

NOVA Chemicals: Second Quarter Results

Industry Inventory Correction and Unusual Events Impact Earnings

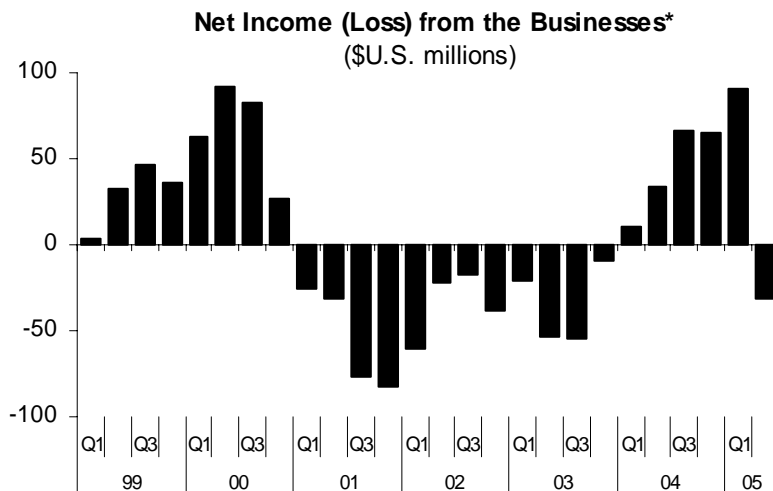
For immediate release, Thursday, July 21, 2005, Pittsburgh, PA
All financial information is in U.S. dollars unless otherwise indicated.

NOVA Chemicals Corporation (NOVA Chemicals) reported a net loss of \$25 million (\$0.29 per share loss diluted) for the second quarter of 2005.

Included in the second quarter loss are three unusual events totaling \$39 million after-tax (\$0.47 per share loss diluted):

- April 16 Corunna power outage: \$20 million
- June 21 Joffre ethane interruption: \$ 4 million
- Insurance accrual: \$15 million

The total net loss compares to net income of \$94 million (\$1.06 per share diluted) in the first quarter of 2005, and net income of \$27 million (\$0.30 per share diluted) in the second quarter of 2004.



*Net income (loss) from the Olefins/Polyolefins and Styrenics Businesses
(See Supplemental Measures on page 10.)

"It is pretty clear our industry was impacted by a large global inventory correction during the second quarter as customers consumed much more of our products than they purchased," said Jeff Lipton, NOVA Chemicals' President and CEO. "We saw a number of positive signs in June indicating that customers were again buying to meet their full production needs, and we expect the third quarter to begin a return to stronger business conditions for our industry and NOVA Chemicals."

Second Quarter Snapshot

Olefins/Polyolefins:

- Net income of \$45 million in Q2 of 2005 compares to \$112 million in Q1 2005
- Polyethylene prices were 11% lower and volumes 4% lower, while co-product volumes were 8% lower
- The Corunna, Ontario flexi-cracker experienced an unexpected power outage on April 16. The Joffre, Alberta site is experiencing reduced ethane feed due to severe weather damage on June 21 at third-party ethane plants. The estimated impact of the Joffre ethane interruption in the third quarter is \$15-20 million after-tax

Styrenics:

- Net loss of \$76 million in Q2 versus a net loss of \$21 million in Q1 2005
- Benzene feedstock costs negatively impacted reported results by \$27 million
- Styrene monomer spot prices fell by 25% and polymer volumes declined 6%
- Polymer prices in Europe were down 6% versus Q1 due to weak demand, especially in construction markets where demand fell by more than 20%

Corporate:

- Cash flow from operations was \$134 million contributing to a \$216 million cash position at quarter-end
- The company incurred a charge of \$15 million after-tax related to NOVA Chemicals' share of anticipated incremental future payments required to meet losses in the insurance pools in which it participates

NOVA Chemicals will host a conference call today, Thursday, July 21, 2005, for investors and analysts at 1 p.m. EDT (11 a.m. MDT; 10 a.m. PDT). Media are welcome to join this call in "listen only" mode. The dial-in number for this call is (416) 405-9328. The replay number is (416) 695-5800 (Reservation No. 3099748). The live call is also available on the Internet at www.vcall.com.

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NOVA Chemicals Highlights

(unaudited; millions of U.S. dollars except per share amounts and as noted)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Net income (loss) ⁽¹⁾					
Olefins/Polyolefins	\$ 45	\$ 112	\$ 58	\$ 157	\$ 90
Styrenics	(76)	(21)	(24)	(97)	(46)
Corporate and other ⁽²⁾	6	3	(7)	9	(10)
Net income (loss)	\$ (25)	\$ 94	\$ 27	\$ 69	\$ 34
Earnings (loss) per common share					
- basic	\$ (0.29)	\$ 1.12	\$ 0.31	\$ 0.84	\$ 0.39
- diluted	\$ (0.29)	\$ 1.06	\$ 0.30	\$ 0.82	\$ 0.38
Weighted-average common shares outstanding (millions) ^{(3) (4)}					
- basic	82	83	88	83	87
- diluted	82	90	97	90	89
Revenue	\$ 1,329	\$ 1,488	\$ 1,238	\$ 2,817	\$ 2,364
EBITDA ⁽⁵⁾	\$ 75	\$ 242	\$ 153	\$ 317	\$ 274
Depreciation and amortization	\$ 74	\$ 72	\$ 77	\$ 146	\$ 157
Funds from operations	\$ 41	\$ 155	\$ 121	\$ 196	\$ 208
Capital expenditures (net)	\$ 115	\$ 73	\$ 39	\$ 188	\$ 82
Average capital employed ⁽⁶⁾	\$ 3,354	\$ 3,393	\$ 3,190	\$ 3,373	\$ 3,197
After-tax return (loss) on capital employed ⁽⁷⁾	(0.5)%	13.3%	5.8%	6.4%	4.7%
Return (loss) on average common equity ⁽⁸⁾	(7.2)%	26.4%	8.7%	9.9%	5.4%

(1) On Jan. 1, 2005, NOVA Chemicals adopted new Canadian accounting standards, which require our preferred shares to be classified as debt. Accordingly, any dividends associated with these preferred shares were reclassified to interest expense and allocated to our two businesses, Olefins/Polyolefins and Styrenics. All prior periods have been restated.

(2) See table on page 11 for a description of all corporate items.

(3) Weighted-average number of common shares outstanding during the period used to calculate the earnings (loss) per share. See page 18, Note 5 for more information.

(4) No dilution occurred for earnings (loss) per share in the second quarter of 2005 since stock options and the retractable preferred shares would have been anti-dilutive.

(5) Net income before income taxes, other gains and losses, interest expense and depreciation and amortization. See Consolidated Statement of Net Income (Loss) and Reinvested Earnings on page 14 and Supplemental Measures on page 10.

(6) Average capital employed equals cash expended on plant, property and equipment (less accumulated depreciation and amortization) and working capital, and excludes assets under construction and investments. Amounts are converted to U.S. dollars using quarter-end exchange rates. See Supplemental Measures on page 10.

(7) After-tax return (loss) on capital employed equals NOVA Chemicals' net income (loss) plus after-tax interest expense (annualized) divided by average capital employed. See Supplemental Measures on page 10.

(8) Return (loss) on average common equity equals annualized net income (loss) divided by average common equity.

OLEFINS/POLYOLEFINS BUSINESS

Financial Highlights

(unaudited; millions of U.S. dollars except as noted)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Revenue ⁽¹⁾	\$ 851	\$ 958	\$ 785	\$ 1,809	\$ 1,494
Operating income	\$ 85	\$ 186	\$ 109	\$ 271	\$ 174
Depreciation and amortization	42	41	48	83	99
EBITDA ⁽²⁾	\$ 127	\$ 227	\$ 157	\$ 354	\$ 273
Net income	\$ 45	\$ 112	\$ 58	\$ 157	\$ 90
Capital expenditures (net)	\$ 62	\$ 46	\$ 12	\$ 108	\$ 35
Average capital employed ⁽³⁾	\$ 2,000	\$ 2,050	\$ 1,854	\$ 2,025	\$ 1,872
After-tax return on capital employed ⁽⁴⁾	11.1%	23.8%	14.6%	17.5%	12.0%

(1) Before intersegment eliminations.

(2) Net income before income taxes, other gains and losses, interest expense and depreciation and amortization. See Supplemental Measures on page 10.

(3) Average capital employed equals cash expended on plant, property and equipment (less accumulated depreciation and amortization) and working capital and excludes assets under construction. Amounts are converted to U.S. dollars using quarter-end exchange rates.

(4) After-tax return on capital employed equals net income plus after-tax interest expense (annualized) divided by average capital employed.

Operating Highlights

Average Benchmark Prices⁽¹⁾

(U.S. dollars per pound, unless otherwise noted)

	Three Month Average			Six Month Average	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Ethylene ⁽²⁾	\$ 0.38	\$ 0.42	\$ 0.31	\$ 0.40	\$ 0.31
Polyethylene – linear low-density butene liner ⁽³⁾	\$ 0.51	\$ 0.58	\$ 0.45	\$ 0.55	\$ 0.45
Polyethylene – weighted-average benchmark ⁽⁴⁾	\$ 0.55	\$ 0.62	\$ 0.46	\$ 0.59	\$ 0.46
NYMEX natural gas (dollars per mmbtu) ⁽⁵⁾	\$ 6.80	\$ 6.32	\$ 5.97	\$ 6.56	\$ 5.83
WTI crude oil (dollars per barrel) ⁽⁶⁾	\$ 53.17	\$ 49.84	\$ 38.32	\$ 51.51	\$ 36.73

(1) Average benchmark prices do not necessarily reflect actual prices realized by NOVA Chemicals or any other petrochemical company.

(2) Source: Chemical Market Associates, Inc. (CMAI) U.S. Gulf Coast (USGC) Net Transaction Price.

(3) Source: Townsend Polymer Services Information (TPSI).

(4) Benchmark prices weighted according to NOVA Chemicals' sales volume mix in North America. Source for benchmark prices: TPSI.

(5) Source: NYMEX Henry Hub 3-Day Average Close.

(6) Source: NYMEX WTI daily spot-settled price average for calendar month.

Polyethylene Sales Volumes

(millions of pounds)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
NOVAPOL [®]					
Linear low-density polyethylene	279	310	329	589	633
Low-density polyethylene	69	65	76	134	150
High-density polyethylene	100	98	109	198	217
SCLAIR [®]					
Linear low-density and high-density polyethylene	94	92	108	186	240
Advanced SCLAIRTECH [™]					
Linear low-density and high-density polyethylene	183	190	202	373	375
Total	725	755	824	1,480	1,615

NOVAPOL[®] is a registered trademark of NOVA Brands Ltd.; authorized use.

SCLAIR[®] is a registered trademark of NOVA Chemicals Corporation in Canada and of NOVA Chemicals (International) S.A. elsewhere; authorized use.

Advanced SCLAIRTECH[™] is a trademark of NOVA Chemicals.

Review of Operations

Olefins/Polyolefins

Second Quarter 2005

The Olefins/Polyolefins business reported net income of \$45 million in the second quarter of 2005, compared to net income of \$112 million in the first quarter of 2005. Ethylene and polyethylene sales were down as customers worked off their accumulated inventories. Co-product sales volumes were down 8%, primarily due to the Corunna power outage. Average co-product pricing was neutral as lower chemical co-product selling prices (i.e. propylene and benzene) offset higher energy co-product selling prices.

The power outage at the Corunna, Ontario flexi-cracker and the ethane feedstock interruption to the Joffre, Alberta site resulted in a total of approximately \$24 million lower earnings in the quarter, due to lost sales and maintenance costs.

Feedstocks and Ethylene

NOVA Chemicals' ethylene prices declined 5% from the first quarter, while USGC contract ethylene prices declined 8% from the first quarter. The USGC contract price fell to 37 cents per pound in June.

The average price of WTI crude oil was up 7% to \$53.17 per barrel and the average price of NYMEX natural gas was up 8% to \$6.80 per mmBTU in the second quarter.

NOVA Chemicals' ethane-based crackers at Joffre, Alberta had a cash-cost advantage that averaged approximately 6 cents per pound for the quarter over typical ethane-based USGC ethylene plants.

Polyethylene

NOVA Chemicals' total polyethylene sales volumes for the second quarter were down 4% from first quarter sales volume, impacted by demand reduction and plant outages. As reported by the American Plastics Council (APC), industry reported second quarter operating rates were reduced to 89% in North America versus 95% in the first quarter. NOVA Chemicals' North American volumes were down 7% compared to the first quarter, and international volumes were up 11% at 126 million pounds. International sales represented 17% of NOVA Chemicals' total polyethylene sales volume this quarter.

Second quarter weighted-average benchmark polyethylene prices were down about 7 cents per pound from the first quarter of 2005. NOVA Chemicals' polyethylene inventories were down from 23 days on March 31, 2005 to 18 days of sales on June 30, 2005.

NOVA Chemicals announced a price increase of 6 cents per pound in North America, effective July 1 and an additional 6 cents per pound increase effective Aug. 1.

Advanced SCLAIRTECH™ Technology Polyethylene

NOVA Chemicals sold 183 million pounds of Advanced SCLAIRTECH polyethylene in the second quarter of 2005. Sales of Performance Products, including new rotational molding and thin-wall injection molding products increased to 50% of plant capacity for the quarter for the first time.

Second Quarter 2005 versus Second Quarter 2004

Net income of \$45 million in the second quarter of 2005 was lower than the net income of \$58 million in the second quarter of 2004. As reported by APC, industry operating rates for polyethylene in North America were 89% in the second quarter of 2005 versus 92% in the second quarter of 2004. Effective industry operating rates for ethylene in the United States, as reported by CMAI, were 94% for the second quarter of 2005, down from 97% in the second quarter of 2004.

Our ability to implement announced price increases depends on many factors that may be beyond our control, including market conditions, the supply/demand balance for each particular product and feedstock costs. Successful price increases, when realized, are typically phased in over several months, vary by product or market, and can be reduced in magnitude during the anticipated implementation period. See Forward-Looking Information on page 12.

STYRENICS BUSINESS

Financial Highlights

(unaudited; millions of U.S. dollars except as noted)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Revenue ⁽¹⁾	\$ 540	\$ 607	\$ 518	\$ 1,147	\$ 992
Operating loss	\$ (97)	\$ (20)	\$ (20)	\$ (117)	\$ (39)
Depreciation and amortization	32	31	29	63	58
EBITDA ⁽²⁾	\$ (65)	\$ 11	\$ 9	\$ (54)	\$ 19
Net loss	\$ (76)	\$ (21)	\$ (24)	\$ (97)	\$ (46)
Capital expenditures (net)	\$ 53	\$ 27	\$ 27	\$ 80	\$ 47
Average capital employed ⁽³⁾	\$ 1,420	\$ 1,441	\$ 1,351	\$ 1,431	\$ 1,347
After-tax loss on capital employed ⁽⁴⁾	(18.6)%	(3.4)%	(4.2)%	(11.0)%	(3.9)%

(1) Before intersegment eliminations.

(2) Net income (loss) before income taxes, other gains and losses, interest expense and depreciation and amortization. See Supplemental Measures on page 10.

(3) Average capital employed equals cash expended on plant, property and equipment (less accumulated depreciation and amortization) and working capital and excludes assets under construction. Amounts are converted to U.S. dollars using quarter-end exchange rates.

(4) After-tax return on capital employed equals net income (loss) plus after-tax interest expense (annualized) divided by average capital employed.

Operating Highlights

Average Benchmark Prices⁽¹⁾

(U.S. dollars per pound, unless otherwise noted)

	Three Month Average			Six Month Average	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Styrene monomer ⁽²⁾	\$ 0.61	\$ 0.64	\$ 0.53	\$ 0.63	\$ 0.50
Polystyrene – weighted-average benchmark ⁽³⁾	\$ 0.79	\$ 0.80	\$ 0.65	\$ 0.80	\$ 0.62
Benzene (dollars per gallon) ⁽²⁾	\$ 3.06	\$ 3.17	\$ 2.41	\$ 3.11	\$ 2.31

(1) Average benchmark prices do not necessarily reflect actual prices realized by NOVA Chemicals or any other petrochemical company.

(2) Source: CMAI Contract Market. A 10 cents per gallon change in the cost of benzene generally results in about a 1 cent per pound change in the variable cost of producing styrene monomer.

(3) Benchmark prices weighted according to NOVA Chemicals' polystyrene sales volume mix in North America and Europe. Includes solid and expandable polystyrene, but excludes styrenic performance products. Source for benchmark prices: CMAI.

Styrenics Sales Volumes

(millions of pounds)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Styrene monomer ⁽¹⁾	396	427	407	823	841
Solid and expandable polystyrene	493	532	563	1,025	1,118
Other styrenic polymers (including DYLARK [®] resins)	56	55	66	111	123
Total	945	1,014	1,036	1,959	2,082

(1) Third-party sales only.

DYLARK[®] is a registered trademark of NOVA Chemicals Inc.

Review of Operations

Styrenics

Second Quarter 2005

The Styrenics business reported a net loss of \$76 million in the second quarter of 2005, compared to a net loss of \$21 million after-tax in the first quarter of 2005. The most significant single factor impacting second quarter results was the \$27 million increase in benzene costs. This occurred during a period when competitors were experiencing sharply lower benzene prices and slack demand which combined to move market prices down. With approximately 45 days of inventory, NOVA Chemicals' FIFO accounting prevented its benzene cost from tracking styrene prices as directly as North American peers that use LIFO accounting. Compared to the first quarter, NOVA Chemicals' FIFO flow-through cost of benzene increased 14% versus a decrease of 3% according to the LIFO method. Styrene prices fell 5% from the first to second quarter. In addition, polymer volumes were down 6% on generally weak demand.

Styrene Monomer

Styrene monomer margins declined in the second quarter as prices fell 3 cents per pound and NOVA Chemicals' costs rose 4.5 cents per pound. Benchmark benzene prices fell dramatically from \$3.75 per gallon in March to \$2.30 per gallon in June. The second quarter average benzene price fell the equivalent of 16 cents per pound of styrene from the first quarter. During this period, the North American market contract price for styrene fell 18 cents per pound.

The USGC second quarter average spot price for styrene was 49 cents per pound, down from the first quarter average price of 52 cents per pound. European contract styrene fell significantly from April to June, while spot prices in Europe dropped to 38 cents per pound, essentially cash cost of production late in the quarter.

Third-party styrene monomer sales volume was down approximately 7% from the first quarter due to weak polymer demand and very weak export demand to Asia.

Effective July 1, 2005, NOVA Chemicals announced a price increase of 8 cents per pound for styrene monomer in North America.

Solid Polystyrene (SPS)

North American solid polystyrene volume was down about 10% as customers drew down their inventory levels. European volume was up 2% from the first quarter. North American SPS volumes represented 60% of total NOVA Chemicals SPS sales volumes.

North American and European SPS prices fell with the market price of styrene. The weighted-average North American SPS benchmark price declined by 1 cent per pound from the first quarter. European prices declined by 4 cents per pound.

NOVA Chemicals announced a price increase of 5 cents per pound in North America, effective July 1 and an additional 5 cents per pound increase effective Aug. 1.

NOVA Chemicals announced a price increase of 8 cents per pound in Europe, effective July 1.

Expandable Polystyrene (EPS)

North American EPS volumes increased 10% with seasonally improved demand. European volumes declined 19% with weak demand, particularly in the construction market. North American EPS volumes represented 35% of total NOVA Chemicals EPS sales volumes.

North American EPS prices were up slightly from the first quarter. In Europe, EPS prices fell 6%, which was more than the decline in styrene feedstock prices, due to weak demand and price competition.

NOVA Chemicals announced a price increase of 6 cents per pound in North America for modified EPS products and 4 cents per pound for standard EPS, effective August 1.

NOVA Chemicals announced a price increase of 8 cents per pound in Europe, effective July 1.

Second Quarter 2005 versus Second Quarter 2004

The Styrenics business had a net loss of \$76 million in the second quarter of 2005, compared to a net loss of \$24 million in the second quarter of 2004. The increased cost of major feedstocks (27% increase in benzene, 22% increase in ethylene) more than offset price increases (22% polymers, 15% styrene monomer).

NOVA Innovene Joint Venture in Europe

On July 1, the European Union Competition Authority approved the proposed NOVA Innovene joint venture (JV) which merges the European styrenic polymers businesses of NOVA Chemicals and Innovene. The new 50:50 JV has its management team in place and plans to commence operations in September 2005.

NOVIDESA Joint Venture in Mexico

On July 15, NOVA Chemicals announced it had reached an agreement in principle to form a 50:50 JV with GRUPO IDESA to be called NOVIDESA. The new JV will be formed by a cashless transaction and is expected to commence operation in September 2005. The venture will market high value expandable polystyrene for applications such as construction and packaging.

Our ability to implement announced price increases depends on many factors that may be beyond our control, including market conditions, the supply/demand balance for each particular product and feedstock costs. Successful price increases, when realized, are typically phased in over several months, vary by product or market, and can be reduced in magnitude during the anticipated implementation period. See Forward-Looking Information on page 12.

Liquidity and Capital Resources

Capitalization

(unaudited, millions of U.S. dollars except as noted)

	<u>June 30</u> <u>2005</u>	<u>Mar. 31</u> <u>2005</u>	<u>Dec. 31</u> <u>2004</u>
Current debt ⁽¹⁾	\$ 400	\$ 100	\$ 100
Long-term debt ^{(2) (3)}	1,309	1,612	1,614
Less: cash and cash equivalents	(216)	(227)	(245)
restricted cash	<u>(65)</u>	<u>(65)</u>	<u>(65)</u>
Total debt net of cash and cash equivalents, and restricted cash	1,428	1,420	1,404
Total common shareholders' equity ^{(4) (5) (6) (7) (8)}	<u>1,338</u>	<u>1,431</u>	<u>1,493</u>
Total capitalization ⁽⁹⁾	<u>\$ 2,766</u>	<u>\$ 2,851</u>	<u>\$ 2,897</u>

- (1) A total of \$100 million of 7%, 10-year notes are due in September 2005 and \$300 million of 7% medium term notes are due in May 2006.
- (2) On Jan. 1, 2005, NOVA Chemicals adopted new Canadian accounting standards, which require our preferred shares to be classified as debt. Prior periods have been restated accordingly. Maturity dates for NOVA Chemicals' current and long-term debt range from September 2005 to August 2028. The 2005 maturities total \$100 million.
- (3) A total of 8,500,000 common shares (plus preferred shares if the market value of such common shares is less than \$198 million) have been reserved for future issue under the terms of the retractable preferred share agreement. Using the June 30, 2005 common share price, the maximum number of common shares that could be issued is approximately 6.6 million shares.
- (4) Common shares outstanding on July 15, 2005 were 82,316,438 (June 30, 2005 – 82,316,338; Mar. 31, 2005 – 82,295,802; Dec. 31, 2004 – 84,268,293).
- (5) A total of 5,233,460 stock options were outstanding to officers and employees on July 15, 2005 and 5,235,960 were outstanding on June 30, 2005 to purchase common shares of NOVA Chemicals. A total of 2,687,326 common shares were reserved but unallocated at June 30, 2005. A total of 13 million common shares were initially reserved for issuance under the Option Plan.
- (6) A total of 47,800 shares were reserved for the Directors' Share Compensation Plan.
- (7) In April 2005, NOVA Chemicals' shareholders reconfirmed a shareholder rights plan where one right was issued for each outstanding common share. The plan expires May 2009.
- (8) For the three months ended June 30, 2005, a total of 20,536 shares were issued upon the exercise of stock options.
- (9) Total capitalization reflects shareholders' equity and total debt net of cash and cash equivalents and restricted cash (see Supplemental Measures on page 10).

Senior Debt Ratings ⁽¹⁾

	<u>Senior Unsecured Debt</u>
DBRS	BBB (low) (stable)
Fitch Ratings	BB+ (stable)
Moody's	Ba2 (stable)
Standard & Poor's	BB+ (stable)

- (1) Credit ratings are not recommendations to purchase, hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

Coverage Ratios

	<u>Three Months Ended</u>		
	<u>June 30</u> <u>2005</u>	<u>Mar. 31</u> <u>2005</u>	<u>Dec. 31</u> <u>2004</u>
Net debt to total capitalization ⁽¹⁾	51.6%	49.8%	48.5%
Interest coverage on long-term debt ⁽²⁾	4.6x	5.3x	4.0x
Net tangible asset coverage on long-term debt ⁽³⁾	1.8x	1.8x	1.9x

- (1) See Supplemental Measures on page 10.
- (2) Interest coverage on long-term debt is equal to net income before interest expense on long-term debt and income taxes, for the last four quarters, divided by annual interest requirements on long-term debt.
- (3) Net tangible asset coverage on long-term debt is equal to total assets (excluding deferred-tax assets) less liabilities (excluding long-term debt) divided by long-term debt.

Funds Flow and Changes in Cash and Debt

The following table shows major sources and uses of cash.

(unaudited, millions of U.S. dollars)

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Operating income	\$ 1	\$ 171
Add back – depreciation and amortization	74	146
EBITDA ⁽¹⁾	75	317
Interest	(27)	(52)
Current tax expense and other	(7)	(69)
Funds from operations	41	196
Operating working capital decrease	93	34
Cash from operations	134	230
Tax-related settlement	-	108
Capital expenditures	(115)	(188)
Turnaround costs, long-term investments and other assets	(23)	(40)
Dividends paid	(6)	(13)
Common shares issued for stock options	-	11
Common shares repurchased	-	(125)
Options retired for cash	-	(10)
Foreign exchange and other	2	3
Total change in cash and debt	<u>\$ (8)</u>	<u>\$ (24)</u>
Decrease in cash and cash equivalents	\$ (11)	\$ (29)
Decrease in debt	3	5
Total change in cash and cash equivalents and debt	<u>\$ (8)</u>	<u>\$ (24)</u>

(1) Net income before income taxes, other gains and losses, interest expense and depreciation and amortization. See Consolidated Statement of Net Income (Loss) and Reinvested Earnings on page 14 and Supplemental Measures on page 10.

NOVA Chemicals' net debt to total capitalization ratio was 51.6% at June 30, 2005. Cash on hand at the end of the second quarter was \$216 million, down from \$227 million at the end of the first quarter.

NOVA Chemicals' funds from operations were \$41 million for the second quarter of 2005, down from \$155 million in the first quarter, primarily due to lower prices and lower sales volumes as well as unusual events that negatively impacted the second quarter.

Operating working capital decreased by \$93 million in the second quarter of 2005 compared to a \$59 million increase in the first quarter of 2005. This decline was related to lower sales levels, lower-cost feedstocks, lower inventory and receivable levels.

NOVA Chemicals measures the effectiveness of its working capital management through Cash Flow Cycle Time (CFCT). See Supplemental Measures on page 10. CFCT measures working capital from operations in terms of the number of days sales (calculated as working capital from operations divided by average daily sales). This metric helps to determine which portion of changes in working capital results from factors other than price movements. CFCT was 34 days as of June 30, 2005 compared to 39 days as of March 31, 2005. This decrease was due primarily to lower days sales outstanding of receivables.

Capital expenditures were \$115 million in the second quarter of 2005, compared to \$73 million in the first quarter and \$36 million in the second quarter of 2004 (after third-party project advances in the 2004 period). The increase is primarily related to the Corunna ethylene plant modernization project and the Bayport expansion project.

Selling, general and administrative expenses (SG&A) declined by \$29 million from the first quarter. SG&A was also down \$46 million from the second quarter of 2004. This second quarter decline was primarily due to a reduction in our stock-based compensation expense.

Financing

During the quarter, NOVA Chemicals successfully re-negotiated our revolving credit facility. The facility was increased from \$300 million to \$375 million and the maturity was extended from March 2007 to June 2010. In addition, certain covenants were amended as follows:

Covenant	Previous Requirements	Current Requirements
Interest Coverage	2X	2X when debt to cap ratio > 40%
Equity	Minimum \$1 billion plus 50% of positive earnings	Minimum \$1.25 billion plus 50% of positive earnings
Net Debt to Capitalization	Maximum 55%	Maximum 55%
Distribution test	Debt to cap < 50%	Eliminated

NOVA Chemicals continues to comply with all financial covenants under the facility. As of July 15, 2005, NOVA Chemicals utilized \$52 million of the revolving credit facility in the form of operating letters of credit.

Additionally, NOVA Chemicals was successful in extending the maturity on its accounts receivable securitization program to June 2010. As of June 30, 2005, \$243 million was sold under this program compared to \$280 million as of Mar. 31, 2005.

In September 2005, \$100 million of 7%, 10-year notes will mature. In May 2006, \$300 million of 7% medium-term notes will also mature.

FIFO Impact

NOVA Chemicals uses the first-in, first-out (FIFO) method of valuing inventory. Most of NOVA Chemicals' competitors use the last-in, first-out (LIFO) method. Because we use FIFO, a portion of the first quarter feedstock purchases flowed through the income statement in the second quarter. March benzene prices were \$3.75 per gallon decreasing to \$2.30 per gallon in June. March NYMEX natural gas pricing was lower than June pricing by \$0.02 per mmBTU while crude oil increased from \$54.63 per barrel in March to \$56.42 per barrel in June. We estimate that net income would have been about \$23 million higher in the second quarter had NOVA Chemicals used the LIFO method of accounting.

We estimate that net income in the first quarter would have been about \$16 million lower had NOVA Chemicals used the LIFO method of accounting. See Variance by Cause on page 13.

Feedstock Derivative Positions

NOVA Chemicals maintains a derivatives program to manage risk associated with feedstock purchases. The after-tax gain from natural gas, benzene and crude oil positions realized in the second quarter of 2005 was \$8 million after-tax compared to a \$3 million after-tax gain in the first quarter.

In addition, NOVA Chemicals is required to record on its balance sheet the market value of any outstanding feedstock positions that do not qualify for hedge accounting treatment. The gain or loss resulting from changes in the market value of derivatives is recorded through earnings each period. The mark-to-market impact in the second quarter for our outstanding feedstock derivative portfolio was a \$9 million after-tax loss compared to no impact in the first quarter.

Supplemental Measures

In addition to providing measures in accordance with Canadian Generally Accepted Accounting Practices (GAAP), NOVA Chemicals presents certain supplemental measures. These are EBITDA (defined on the following page), average capital employed (defined on page 2), CFCT (defined on page 9), and after-tax return on capital employed (defined on page 2). It also includes net debt to total capitalization (see page 8), with net debt and total capitalization defined to be net of cash and cash equivalents, as well as restricted cash in accordance with the debt covenants for its \$375 million revolving credit facility. It also includes net income (loss) from the businesses (see page 1) defined to be the total net income or loss from the Olefins/Polyolefins and Styrenics businesses, which equals NOVA Chemicals' net income less net income from equity investments and corporate and other items. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA

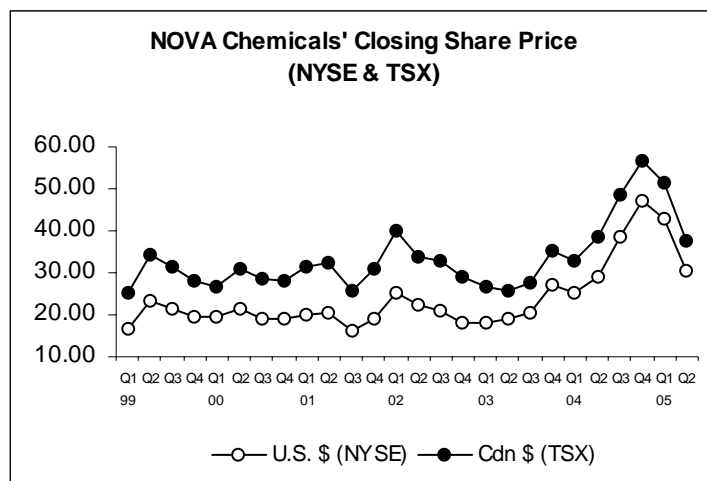
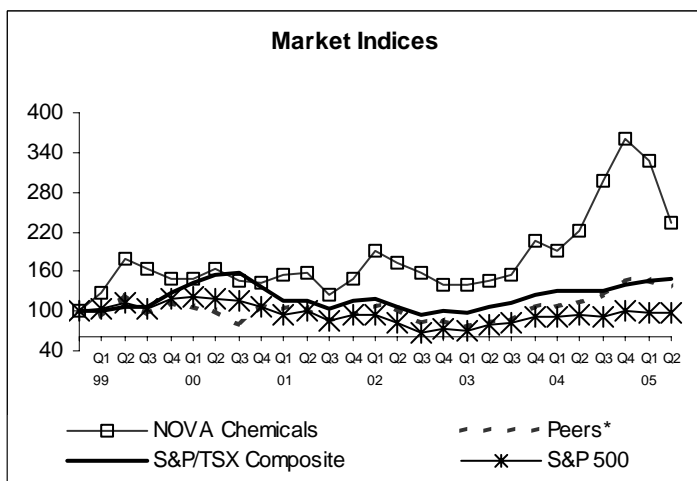
This measure is provided to assist investors in determining the ability of NOVA Chemicals to generate cash from operations. EBITDA can be determined from the Consolidated Statement of Income (Loss) and Reinvested Earnings by adding back income taxes, interest expense, other gains and losses, and depreciation and amortization. Segment EBITDA is determined as segment operating income or loss before depreciation and amortization.

Corporate and Other

A listing of after-tax corporate and other items for the periods presented is as follows:

(unaudited, millions of U.S. dollars)	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Stock-based compensation and profit sharing ⁽¹⁾					
Profit sharing accrual	\$ (3)	\$ (3)	\$ -	\$ (6)	\$ -
Stock-based compensation accrual	(4)	(4)	(1)	(8)	(2)
Stock-based compensation mark-to-market adjustment	28	10	(6)	38	(4)
Plan amendments	-	-	-	-	(4)
Unusual non-cash insurance charge ⁽²⁾	(15)	-	-	(15)	-
	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ (7)</u>	<u>\$ 9</u>	<u>\$ (10)</u>

- (1) NOVA Chemicals has two cash settled stock-based incentive compensation plans that are marked-to-market with changes in the value of the common stock price. The NYSE market price on June 30, 2005, was \$30.56 U.S. In addition, NOVA Chemicals maintains a profit sharing program available to most employees based on the achievement of shareholder return on equity targets. The calculation of stock-based compensation and profit sharing expense each quarter is dependent upon a number of variables. One variable is NOVA Chemicals' common share price. During the second quarter of 2005, the share price fell by \$12.39 U.S. thereby reducing our liability under the stock-based compensation programs. Accordingly, a \$28 million after-tax benefit was recorded in earnings during the quarter. We are also required to record an expense for our estimate of profit sharing and stock-based compensation earned by employees during the quarter. We accrue profit sharing expense based upon our estimate of profits for the year. This resulted in an after-tax expense of \$3 million in the quarter. We accrue stock-based compensation expense over the vesting periods in which employees earn the units. The amount of expense is also impacted by the number of units redeemed during the quarter and the price at which they are redeemed. The after-tax amount of stock-based compensation expense in the second quarter of 2005 related to these items was \$4 million. In the first quarter of 2004 the stock-based compensation plan was amended to price equity appreciation units using NYSE values.
- (2) NOVA Chemicals accrued a non-cash expense of \$15 million after-tax related to its share of estimated incremental costs in the insurance pools in which it participates. NOVA Chemicals is one of many participants in OIL and sEnergy – two mutual insurance companies formed to insure against catastrophic risks. Due to recent losses incurred by OIL and sEnergy that are related to participants other than NOVA Chemicals, the company will be required to pay higher future premiums.



*Peers include Dow Chemical Company, Eastman Chemical Company, and Lyondell Chemical Company.

NOVA Chemicals' share price on the New York Stock Exchange (NYSE) declined to U.S. \$30.56 at June 30, 2005 from U.S. \$42.95 at March 31, 2005. NOVA Chemicals' share value declined 29% for the quarter ending June 30, 2005 on the NYSE and the Toronto Stock Exchange (TSX), while peer chemical companies' share values declined 8% on average and the S&P Chemicals Index decreased 9%. The S&P/TSX Composite Index was up 3% and the S&P 500 was up 1% in the second quarter. As of July 20, 2005, NOVA Chemicals' share price was U.S. \$36.16, up 18% from June 30, 2005. The S&P Chemicals Index was up 5% in the same period.

In the second quarter, approximately 47% of trading in NOVA Chemicals' shares took place on the TSX and 53% of trading took place in the U.S.

	Millions of Shares	% of Float	% of Trading
Second Quarter Trading Volumes			
Toronto Stock Exchange	35.0	43	47
Consolidated U.S. Trading Volumes	40.1	49	53
Total	75.1	92	100

INVESTOR 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 or e-mail to shareholders@novachem.com.

Contact Information

Phone: (403) 750-3600 (Canada) or (412) 490-4000 (United States)
 Internet: www.novachemicals.com
 E-Mail: invest@novachem.com

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 1000 Seventh Avenue S.W., P.O. Box 2518
 Calgary, Alberta, Canada T2P 5C6

If you would like to receive a shareholder information package, please contact us at (403) 750-3600 or (412) 490-4000 or via e-mail at publications@novachem.com.

We file additional information relating to NOVA Chemicals, including our Annual Information Form (AIF), with Canadian securities administrators. This information can be accessed through the System for Electronic Document Analysis and Retrieval (SEDAR), at www.sedar.com. This same information is filed with the U.S. Securities and Exchange Commission and can be accessed via their Electronic Data Gathering Analysis and Retrieval System (EDGAR) at www.sec.gov/edgar.shtml

Transfer Agent and Registrar

CIBC Mellon Trust Company
 600 The Dome Tower, 333 Seventh Avenue S.W.
 Calgary, Alberta, Canada T2P 2Z1

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 Fax: (403) 264-2100
 Internet: www.cibcmellon.ca
 E-Mail: inquiries@cibcmellon.ca

Share Information

NOVA Chemicals' trading symbol on the New York and Toronto Stock Exchanges is NCX. On the TSX, NOVA Chemicals is listed and traded in both Canadian and U.S. dollars. The U.S. dollar trading symbol on the TSX is NCX.U.

Forward-Looking Information

The information in this news release contains forward-looking statements with respect to 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 availability and prices; operating costs; terms and availability of financing; technology developments; currency exchange rate fluctuations; starting up and operating facilities using new technology; realizing synergy and cost savings targets; 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-use products; the impact of competition; changes in customer demand; changes in, or the introduction of new laws and regulations relating to NOVA Chemicals' business, including environmental, competition and employment laws; loss of the services of any of NOVA Chemicals' executive officers; uncertainties associated with the North American, European and Asian economies; 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.

Implementation of announced price increases depends on many factors, including market conditions, the supply/demand balance for each particular product and feedstock costs. Price increases have varying degrees of success. They are typically phased in and can differ by product or market. There can be no assurances that any announced price increases will be successful or will be realized within the anticipated time frame. In addition, benchmark price indices sometimes lag price increase announcements due to the timing of publication.

CHANGES IN NET INCOME (LOSS)

(unaudited, millions of U.S. dollars)

	Q2 2005 Compared with		First Six Months 2005 Compared With First Six Months 2004
	Q1 2005	Q2 2004	
(Lower) higher net unit margins.....	\$ (173)	\$ (70)	\$ 73
Lower sales volumes.....	(23)	(53)	(85)
Lower gross margin ⁽¹⁾	(196)	(123)	(12)
Higher research and development.....	-	(1)	(1)
Lower selling, general and administrative.....	29	46	56
(Higher) lower depreciation and amortization.....	(2)	3	11
(Higher) lower interest expense.....	(2)	(2)	2
Lower other gains and losses.....	-	(3)	(1)
Lower (higher) income tax expense (Note 4 to the Financial Statements).....	52	28	(20)
Increase (decrease) in net income.....	<u>\$ (119)</u>	<u>\$ (52)</u>	<u>\$ 35</u>

(1) Revenue less feedstock and operating costs.

VARIANCE BY CAUSE - NET INCOME (LOSS)

(unaudited, millions of U.S. dollars, all amounts are after-tax)

Q1 2005 Net Income		\$ 94
Margin erosion assuming LIFO based accounting.....	\$ (43)	
Additional margin erosion under FIFO based accounting.....	(39)	(82)
Corunna power outage – April 16, 2005.....	(20)	
Joffre ethane interruption – June 21, 2005.....	(4)	
Insurance accrual.....	(15)	(39)
Stock-based compensation.....		18
Income tax rate mix.....		(8)
Lower licensing revenue.....		(5)
Depreciation and interest.....		(3)
Q2 2005 Net Loss		<u>\$ (25)</u>

Due to the unscheduled plant outages and the unusual insurance charge in the second quarter of 2005, as well as the significant difference between FIFO and LIFO based accounting, the above table is provided to describe the variance of net income (loss) from quarter to quarter. Versus its competitors, NOVA Chemicals will show lower margins in the second quarter because it uses FIFO accounting and feedstock prices dropped from March to June. In the first quarter of 2005, when feedstock costs were rising, the reverse was true. The overall quarter-to-quarter change approximates \$39 million, and has the affect of nearly doubling the impact of margin erosion reported by NOVA Chemicals from the first quarter to the second quarter.

The power outage at the Corunna, Ontario flexi-cracker and the ethane feedstock interruption to the Joffre, Alberta site resulted in a total of approximately \$24 million lower earnings in the quarter, due to lost sales and maintenance costs. In addition, the company incurred a charge of \$15 million after-tax related to NOVA Chemicals' share of anticipated incremental future costs in the insurance pools in which it participates.

The mark-to-market impact of our stock-based compensation plan was \$18 million greater in the second quarter than in the first quarter.

There was an \$8 million impact due to our lower tax recovery on losses in second quarter versus the rate NOVA Chemicals paid in first quarter. Because a higher portion of the losses in second quarter took place in Europe, the tax recovery rate was only 10% versus the 35% tax expense rate it paid in first quarter. A \$5 million licensing payment was received in first quarter and there were no gains in second quarter. There was \$3 million in higher depreciation and interest in second quarter versus first quarter as new assets were put into service.

FINANCIAL STATEMENTS

Consolidated Statement of Net Income (Loss) and Reinvested Earnings

(unaudited, millions of U.S. dollars except per share amounts)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Revenue	\$ 1,329	\$ 1,488	\$ 1,238	\$ 2,817	\$ 2,364
Feedstock and operating costs.....	1,229	1,192	1,015	2,421	1,956
Research and development.....	12	12	11	24	23
Selling, general and administrative.....	13	42	59	55	111
Depreciation and amortization.....	74	72	77	146	157
	<u>1,328</u>	<u>1,318</u>	<u>1,162</u>	<u>2,646</u>	<u>2,247</u>
Operating income	1	170	76	171	117
Interest expense (net) (Note 3).....	(27)	(25)	(25)	(52)	(54)
Other gains and losses	-	-	3	-	1
	<u>(27)</u>	<u>(25)</u>	<u>(22)</u>	<u>(52)</u>	<u>(53)</u>
Income (loss) before income taxes.....	(26)	145	54	119	64
Income tax (expense) recovery (Note 4) ...	1	(51)	(27)	(50)	(30)
Net income (loss).....	\$ (25)	\$ 94	\$ 27	\$ 69	\$ 34
Reinvested earnings, beginning of period..	608	633	577	633	584
Change in accounting policy	-	-	-	-	(7)
Common share dividends	(6)	(7)	(7)	(13)	(14)
Common share repurchase.....	-	(107)	-	(107)	-
Options retired for cash (net)	-	(5)	-	(5)	-
Reinvested earnings, end of period.....	\$ 577	\$ 608	\$ 597	\$ 577	\$ 597
Earnings (loss) per share (Note 5)					
- basic.....	\$ (0.29)	\$ 1.12	\$ 0.31	\$ 0.84	\$ 0.39
- diluted.....	\$ (0.29)	\$ 1.06	\$ 0.30	\$ 0.82	\$ 0.38

Summary Quarterly Financial Information

Refers to the Consolidated Statement of Net Income (Loss) and Reinvested Earnings.

(unaudited; millions of U.S. dollars, except per share amounts)

	Three Months Ended							
	2005		2004				2003	
	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenue.....	\$ 1,329	1,488	\$ 1,527	1,379	1,238	1,126	\$ 1,041	967
Operating income (loss).....	\$ 1	170	\$ 51	96	76	41	\$ 3	(56)
Net income (loss).....	\$ (25)	94	\$ 162	56	27	7	\$ (15)	(65)
Net income (loss) per share								
- basic.....	\$ (0.29)	1.12	\$ 1.91	0.64	0.31	0.08	\$ (0.18)	(0.75)
- diluted.....	\$ (0.29)	1.06	\$ 1.78	0.60	0.30	0.08	\$ (0.18)	(0.75)
Weighted-average common shares outstanding (millions)								
- basic.....	82.3	83.2	84.8	87.2	87.6	87.3	87.0	86.8
- diluted.....	82.3	90.0	92.4	95.9	96.9	89.2	87.0	86.8

Notes to the Consolidated Financial Statements appear on pages 17 to 20.

Consolidated Balance Sheet

(unaudited, millions of U.S. dollars)

	<u>June 30, 2005</u>	<u>Dec. 31, 2004</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 216	\$ 245
Receivables	391	567
Inventories	620	634
	<u>1,227</u>	<u>1,446</u>
Investments and other assets	146	147
Plant, property and equipment, net	<u>3,455</u>	<u>3,454</u>
	<u>\$ 4,828</u>	<u>\$ 5,047</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 826	\$ 808
Long-term debt due within one year	400	100
	<u>1,226</u>	<u>908</u>
Long-term debt (Note 1)	1,309	1,614
Future income taxes	640	677
Deferred credits	315	355
	<u>3,490</u>	<u>3,554</u>
Shareholders' equity		
Common equity		
Common shares	493	499
Contributed surplus	10	8
Cumulative translation adjustment	258	353
Reinvested earnings	577	633
	<u>1,338</u>	<u>1,493</u>
	<u>\$ 4,828</u>	<u>\$ 5,047</u>

Notes to the Consolidated Financial Statements appear on pages 17 to 20.

Consolidated Statement of Cash Flows

(unaudited, millions of U.S. dollars)

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Operating activities					
Net income (loss)	\$ (25)	\$ 94	\$ 27	\$ 69	\$ 34
Depreciation and amortization	74	72	77	146	157
Future income tax expense (recovery)...	(9)	(14)	19	(23)	16
Other gains	-	-	(3)	-	(1)
Stock option expense	1	3	1	4	2
Funds from operations	41	155	121	196	208
Changes in non-cash working capital	93	(59)	(42)	34	(103)
Cash from operations	<u>134</u>	<u>96</u>	<u>79</u>	<u>230</u>	<u>105</u>
Investing activities					
Proceeds on asset sales and other capital transactions	-	-	3	-	6
Plant, property and equipment net additions	(115)	(73)	(39)	(188)	(82)
Turnaround costs, long-term investments and other assets	(23)	(17)	1	(40)	(4)
Changes in non-cash working capital	-	108	-	108	-
	<u>(138)</u>	<u>18</u>	<u>(35)</u>	<u>(120)</u>	<u>(80)</u>
Financing activities					
Long term debt additions	-	-	-	-	400
Preferred securities redeemed	-	-	-	-	(383)
Common shares issued for stock options	-	11	7	11	12
Common share repurchases	-	(125)	-	(125)	-
Options retired for cash	-	(10)	-	(10)	-
Common share dividends	(6)	(7)	(7)	(13)	(14)
Project advances from third parties	-	-	3	-	6
Changes in non-cash working capital	(1)	(1)	2	(2)	(1)
	<u>(7)</u>	<u>(132)</u>	<u>5</u>	<u>(139)</u>	<u>20</u>
Increase (decrease) in cash and cash equivalents	(11)	(18)	49	(29)	45
Cash and cash equivalents, beginning of period	227	245	208	245	212
Cash and cash equivalents, end of period	<u>\$ 216</u>	<u>\$ 227</u>	<u>\$ 257</u>	<u>\$ 216</u>	<u>\$ 257</u>
Cash tax payments	<u>\$ 44</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 53</u>	<u>\$ 11</u>
Cash interest payments	<u>\$ 24</u>	<u>\$ 38</u>	<u>\$ 19</u>	<u>\$ 62</u>	<u>\$ 48</u>

Notes to the Consolidated Financial Statements appear on pages 17 to 20.

Notes to Consolidated Financial Statements

(unaudited, millions of U.S. dollars, except per share amounts unless otherwise noted)

These interim Consolidated Financial Statements do not include all of the disclosures included in NOVA Chemicals' annual Consolidated Financial Statements. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended Dec. 31, 2004. Certain comparative amounts have been reclassified to conform with the current period's presentation.

1. Significant Accounting Policies

These interim Consolidated Financial Statements have been prepared in accordance with Canadian GAAP, using the same accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended Dec. 31, 2004 on pages 75 to 79 of the 2004 Annual Report, except as noted below:

Accounting for Financial Instruments with Characteristics of Both Liabilities and Equity

The CICA implemented new accounting standards, which harmonize accounting standards with U.S. GAAP for some types of mandatorily redeemable shares and other financial instruments. Beginning on Jan. 1, 2005, these instruments are required to be classified, on a retroactive basis, as liabilities rather than equity. As a result, NOVA Chemicals' preferred shares have been classified as debt. In addition, any dividends associated with these preferred shares have been reclassified to interest expense reducing net income by \$2 million in the second quarter of 2005, \$2 million in the first quarter of 2005 and \$2 million in the second quarter of 2004. All prior periods have been restated.

2. Pensions and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost for
Defined Benefit Plans⁽¹⁾

	<u>Three Months Ended June 30</u>				<u>Six Months Ended June 30</u>			
	<u>Pension Benefits</u>		<u>Other Benefits</u>		<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current service cost	\$ 6	\$ 6	\$ 1	\$ 1	\$ 12	\$ 12	\$ 2	\$ 2
Interest cost on projected benefit obligations.....	9	8	1	1	18	16	2	2
Actual return on plan assets.....	(9)	(12)	-	-	(18)	(23)	-	-
Actuarial (gain) loss on accrued benefit obligations	-	6	-	(1)	-	13	-	(2)
Costs arising in the period.....	<u>6</u>	<u>8</u>	<u>2</u>	<u>1</u>	<u>12</u>	<u>18</u>	<u>4</u>	<u>2</u>
Differences between costs arising in the period and costs recognized in the period in respect of the long-term nature of employee future benefit costs:								
Return on plan assets.....	-	4	-	-	-	8	-	-
Transition (asset) obligation	(1)	(1)	-	-	(2)	(3)	1	1
Actuarial (gain) loss	2	(5)	-	1	4	(10)	1	2
Past service and actual plan amendments...	-	1	-	-	-	2	-	-
Net defined benefit cost recognized.....	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 14</u>	<u>\$ 15</u>	<u>\$ 6</u>	<u>\$ 5</u>

(1) Certain prior year amounts have been restated to conform with the presentation adopted in 2004 due to new Canadian GAAP disclosure requirements.

The expected long-term rate of return on plan assets is 7.5% in 2005.

Employer Contributions

NOVA Chemicals contributed \$6 million to its defined benefit pension plans and \$2 million to its defined contribution plans in the second quarter of 2005 (\$15 million and \$4 million in the six months ended June 30, 2005).

3. Interest Expense

Components of Interest Expense

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Interest on long-term debt	\$ 28	\$ 27	\$ 25	\$ 55	\$ 53
Interest on securitizations and other	3	1	1	4	4
Gross interest expense.....	31	28	26	59	57
Interest capitalized during plant construction .	(3)	(2)	(1)	(5)	(1)
Interest income	(1)	(1)	-	(2)	(2)
Interest expense (net).....	<u>\$ 27</u>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 52</u>	<u>\$ 54</u>

4. Income Taxes

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Income (loss) before income taxes.....	\$ (26)	\$ 145	\$ 54	\$ 119	\$ 64
Statutory income tax rate.....	33.62%	33.62%	33.87%	33.62%	33.87%
Computed income tax expense	\$ (9)	\$ 49	\$ 18	\$ 40	\$ 22
Increase (decrease) in taxes resulting from:					
Additional cost-of-service income taxes ⁽¹⁾	-	-	2	-	4
Foreign tax rates	6	1	4	7	4
Income tax rate adjustment ⁽²⁾	-	-	-	-	(7)
Other	2	1	3	3	7
Income tax expense (recovery)	<u>\$ (1)</u>	<u>\$ 51</u>	<u>\$ 27</u>	<u>\$ 50</u>	<u>\$ 30</u>

(1) Income taxes on the Joffre, Alberta second ethylene plant were recoverable from customers until June 30, 2004 and were recorded on the flow-through rather than liability method. Subsequent to June 30, 2004, income taxes are being recorded on the liability method.

(2) In the first quarter of 2004, the Alberta Government substantively enacted a tax rate reduction, which reduced income tax accruals for future tax liabilities by \$7 million. This one-time benefit has been recorded in the first quarter of 2004 through a reduction of income tax expense.

5. Earnings (Loss) Per Share

(shares in millions)

	Three Months Ended						Six Months Ended			
	June 30 2005		Mar. 31 2005		June 30 2004		June 30 2005		June 30 2004	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss).....	\$ (25)	\$ (25)	\$ 94	\$ 94	\$ 27	\$ 27	\$ 69	\$ 69	\$ 34	\$ 34
Interest on convertible preferred shares	-	-	-	2	-	2	-	4	-	-
Net income (loss) for EPS calculation	<u>\$ (25)</u>	<u>\$ (25)</u>	<u>\$ 94</u>	<u>\$ 96</u>	<u>\$ 27</u>	<u>\$ 29</u>	<u>\$ 69</u>	<u>\$ 73</u>	<u>\$ 34</u>	<u>\$ 34</u>
Weighted-average common shares outstanding.....	82.3	82.3	83.2	83.2	87.6	87.6	82.8	82.8	87.5	87.5
Add back effect of dilutive securities:										
Stock options	-	-	-	2.5	-	2.0	-	2.0	-	1.9
Retractable preferred shares	-	-	-	4.3	-	7.3	-	5.0	-	-
Weighted-average common shares for EPS calculations	<u>82.3</u>	<u>82.3</u>	<u>83.2</u>	<u>90.0</u>	<u>87.6</u>	<u>96.9</u>	<u>82.8</u>	<u>89.8</u>	<u>87.5</u>	<u>89.4</u>
Earnings (loss) per common share.....	<u>\$(0.29)</u>	<u>\$(0.29)</u>	<u>\$1.12</u>	<u>\$1.06</u>	<u>\$0.31</u>	<u>\$0.30</u>	<u>\$0.84</u>	<u>\$0.82</u>	<u>\$0.39</u>	<u>\$0.38</u>

8.5 million retractable preferred shares and 4.7 million stock options have been excluded from the computation of diluted earnings per share for the quarter ended June 30, 2005. As of June 30, 2005, the fully diluted share count was 82.3 million. No retractable preferred shares or options were excluded in the quarter ended March 31, 2005 or June 30, 2004. Options become dilutive when the market price is higher than the strike price and NOVA Chemicals is profitable. The amount of dilution will vary with the stock price. The retractable preferred shares are only dilutive if our earnings per share is greater than the preferred share dividend divided by the number of shares issued on conversion. At the second quarter average common share price and LIBOR rate, these shares become dilutive whenever earnings are greater than approximately \$0.33 per share per quarter.

6. Segmented Information

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

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Revenue					
Olefins/Polyolefins.....	\$ 851	\$ 958	\$ 785	\$ 1,809	\$ 1,494
Styrenics.....	540	607	518	1,147	992
Intersegment eliminations	(62)	(77)	(65)	(139)	(122)
	<u>\$ 1,329</u>	<u>\$ 1,488</u>	<u>\$ 1,238</u>	<u>\$ 2,817</u>	<u>\$ 2,364</u>
Operating income (loss)					
Olefins/Polyolefins.....	\$ 85	\$ 186	\$ 109	\$ 271	\$ 174
Styrenics.....	(97)	(20)	(20)	(117)	(39)
Corporate and other	13	4	(13)	17	(18)
	<u>\$ 1</u>	<u>\$ 170</u>	<u>\$ 76</u>	<u>\$ 171</u>	<u>\$ 117</u>
Net income (loss)					
Olefins/Polyolefins.....	\$ 45	\$ 112	\$ 58	\$ 157	\$ 90
Styrenics.....	(76)	(21)	(24)	(97)	(46)
Corporate and other	6	3	(7)	9	(10)
	<u>\$ (25)</u>	<u>\$ 94</u>	<u>\$ 27</u>	<u>\$ 69</u>	<u>\$ 34</u>

	June 30 2005	Dec. 31 2004
Assets		
Olefins/Polyolefins.....	\$ 2,452	\$ 2,510
Styrenics	1,953	2,018
Corporate and other ⁽¹⁾	423	519
	<u>\$ 4,828</u>	<u>\$ 5,047</u>

(1) Amounts include all cash and cash equivalents.

7. Reconciliation to United States Accounting Principles

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Net income (loss) in accordance with Canadian GAAP.....	\$ (25)	\$ 94	\$ 27	\$ 69	\$ 34
Add (deduct) adjustments for:					
Hedging and derivative activity ⁽¹⁾	-	(2)	3	(2)	4
Inventory costing ⁽²⁾	(6)	(1)	-	(7)	2
Start-up costs ⁽³⁾	-	1	1	1	(2)
Change in accounting policy ⁽⁴⁾	-	-	-	-	(7)
Future income taxes.....	-	-	7	-	-
Other	1	-	-	1	-
Net income (loss) in accordance with U.S. GAAP	<u>\$ (30)</u>	<u>\$ 92</u>	<u>\$ 38</u>	<u>\$ 62</u>	<u>\$ 31</u>
Earnings (loss) per share – basic.....	<u>\$ (0.36)</u>	<u>\$ 1.10</u>	<u>\$ 0.44</u>	<u>\$ 0.75</u>	<u>\$ 0.36</u>
Earnings (loss) per share – diluted.....	<u>\$ (0.36)</u>	<u>\$ 1.04</u>	<u>\$ 0.43</u>	<u>\$ 0.74</u>	<u>\$ 0.35</u>

	Three Months Ended			Six Months Ended	
	June 30 2005	Mar. 31 2005	June 30 2004	June 30 2005	June 30 2004
Comprehensive income (loss) ⁽⁵⁾					
Net income (loss) in accordance with U.S. GAAP	\$ (30)	\$ 92	\$ 38	\$ 62	\$ 31
Cumulative translation adjustment ⁽⁷⁾	(63)	(32)	(36)	(95)	(61)
Comprehensive income (loss) in accordance with U.S. GAAP	<u>\$ (93)</u>	<u>\$ 60</u>	<u>\$ 2</u>	<u>\$ (33)</u>	<u>\$ (30)</u>

	Six Months Ended	
	June 30 2005	Dec 31 2004
Accumulated other comprehensive income ⁽⁵⁾		
Cumulative translation adjustment ⁽⁷⁾	\$ 237	\$ 332
Minimum pension liability ⁽⁶⁾	(3)	(3)
	<u>\$ 234</u>	<u>\$ 329</u>
	June 30 2005	Dec. 31 2004
Balance sheet in accordance with U.S. GAAP		
Current assets ^{(1), (2)}	\$ 1,259	\$ 1,482
Investments and other assets ^{(3), (6)}	142	139
Plant, property and equipment, net.....	3,433	3,429
Current liabilities ⁽¹⁾	(1,220)	(893)
Long-term debt ⁽¹⁾	(1,317)	(1,625)
Deferred credits ^{(1), (6)}	(954)	(1,030)
Common equity	<u>\$ 1,343</u>	<u>\$ 1,502</u>

- (1) On Jan. 1, 2001, NOVA Chemicals adopted (for U.S. GAAP purposes) Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 requires the recognition of all derivatives on the balance sheet at fair value. Derivatives that do not qualify for preferential hedge accounting treatment must be adjusted to fair value through income. If the derivative does qualify, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged item and reported in earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. On Jan. 1, 2004, NOVA Chemicals adopted a new Canadian GAAP guideline for recording the fair value of derivatives. This guideline harmonizes Canadian and U.S. GAAP, however, due to the differing implementation dates, timing differences continue to exist.
- (2) U.S. GAAP requires an allocation of fixed production overhead to inventory. Canadian GAAP allows these costs to be expensed during the period.
- (3) U.S. GAAP requires that all costs (except interest on constructed assets) associated with start-up activities be expensed as incurred rather than deferred, as under Canadian GAAP.
- (4) On Jan. 1, 2004, NOVA Chemicals adopted the CICA standard for expensing of stock options. This standard was also adopted for U.S. GAAP on that date. Under U.S. GAAP, the cumulative effect of adopting a new standard is reflected in net income in the period of adoption, whereas under Canadian GAAP it is reflected as a charge or credit to reinvested earnings.
- (5) U.S. GAAP requires the presentation of a separate statement of comprehensive income (loss) and accumulated other comprehensive income. This statement is not required under Canadian GAAP. Comprehensive income (loss) includes certain changes in equity during the period that are not in net income.
- (6) U.S. GAAP requires that an additional minimum pension liability be recorded through comprehensive income (loss) when the unfunded accumulated benefit obligation is greater than the accrued pension liability or if there is a prepaid pension asset.
- (7) Gains (losses) resulting from translation of self-sustaining foreign operations are recorded in other comprehensive income until there is a realized reduction in the investment.