.

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The text paper used in the management's discussion and analysis and financial sections of this report is recycled and contains a minimum of 20% post-consumer waste.

