

2006

second quarter



NOVA Chemicals: Business Conditions Strengthen

For immediate release, Thursday, July 20, 2006, Pittsburgh, PA

All financial information is in U.S. dollars unless otherwise indicated.

NOVA Chemicals Corporation (NOVA Chemicals) reported net income of \$108 million (\$1.30 per share diluted) for the second quarter of 2006. The second quarter's net income compares to a net loss of \$5 million (\$0.06 per share) for the first quarter of 2006 and a net loss of \$25 million (\$0.29 per share) for the second quarter of 2005.

During the second quarter, NOVA Chemicals restructured into three business units. Net income from the businesses is shown below:

Core Business: \$147 million or \$1.77 per share

1. Olefins/Polyolefins
2. Expandable Polystyrene/Styrenic Performance Products

3. STYRENIX: \$(45) million or \$(0.54) per share

The following unusual items had a net positive impact of \$52 million or \$0.62 per share on second quarter earnings:

- Canadian tax rate reductions.... \$60 million or \$0.72 per share
- June Corunna outage.....\$(8) million or \$(0.10) per share

"Business conditions and our results improved through the second quarter. With meaningful benefits from our restructuring, we will deliver total annual cost reductions of approximately \$65 million by the end of the third quarter that will positively impact company results," said Jeff Lipton, NOVA Chemicals' President and CEO. "Our restructuring will refocus NOVA Chemicals on our core business, whose strength will be clear, while positioning STYRENIX as a potential catalyst for change in the industry."

Second Quarter Snapshot

Olefins/Polyolefins:

- Net income of \$151 million compared to \$70 million in the previous quarter
- Alberta Advantage of 14¢ per pound of ethylene cash cost, up from 5¢ per pound in the first quarter
- Polyethylene Performance Products sales volumes increased by 20% versus the previous quarter
- Canadian corporate tax rate reduction from 34% to 33% in 2006 and 30% by 2010

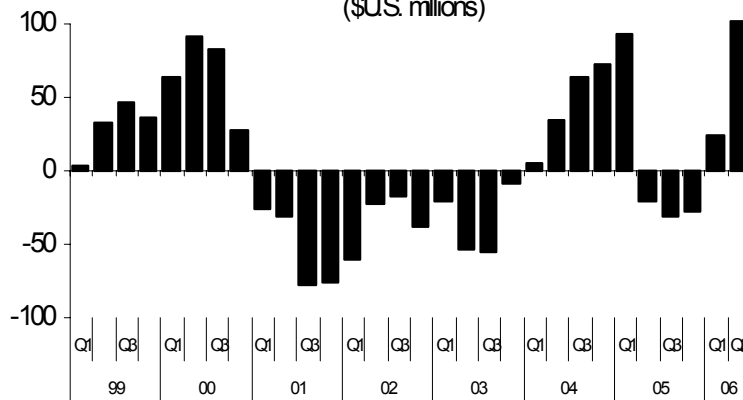
Expandable Polystyrene/Styrenic Performance Products (EPS/SPP):

- Net loss of \$4 million compared to a net loss of \$6 million in the previous quarter
- ARCEL[®] resin capacity expansions completed as scheduled by the end of the quarter

STYRENIX:

- Net loss of \$45 million compared to a net loss of \$39 million in the previous quarter
- Restructuring will enable cost reductions of \$45 million per year

Net Income (Loss) from the Businesses*
(\$U.S. millions)



*Net income (loss) from the Olefins/Polyolefins, EPS/SPP and STYRENIX business units (See Supplemental Measures on page 11.)

NOVA Chemicals will host a conference call today, Thursday, July 20, 2006, for investors and analysts at 10 a.m. EDT (8 a.m. MDT; 7 a.m. PDT). Media are welcome to join this call in "listen-only" mode. The dial-in number for this call is (416) 406-6419. The replay number is (416) 695-5800 (Reservation No. 3190159). The live call is also available on the Internet at www.investorcalendar.com (ticker symbol NCX)

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NOVA Chemicals Highlights

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

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Net income (loss)					
Core					
Olefins/Polyolefins	\$ 151	\$ 70	\$ 56	\$ 221	\$ 169
EPS/SPP	(4)	(6)	(6)	(10)	(6)
STYRENIX	(45)	(39)	(71)	(84)	(91)
Corporate and other ⁽¹⁾	6	(30)	(4)	(24)	(3)
Net income (loss)	\$ 108	\$ (5)	\$ (25)	\$ 103	\$ 69
Earnings (loss) per common share					
- basic	\$ 1.31	\$ (0.06)	\$ (0.29)	\$ 1.25	\$ 0.84
- diluted	\$ 1.30	\$ (0.06)	\$ (0.29)	\$ 1.24	\$ 0.82
Weighted-average common shares outstanding (millions) ^{(2) (3)}					
- basic	83	82	82	83	83
- diluted	83	82	82	83	90
Revenue	\$ 1,619	\$ 1,553	\$ 1,329	\$ 3,172	\$ 2,817
Adjusted EBITDA ⁽⁴⁾	\$ 189	\$ 121	\$ 75	\$ 310	\$ 317
Depreciation and amortization	\$ 77	\$ 72	\$ 74	\$ 149	\$ 146
Funds from operations	\$ 101	\$ 59	\$ 45	\$ 160	\$ 197
Capital expenditures	\$ 64	\$ 41	\$ 115	\$ 105	\$ 188
Average capital employed ⁽⁵⁾	\$ 3,769	\$ 3,579	\$ 3,354	\$ 3,674	\$ 3,373
After-tax return (loss) on capital employed ⁽⁶⁾	14.6%	2.9%	(0.5)%	8.9%	6.4%
Return (loss) on average common equity ⁽⁷⁾	31.8%	(1.6)%	(7.2)%	15.8%	9.9%

(1) See tables on page 11 for a description of all Corporate Items.

(2) Weighted-average number of common shares outstanding during the period used to calculate the earnings (loss) per share (see Note 7, page 22).

(3) For periods where there are losses, diluted shares are the same as basic shares because outstanding securities such as stock options that could potentially dilute earnings per share would be anti-dilutive and are therefore excluded from outstanding diluted shares.

(4) Net income (loss) before restructuring charges, income taxes, other gains and losses, interest expense and depreciation and amortization (see Consolidated Statement of Net Income (Loss) and Reinvested Earnings on page 17 and Supplemental Measures on page 11).

(5) 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 11).

(6) 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 11).

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

OLEFINS/POLYOLEFINS BUSINESS UNIT

Financial Highlights

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

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Revenue ⁽¹⁾	\$ 1,078	\$ 1,008	\$ 851	\$ 2,086	\$ 1,809
Operating income	\$ 160	\$ 129	\$ 101	\$ 289	\$ 288
Depreciation and amortization	46	43	42	89	83
Adjusted EBITDA ⁽²⁾	\$ 206	\$ 172	\$ 143	\$ 378	\$ 371
Net income	\$ 151	\$ 70	\$ 56	\$ 221	\$ 169
Capital expenditures	\$ 28	\$ 19	\$ 62	\$ 47	\$ 108
Average capital employed ⁽³⁾	\$ 2,482	\$ 2,314	\$ 2,000	\$ 2,398	\$ 2,024
After-tax return on capital employed ⁽⁴⁾	27.0%	15.1%	13.1%	21.3%	18.7%

(1) Before intersegment eliminations.

(2) Net income before restructuring charges, income taxes, other gains and losses, interest expense and depreciation and amortization (see Supplemental Measures on page 11).

(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 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Benchmark Principal Products:					
Ethylene ⁽²⁾	\$ 0.47	\$ 0.50	\$ 0.38	\$ 0.48	\$ 0.40
Polyethylene – LLDPE butene liner ⁽³⁾	\$ 0.63	\$ 0.69	\$ 0.51	\$ 0.66	\$ 0.55
Polyethylene – weighted-average benchmark ⁽⁴⁾	\$ 0.66	\$ 0.70	\$ 0.55	\$ 0.68	\$ 0.59
Benchmark Raw Materials:					
NYMEX natural gas (dollars per mmBTU) ⁽⁵⁾	\$ 6.82	\$ 9.07	\$ 6.80	\$ 7.95	\$ 6.56
WTI crude oil (dollars per barrel) ⁽⁶⁾	\$ 70.69	\$ 63.48	\$ 53.17	\$ 67.09	\$ 51.51

(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) Linear Low-Density Polyethylene (LLDPE) butene liner. 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: New York Mercantile Exchange (NYMEX) Henry Hub 3-Day Average Close, values in millions of British Thermal Units (mmBTU).

(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 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Standard Products	691	615	620	1,306	1,279
Performance Products ⁽¹⁾	146	122	105	268	201
Total	837	737	725	1,574	1,480

(1) Performance Products include SCLAIR[®] and SURPASS[®] resins produced at the Joffre site using Advanced SCLAIRTECH[™] technology.

NOVA Chemicals' ability to implement announced price increases depends on many factors that may be beyond its control. See Forward-Looking Information on page 16.

Review of Operations

Olefins/Polyolefins

The Olefins/Polyolefins business unit reported net income of \$151 million in the second quarter of 2006 compared to net income of \$70 million in the first quarter. Of the \$81 million improvement, \$60 million was the result of reduced tax rates in Canada (see page 5). The remaining improvement was primarily due to margin increases and expanded Corunna operations. Margins improved as lower prices were more than offset by lower feedstock costs. Volume was up mainly due to the first quarter impact of the extended Corunna outage.

Ethylene and Feedstocks

USGC ethylene benchmark prices averaged 47¢ per pound in the second quarter of 2006 compared to 50¢ per pound in the first quarter.

The average price of NYMEX contract natural gas was down 25% to \$6.82 per mmbTU. USGC ethane prices averaged 157% of NYMEX natural gas cash prices, up from an average of 112% in the previous quarter. AECO cash natural gas prices were down 18% from the first quarter to \$5.35 per mmbTU in the second quarter.

The Alberta Advantage averaged 14¢ per pound of cash cost of ethylene production in the second quarter of 2006, up significantly from 5¢ per pound in the first quarter. The advantage strengthened as NOVA Chemicals' ethane costs decreased by 16%, while ethane prices on the USGC increased 19%. USGC ethane prices rose due to strong demand for ethane feedstock, resulting from high USGC ethylene operating rates as well as the rapid increase in the costs of alternative feeds. In July, the Alberta Advantage was widened further to approximately 20¢ per pound. Alberta advantaged ethylene is used to produce approximately 65% of NOVA Chemicals' total polyethylene.

The average price of WTI crude oil was up 11% to \$70.69 per barrel in the second quarter. This increase in crude oil feedstock cost was more than offset by higher co-product revenues from the Corunna flexi-cracker.

In the second quarter, the Corunna flexi-cracker was fully operational until June 19, when production at the facility was stopped due to the inadvertent activation of a process shutdown switch by a third-party contractor. The resulting financial impact in the second quarter was \$8 million after-tax. The facility returned to normal operations within two weeks of the stoppage. The financial impact in the third quarter will be approximately \$1 million after-tax.

Polyethylene

NOVA Chemicals' total polyethylene sales volume for the second quarter was 837 million pounds, up 100 million pounds from the previous quarter, mainly reflecting increased ethylene availability from Corunna.

International sales volumes decreased 7% quarter-over-quarter to 95 million pounds primarily due to a focus on improved domestic sales and margin opportunities. International sales represented 11% of total polyethylene sales in the second quarter.

North American polyethylene demand exceeded supply in the second quarter even though producer operating rates averaged 92%. During the same period, the American Plastics Council (APC) reported that North American producer inventories were reduced to 36 days of sales by the end of the quarter, which is at the low end of the historical range. NOVA Chemicals finished the second quarter with 22 days of polyethylene inventory, up from 18 days at the end of the first quarter.

A 6¢ per pound polyethylene price increase was implemented in North America in May and June, reversing the industry trend of five straight months of 4¢ per pound price decreases through April. Two polyethylene price increases totaling 12¢ per pound were announced during the second quarter and are expected to be implemented in the third quarter.

Performance Products

Second quarter sales of polyethylene Performance Products manufactured using Advanced SCLAIRTECH technology were 146 million pounds, or 69% of the plant's 213 million pound quarterly capacity, up from 57% in the previous quarter. Second quarter sales volume increased 20% from the first quarter of 2006 and 39% versus the second quarter of 2005. The commercialization of new products for molding applications continues to drive the growth of Performance Product sales.

Canadian Tax Rate Reductions

During the second quarter of 2006, the Canadian federal and Alberta provincial governments passed legislation that will reduce income tax rates in their jurisdictions. For income subject to tax in Alberta, the rate was reduced from 11.5% to 10% effective April 1, 2006. For income subject to Canadian federal tax, the rate will gradually reduce from 22.1% in 2007 to 19.0% in 2010. As a result of these changes, NOVA Chemicals reduced its future tax liability by \$60 million and recorded the tax savings as income in the second quarter of 2006. Virtually all of the income subject to these taxes is earned by the Olefins/Polyolefins business unit.

Second Quarter 2006 Versus Second Quarter 2005

Net income of \$151 million in the second quarter of 2006 was up from net income of \$56 million in the second quarter of 2005. The quarter-over-quarter improvement was due to product prices rising faster than feedstock costs, increased production from Corunna and the benefit received in the second quarter of 2006 as a result of the Canadian tax rate reductions.

First Six Months 2006 Versus First Six Months 2005

Net income for the first six months of 2006 was \$221 million, up from \$169 million for the first six months of 2005. The improvement in the year-over-year results was primarily related to increases in unit margin, the improved market conditions and the Canadian tax rate reductions.

EXPANDABLE POLYSTYRENE / STYRENIC PERFORMANCE PRODUCTS BUSINESS UNIT

Financial Highlights

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

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Revenue ⁽¹⁾	\$ 106	\$ 99	\$ 102	\$ 205	\$ 204
Operating loss	\$ (4)	\$ (6)	\$ (8)	\$ (10)	\$ (8)
Depreciation and amortization	3	3	3	6	6
Adjusted EBITDA ⁽²⁾	\$ (1)	\$ (3)	\$ (5)	\$ (4)	\$ (2)
Net loss	\$ (4)	\$ (6)	\$ (6)	\$ (10)	\$ (6)
Capital expenditures	\$ 31	\$ 20	\$ 14	\$ 51	\$ 24
Average capital employed ⁽³⁾	\$ 221	\$ 216	\$ 238	\$ 218	\$ 236
After-tax loss on capital employed ⁽⁴⁾	(4.6)%	(7.7)%	(7.1)%	(6.1)%	(2.9)%

(1) Before intersegment eliminations.

(2) Net loss before restructuring charges, income taxes, other gains and losses, interest expense and depreciation and amortization (see Supplemental Measures on page 11).

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

NOVA Chemicals' ability to implement announced price increases depends on many factors that may be beyond its control. See Forward-Looking Information on page 16.

Review of Operations

EXPANDABLE POLYSTYRENE/ STYRENIC PERFORMANCE PRODUCTS

On June 26, 2006, NOVA Chemicals announced plans to restructure its traditional Styrenics business into two new business units, EPS/SPP and STYRENIX, with each unit to report results separately. EPS/SPP, which includes NOVA Chemicals' North American expandable polystyrene and Styrenic Performance Products operations, remains part of NOVA Chemicals' core business.

The EPS/SPP business unit includes the following:

- Beaver Valley site, PA; Painesville, OH; and Belpre, OH polymer facilities
- ARCEL, DYLARK[®] FG, DYLARK automotive, NAS[®], ZYLAR[®], and ZYLAR EX resins
- Equity position in Lyondell's Channelview, TX styrene monomer facility
- NOVA Chemicals' interest in the NOVIDESA 50:50 joint venture in Mexico
- New business ventures
- NOVA Chile

The EPS/SPP business unit reported a net loss of \$4 million in the second quarter of 2006 compared to a net loss of \$6 million in the first quarter. The quarter-over-quarter improvement in earnings was primarily related to volume growth in EPS construction and cup markets.

North American Expandable Polystyrene (EPS)

North American EPS sales volume increased by 23% quarter-over-quarter and by 13% on a year-to-date basis. APC reported a total EPS sales increase of 17% quarter-over-quarter and an increase of 5% year-over-year. The quarter-over-quarter volume increase largely reflects seasonal EPS growth in the North American construction and cup market segments. The increase in the sales volume offset the decrease in EPS prices.

A 4¢ per pound price increase, effective July 1, was announced during the second quarter and is expected to be implemented during the third quarter.

Performance Products

Styrenic Performance Products sales volumes were flat quarter-over-quarter.

The ARCEL base resin capacity expansion at the Beaver Valley site was completed during the second quarter and the plant re-started in late May 2006, as scheduled. The construction of new finishing capacity for ARCEL base resins in Ningbo, China, a venture with Loyal Chemical, was completed at the end of June 2006. These expansions are both components of the plan to expand manufacturing capacity for ARCEL resin to 220 million pounds per year by the end of 2008.

Continued sales growth of Performance Products is expected with the introduction of new applications such as the Reynolds' new microwave-safe rotisserie packaging made with DYLARK FG resins and the specification of ARCEL moldable foam resin by Panasonic for protective packaging of high-definition plasma televisions.

Second Quarter 2006 Versus Second Quarter 2005

The EPS/SPP business unit had a net loss of \$4 million in the second quarter of 2006, compared to a net loss of \$6 million in the second quarter of 2005 due to a 10% increase in sales volume.

First Six Months 2006 Versus First Six Months 2005

The net loss for the first six months of 2006 was \$10 million, compared to a net loss of \$6 million for the first six months of 2005. Although competitive factors have driven prices down during the first six months of 2006, volume increased due to the growth of EPS in North American construction and cup market segments and the addition of new customer accounts.

STYRENIX BUSINESS UNIT

Financial Highlights

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

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Revenue ⁽¹⁾	\$ 510	\$ 512	\$ 449	\$ 1,022	\$ 968
Operating loss	\$ (53)	\$ (45)	\$ (90)	\$ (98)	\$ (109)
Depreciation and amortization	28	26	29	54	57
Adjusted EBITDA ⁽²⁾	\$ (25)	\$ (19)	\$ (61)	\$ (44)	\$ (52)
Net loss	\$ (45)	\$ (39)	\$ (71)	\$ (84)	\$ (91)
Capital expenditures	\$ 5	\$ 2	\$ 39	\$ 7	\$ 56
Average capital employed ⁽³⁾	\$ 1,168	\$ 1,134	\$ 1,182	\$ 1,151	\$ 1,195
After-tax loss on capital employed ⁽⁴⁾	(11.5)%	(9.4)%	(21.0)%	(10.5)%	(12.4)%

(1) Before intersegment eliminations.

(2) Net loss before restructuring charges, income taxes, other gains and losses, interest expense and depreciation and amortization (see Supplemental Measures on page 11).

(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 loss on capital employed equals net 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 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Benchmark Principal Products:					
Styrene monomer ⁽²⁾	\$ 0.62	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.63
Solid polystyrene ⁽³⁾					
North America	\$ 0.84	\$ 0.86	\$ 0.86	\$ 0.85	\$ 0.86
Europe	\$ 0.66	\$ 0.62	\$ 0.66	\$ 0.64	\$ 0.68
Benchmark Raw Materials:					
Benzene (dollars per gallon) ⁽⁴⁾	\$ 3.02	\$ 2.68	\$ 3.06	\$ 2.85	\$ 3.11

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

(2) Source: CMAI Contract Market.

(3) Source for benchmark prices: CMAI.

(4) A 10¢ per gallon change in the cost of benzene generally results in about a 1¢ per pound change in the variable cost of producing styrene monomer. Source of benzene benchmark prices: CMAI.

STYRENIX Sales Volumes

(millions of pounds)

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Styrene monomer ⁽¹⁾	349	446	396	795	823
Solid polystyrene					
North America	192	181	200	373	422
European Joint Venture	246	248	242	494	507
Total	787	875	838	1,662	1,752

(1) Third-party sales, including purchased volumes resold. Excludes sales to the NOVA Innovene joint venture.

NOVA Chemicals' ability to implement announced price increases depends on many factors that may be beyond its control. See Forward-Looking Information on page 16.

Review of Operations

STYRENIX

During the second quarter, NOVA Chemicals created a new business unit, STYRENIX, to better align resources and reduce costs. This unit is not considered to be part of NOVA Chemicals' core business.

Approximately \$45 million of the company-wide \$65 million cost reductions will be directly related to STYRENIX. As a result, NOVA Chemicals will take a restructuring charge in the third quarter of 2006. A charge of \$10 million after-tax related to the Chesapeake site closure was taken in the first quarter of 2006.

STYRENIX includes NOVA Chemicals' styrene monomer and North American solid polystyrene operations and its 50% interest in the NOVA Innovene European joint venture. The STYRENIX business unit includes the following:

- Bayport, TX and Sarnia, ON styrene monomer facilities
- Decatur, AL; Springfield, MA; and Montreal, PQ solid polystyrene facilities
- Solid polystyrene production at Belpre, OH
- NOVA Chemicals' 50% interest in NOVA Innovene

The STYRENIX business unit reported a net loss of \$45 million in the second quarter of 2006 compared to a net loss of \$39 million in the first quarter. Increased feedstock costs largely offset price increases mainly in Europe.

Styrene Monomer

Styrene monomer margins were down in the second quarter as feedstock costs outpaced styrene monomer prices. The second quarter average benzene price increased to \$3.02 per gallon up from \$2.68 per gallon in the first quarter, while styrene monomer prices increased to \$0.62 per pound from \$0.61 per pound in the first quarter.

In the second quarter, third-party styrene monomer sales volumes were down 22% compared to the first quarter as a result of idling the Bayport, TX plant on May 4, 2006 due to the ethylene force majeure declared by Huntsman Corporation and limited ethylene availability on the USGC. The margin impact of lost sales was minimal and the second quarter impact of the outage was \$1 million after-tax, largely related to the costs associated with the plant shutdown. The plant restarted in mid-July 2006. The estimated financial impact for the third quarter is less than \$1 million after-tax.

North American Solid Polystyrene (SPS)

North American SPS sales volume increased by 6% quarter-over-quarter with the addition of several new customers. North American benchmark SPS prices decreased by approximately 2¢ per pound from the first quarter.

NOVA Chemicals announced three price increases totaling 13¢ per pound for North American SPS during the second quarter. A 5¢ per pound increase effective June 1 is expected to be fully realized by the end of July. Two price increases, 4¢ per pound each, are announced for third quarter implementation.

SPS production at NOVA Chemicals' Chesapeake, VA site was permanently shut down on June 9, 2006, three weeks ahead of schedule. Compounding facilities at the site are expected to close in the second half of 2006. Savings of \$15 million per year are expected as a result of these actions.

NOVA Innovene

SPS sales volumes for NOVA Innovene, NOVA Chemicals' European joint venture with INEOS, were down 11% from the first quarter. The decrease in volume arose from a combination of weaker market demand and some market share loss as NOVA Innovene took a firm position regarding the implementation of price increases given the significant increase in feedstock costs. The European SPS benchmark price increased approximately 4¢ per pound from the first quarter.

EPS sales volumes for NOVA Innovene were up 18% from the first quarter. Sales grew in the second quarter as a result of extremely low producer inventories at the end of the first quarter and robust European demand. Despite rapidly increasing market prices due to rising feedstock costs, demand strengthened and EPS producer inventories remained low at the end of the second quarter. The European EPS benchmark price increased by approximately 8¢ per pound from the first quarter.

NOVA Innovene continues to be on track to deliver its synergy-related improvement target of \$60 million per year by the end of 2007 as a result of joint venture synergies. NOVA Chemicals will receive 50% of the benefit of the total cost savings. By the end of the second quarter of 2006, the joint venture had achieved annualized cost savings of \$20 million.

Second Quarter 2006 Versus Second Quarter 2005

The STYRENIX business unit had a net loss of \$45 million in the second quarter of 2006, compared to a net loss of \$71 million in the second quarter of 2005. Declining prices and volumes in the second quarter of 2006 compared to the second quarter of 2005 were more than offset by the benefit of the lower feedstock costs.

First Six Months 2006 Versus First Six Months 2005

The STYRENIX business unit net loss for the first six months of 2006 was \$84 million, compared to a net loss of \$91 million for the first six months of 2005. The year-over-year decreases in price and volume were more than offset by lower feedstock costs.

CORPORATE

Before-tax Corporate Items

(millions of U.S. dollars)

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006 ⁽⁵⁾	June 30 2005 ⁽⁵⁾	June 30 2006	June 30 2005 ⁽⁵⁾
Stock-based compensation and profit sharing ⁽¹⁾	\$ (3)	\$ (4)	\$ 35	\$ (7)	\$ 37
Restructuring ⁽²⁾	(1)	(15)	-	(16)	-
Unusual non-cash insurance charge ⁽³⁾	-	-	(22)	-	(22)
Mark-to-market feedstock derivatives ⁽⁴⁾	12	(25)	(14)	(13)	(14)
	<u>\$ 8</u>	<u>\$ (44)</u>	<u>\$ (1)</u>	<u>\$ (36)</u>	<u>\$ 1</u>

After-tax Corporate Items

(millions of U.S. dollars)

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006 ⁽⁵⁾	June 30 2005 ⁽⁵⁾	June 30 2006	June 30 2005 ⁽⁵⁾
Stock-based compensation and profit sharing ⁽¹⁾	\$ (2)	\$ (4)	\$ 20	\$ (6)	\$ 21
Restructuring ⁽²⁾	-	(10)	-	(10)	-
Unusual non-cash insurance charge ⁽³⁾	-	-	(15)	-	(15)
Mark-to-market feedstock derivatives ⁽⁴⁾	8	(16)	(9)	(8)	(9)
	<u>\$ 6</u>	<u>\$ (30)</u>	<u>\$ (4)</u>	<u>\$ (24)</u>	<u>\$ (3)</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. In November 2005, NOVA Chemicals entered into a three-year hedging arrangement that effectively neutralizes the mark-to-market impact on the stock-based incentive compensation plans. In addition, NOVA Chemicals maintains a profit sharing program available to most employees based on the achievement of shareholder return on equity targets. Stock-based compensation also includes the amount expensed related to the fair value of stock options earned by employees during the period.
- (2) NOVA Chemicals accrued \$1 million (before-tax) of restructuring costs in the second quarter of 2006 related to actions taken in the European joint venture. NOVA Chemicals accrued \$15 million (\$10 million after-tax) in the first quarter of 2006 related to severance costs for the Chesapeake, VA plant site closure.
- (3) NOVA Chemicals accrued a non-cash expense of \$22 million (\$15 million after-tax) in the second quarter of 2005 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 losses incurred by OIL and sEnergy that are related to participants other than NOVA Chemicals, the company was required to pay higher premiums.
- (4) See page 14 for description.
- (5) Beginning in 2006, NOVA Chemicals began classifying stock option expense and mark-to-market adjustments on feedstock derivative positions as corporate items as they are non-cash items and are not relevant in measuring business performance. Previously these amounts were allocated to the Olefins/Polyolefins and Styrenics business units. Prior periods have been restated to conform with the new presentation.

Supplemental Measures

In addition to providing measures in accordance with Canadian Generally Accepted Accounting Principles (GAAP), NOVA Chemicals presents certain supplemental measures as follows:

- Adjusted EBITDA - This measure is provided to assist investors in determining the ability of NOVA Chemicals to generate cash from operations. Adjusted EBITDA can be determined from the Consolidated Statement of Net Income (Loss) and Reinvested Earnings by adding to net income (loss) interest expense, income taxes, depreciation and amortization, other gains and losses, and restructuring charges. Segment adjusted EBITDA is determined as segment operating income or loss before depreciation and amortization.
- Average capital employed – defined on page 2
- CFCT – defined on page 13
- After-tax return (loss) on capital employed – defined on page 2
- Net debt to total capitalization – defined on page 12
- Net income (loss) from the business units – total net income or loss from the Olefins/Polyolefins, EPS/SPP and STYRENIX business units, which equals NOVA Chemicals' net income less corporate and other items (see page 1).
- Net tangible asset coverage on long-term debt – defined on page 12

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.

Liquidity and Capital Resources

Capitalization

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

	<u>June 30 2006</u>	<u>Mar. 31 2006</u>	<u>Dec. 31 2005</u>
Current debt ⁽¹⁾	\$ 200	\$ 302	\$ 302
Less: restricted cash and other assets	(72)	(72)	(72)
Net current debt	128	230	230
Long-term debt ⁽²⁾	1,690	1,740	1,737
Less: cash and cash equivalents	(93)	(94)	(166)
 Total debt, net of cash, cash equivalents and restricted cash	 1,725	 1,876	 1,801
 Total common shareholders' equity ^{(3) (4) (5) (6)(7)}	 1,387	 1,218	 1,219
 Total capitalization ⁽⁸⁾	 <u>\$ 3,112</u>	 <u>\$ 3,094</u>	 <u>\$ 3,020</u>

(1) Current debt includes the \$198 million preferred shares due Mar. 15, 2007 and the current debt related to the Joffre cogeneration facility joint venture.

(2) Maturity dates for NOVA Chemicals' current and long-term debt range from March 2007 to August 2028.

(3) Common shares outstanding on July 14, 2006 were 82,549,694 (June 30, 2006 – 82,549,694; Mar. 31, 2006 – 82,540,944; Dec. 31, 2005 – 82,364,899).

(4) A total of 5,701,798 stock options to purchase common shares of NOVA Chemicals were outstanding to officers and employees on July 14, 2006, and 5,701,798 were outstanding on June 30, 2006. A total of 1,988,132 common shares were reserved but unallocated at June 30, 2006. A total of 13 million common shares were initially reserved for issuance under the Option Plan.

(5) A total of 47,800 shares were reserved for the Directors' Share Compensation Plan.

(6) In April 2005, NOVA Chemicals' shareholders reconfirmed a shareholder rights plan where one right was issued for each outstanding common share. The plan expires in May 2009.

(7) For the three months ended June 30, 2006, a total of 8,750 common shares were issued upon the exercise of stock options.

(8) Total capitalization includes shareholders' equity and total debt net of cash and cash equivalents and restricted cash.

Senior Debt Ratings ⁽¹⁾

DBRS

Fitch Ratings

Moody's

Standard & Poor's

Senior Unsecured Debt

BBB (low) (negative)

BB (stable)

Ba2 (negative)

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 2006</u>	<u>Mar. 31 2006</u>	<u>Dec. 31 2005</u>
Net debt to total capitalization ⁽¹⁾	55.4%	60.6%	59.6%
Interest coverage on long-term debt ⁽²⁾	0.0x	0.0x	0.0x
Net tangible asset coverage on long-term debt ⁽³⁾	1.7x	1.6x	1.6x

(1) Net debt to total capitalization is equal to total debt, net of cash, cash equivalents and restricted cash, divided by total common shareholders' equity plus net debt (see Capitalization table above and Supplemental Measures on page 11).

(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 future 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.

(millions of U.S. dollars)

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Operating income	\$ 111	\$ 145
Add back – depreciation and amortization	77	149
– restructuring charges	1	16
Adjusted EBITDA ⁽¹⁾	189	310
Interest expense	(40)	(82)
Restructuring charges	(1)	(16)
(Gain) loss on derivatives	(12)	6
Current tax expense and other	(35)	(58)
Funds from operations	101	160
Operating working capital decrease	147	67
Cash from operations	248	227
Asset sale proceeds	-	2
Capital expenditures	(64)	(105)
Turnaround costs, long-term investments and other assets	(11)	(20)
Dividends paid	(8)	(15)
Common shares issued	-	2
Foreign exchange and other	(14)	(15)
Total change in cash and debt	\$ 151	\$ 76
Decrease in cash and cash equivalents	\$ (1)	\$ (73)
Decrease in debt (including foreign exchange changes)	152	149
Total change in cash and cash equivalents and debt	\$ 151	\$ 76

(1) See Consolidated Statement of Net Income (Loss) and Reinvested Earnings on page 17 and Supplemental Measures on page 11.

NOVA Chemicals' net debt to total capitalization ratio improved to 55.4% at June 30, 2006 from 60.6% at Mar. 31, 2006. The corporation reduced net debt by \$151 million with cash generated from operations. In addition to this, shareholders' equity increased by \$169 million as a result of second quarter profits and translation gains on foreign assets.

NOVA Chemicals' funds from operations were \$101 million for the second quarter of 2006, up from \$59 million in the first quarter mainly due to an increase in operating income. Operating working capital decreased by \$147 million primarily as a result of the sale of accounts receivable under the securitization programs in the second quarter of 2006.

NOVA Chemicals measures the effectiveness of its working capital management through Cash Flow Cycle Time (CFCT). See Supplemental Measures on page 11. CFCT measures working capital from operations (excluding the NOVA Innovene joint venture) 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 30 days as of June 30, 2006, and 31 days as of Mar. 31, 2006.

Capital expenditures were \$64 million in the second quarter of 2006, compared to \$41 million in the first quarter and \$115 million in the second quarter of 2005. Capital expenditures have declined following the substantial completion of the Corunna ethylene flexi-cracker modernization project; however, spending was up in the second quarter related to the ARCEL resin plant expansion at the Beaver Valley site and other project spending.

Selling, general and administrative costs were \$40 million higher than in the second quarter of 2005 and \$46 million higher on a year-to-date basis compared to last year due to mark-to-market income in 2005 related to stock-based compensation. This exposure to fluctuations in NOVA Chemicals' share price has been hedged in 2006.

Depreciation and amortization was \$5 million higher in the second quarter of 2006 compared to the first quarter of 2006 primarily due to amortization of the Corunna modernization project deferred start-up costs.

Interest expense was higher by \$13 million in the second quarter of 2006 compared to the second quarter of 2005 and \$30 million higher on a year-to-date basis compared to 2005 due to less capitalized interest resulting from the completion of the Corunna and Bayport projects, higher debt levels and higher interest rates.

Financing

NOVA Chemicals has a \$375 million revolving credit facility, expiring June 30, 2010. As of June 30, 2006, NOVA Chemicals had utilized \$111 million of the revolving credit facility, of which \$1 million is in the form of operating letters of credit. On Mar. 31, 2006, NOVA Chemicals amended its debt to capitalization ratio financial covenant from 55% to 60% for the period Mar. 31, 2006 to Sep. 30, 2006. Using the covenant methodology in the revolving credit facility, the debt to capitalization ratio was 52% at June 30, 2006. NOVA Chemicals continues to comply with all financial covenants under the facility.

NOVA Chemicals also has a \$100 million unsecured revolving facility, expiring in March 2011. As of June 30, 2006, NOVA Chemicals had utilized \$87 million of the revolving credit facility, of which \$57 million is in the form of operating letters of credit.

On June 30, 2006, NOVA Chemicals put in place an additional \$100 million unsecured revolving facility expiring June 30, 2008. No amounts have been drawn on this facility.

Effective June 30, 2006, NOVA Chemicals increased the size of its accounts receivable securitization programs to an aggregate amount of \$350 million. The accounts receivable programs will expire on June 30, 2010. As of June 30, 2006, \$285 million was sold under the accounts receivable securitization programs.

On May 15, 2006, \$300 million of 7% medium-term notes were repaid.

Included in current debt are NOVA Chemicals' \$198 million of preferred shares. The total return swap, which is closely tied to the preferred shares, comes due on Mar. 15, 2007. As a result, the preferred shares would also become due for redemption and have therefore been classified as current debt. In addition, \$72 million of restricted cash and other assets have also been reclassified to current assets.

Feedstock Derivative Positions

NOVA Chemicals maintains a derivatives program to manage risk associated with feedstock purchases. In the second quarter, there was no net gain or loss from natural gas, benzene and crude oil positions that matured; there was a \$4 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 derivative positions that do not qualify for hedge accounting treatment. The gain or loss resulting from changes in the market value of these derivatives is recorded through earnings each period. The mark-to-market earnings impact in the second quarter of NOVA Chemicals' outstanding feedstock derivative portfolio was an \$8 million after-tax gain compared to a \$16 million after-tax loss in the first quarter. These mark-to-market adjustments are recorded as part of Corporate and Other results until the positions are realized. Once realized, any income effects are recorded in business results.

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 NOVA Chemicals uses FIFO, a portion of the first quarter feedstock purchases flowed through the Consolidated Statement of Net Income (Loss) and Reinvested Earnings in the second quarter. The following chart depicts the benzene, crude and natural gas prices at the end of each quarter.

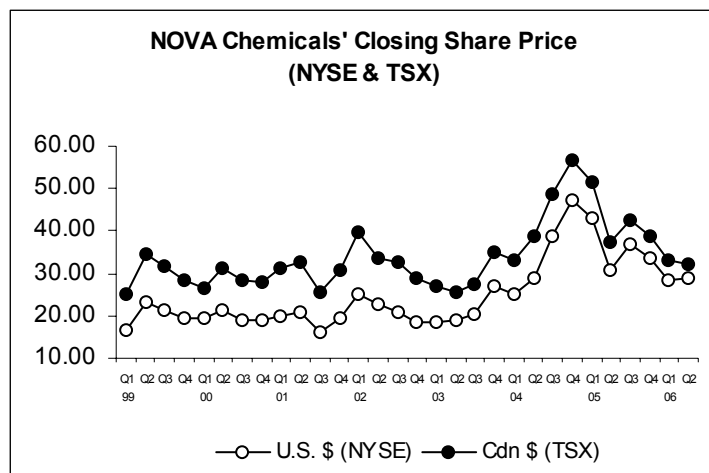
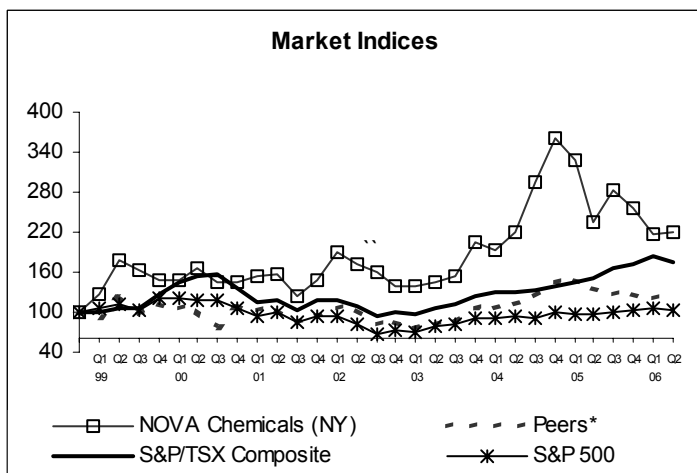
	<u>June 2006</u>	<u>March 2006</u>
Benzene ⁽¹⁾	\$ 3.30 per gallon	\$ 2.73 per gallon
Crude ⁽²⁾	\$ 70.96 per barrel	\$ 62.97 per barrel
Natural Gas ⁽³⁾	\$ 5.96 per mmBTU	\$ 7.28 per mmBTU

(1) Source: CMAI

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

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

NOVA Chemicals estimates that earnings would have been about \$20 million lower in the second quarter had NOVA Chemicals used the LIFO method of accounting primarily due to the escalation of benzene and crude prices during the second quarter.



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

NOVA Chemicals' share price on the New York Stock Exchange (NYSE) rose to \$28.79 at June 30, 2006 from \$28.50 at Mar. 31, 2006. NOVA Chemicals' share value increased 1% for the quarter ending June 30, 2006 on the NYSE while NOVA Chemicals' share value decreased 4% for the quarter ending June 30, 2006 on the Toronto Stock Exchange (TSX). Peer chemical companies' share values increased 4% on average and the S&P Chemicals Index decreased 1%. The S&P/TSX Composite Index was down 4% and the S&P 500 was down 2% in the second quarter. As of July 19, 2006, NOVA Chemicals' share price was \$29.42, up 2% from June 30, 2006. The S&P Chemicals Index was down 2% over the same period.

In the second quarter, approximately 43% of trading in NOVA Chemicals' shares took place on the TSX and 57% of trading took place on the NYSE and other U.S. markets.

<u>Second Quarter Trading Volumes</u>	<u>Millions of Shares</u>	<u>% of Float</u>	<u>% of Trading</u>
Toronto Stock Exchange	26.6	32%	43%
Consolidated U.S. Trading Volumes	35.6	43%	57%
Total	62.2	75%	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.

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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

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Share Information

NOVA Chemicals' trading symbol on the New York and Toronto Stock Exchanges is NCX.

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CHANGES IN NET INCOME (LOSS)

(millions of U.S. dollars)

	Q2 2006 Compared with		First Six Months 2006 Compared with First Six Months 2005
	Q1 2006	Q2 2005	
Higher net unit margins	\$ 26	\$ 119	\$ 28
Higher sales volumes	47	36	12
Higher operating margin ⁽¹⁾	73	155	40
Higher research and development	(1)	(1)	(1)
Higher selling, general and administrative	(4)	(40)	(46)
Lower (higher) restructuring charges	14	(1)	(16)
Higher depreciation and amortization.....	(5)	(3)	(3)
Lower (higher) interest expense	2	(13)	(30)
(Lower) higher other gains and losses	(2)	-	2
Lower income tax expense	36	36	88
Increase in net income (loss)	\$ 113	\$ 133	\$ 34

(1) Operating margin equals revenue less feedstock and operating costs.

Forward-Looking Information

This news release contains forward-looking statements with respect to NOVA Chemicals, its subsidiaries and affiliated companies. By their nature, forward-looking statements require NOVA Chemicals to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections will not prove to be accurate, that NOVA Chemicals' assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. Forward-looking statements for the time periods beyond 2006 involve longer-term assumptions and estimates than forward-looking statements for 2006 and are consequently subject to greater uncertainty. NOVA Chemicals cautions readers of this news release not to place undue reliance on its forward-looking statements as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The words "believe," "expect," "plan," "intend," "estimate," or "anticipate" and similar expressions, as well as future or conditional verbs such as "will," "should," "would," and "could" often identify forward-looking statements. Specific forward-looking statements contained in this news release include, among others, statements regarding: NOVA Chemicals' expectations with respect to delivery of total annual cost reductions of approximately \$65 million by the end of the third quarter that will positively impact company results; NOVA Chemicals' belief that its restructuring will position STYRENIX as a potential catalyst for change in the industry; expected Styrenic Performance Products sales and manufacturing capacity growth; expected financial performance in future periods, including cost savings in NOVA Chemicals' STYRENIX business unit; and implementation of announced price increases. With respect to forward-looking statements contained in this news release, NOVA Chemicals has made assumptions regarding, among other things: future oil, natural gas and benzene prices; its ability to obtain raw materials; its ability to market products successfully to its anticipated customers; the impact of increasing competition; and its ability to obtain financing on acceptable terms. Some of the risks that could affect NOVA Chemicals' future results and could cause results to differ materially from those expressed in the forward-looking statements 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; NOVA Chemicals ability to implement its business strategies; 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, including customer acceptance of NOVA Chemicals' Performance Products; changes in, or the introduction of new laws and regulations relating to NOVA Chemicals' business, including environmental, competition and employment laws; costs to comply with the Kyoto Protocol; loss of the services of any of NOVA Chemicals' executive officers; uncertainties associated with the North American, South American, European, and Asian economies; terrorist attacks; severe weather events; and other risks detailed from time to time in the publicly filed disclosure documents and securities commission 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.

NOVA Chemicals' forward-looking statements are expressly qualified in their entirety by this cautionary statement. In addition, the forward-looking statements are made only as of the date of this news release, and except as required by applicable law, NOVA Chemicals undertakes no obligation to publicly update these forward-looking statements to reflect new information, subsequent events or otherwise.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements 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 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Revenue	\$ 1,619	\$ 1,553	\$ 1,329	\$ 3,172	\$ 2,817
Feedstock and operating costs.....	1,363	1,370	1,228	2,733	2,418
Research and development.....	13	12	12	25	24
Selling, general and administrative.....	54	50	14	104	58
Restructuring charges (Note 3).....	1	15	-	16	-
Depreciation and amortization.....	77	72	74	149	146
	<u>1,508</u>	<u>1,519</u>	<u>1,328</u>	<u>3,027</u>	<u>2,646</u>
Operating income	<u>111</u>	<u>34</u>	<u>1</u>	<u>145</u>	<u>171</u>
Interest expense (net) (Note 4).....	(40)	(42)	(27)	(82)	(52)
Other gains and losses (net) (Note 5)	-	2	-	2	-
	<u>(40)</u>	<u>(40)</u>	<u>(27)</u>	<u>(80)</u>	<u>(52)</u>
Income (loss) before income taxes.....	71	(6)	(26)	65	119
Income tax recovery (expense) (Note 6)....	37	1	1	38	(50)
Net income (loss).....	\$ 108	\$ (5)	\$ (25)	\$ 103	\$ 69
Reinvested earnings, beginning of period ..	377	390	608	390	633
Common share dividends	(8)	(7)	(6)	(15)	(13)
Common share repurchase.....	-	-	-	-	(107)
Options retired for cash (net)	-	(1)	-	(1)	(5)
Reinvested earnings, end of period.....	\$ 477	\$ 377	\$ 577	\$ 477	\$ 577
Earnings (loss) per share (Note 7)					
- basic.....	\$ 1.31	\$ (0.06)	\$ (0.29)	\$ 1.25	\$ 0.84
- diluted.....	\$ 1.30	\$ (0.06)	\$ (0.29)	\$ 1.24	\$ 0.82

Summary Quarterly Financial Information

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

	Three Months Ended							
	2006		2005				2004	
	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenue.....	\$ 1,619	1,553	1,433	1,366	1,329	1,488	1,527	1,379
Operating income (loss).....	\$ 111	34	(79)	(96)	1	170	51	96
Net income (loss).....	\$ 108	(5)	(68)	(105)	(25)	94	162	56
Net income (loss) per share								
-basic	\$ 1.31	(0.06)	(0.82)	(1.28)	(0.29)	1.12	1.91	0.64
-diluted	\$ 1.30	(0.06)	(0.82)	(1.28)	(0.29)	1.06	1.78	0.60
Weighted-average common shares outstanding (millions)								
-basic	82.5	82.5	82.4	82.3	82.3	83.2	84.8	87.2
-diluted	83.2	82.5	82.4	82.3	82.3	90.0	92.4	95.9

Notes to the Consolidated Financial Statements appear on pages 20 to 24.

Consolidated Balance Sheets

(unaudited, millions of U.S. dollars)

	<u>June 30, 2006</u>	<u>Dec. 31, 2005</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 93	\$ 166
Restricted cash and other assets	72	-
Accounts receivable	493	564
Inventories	674	680
	<u>1,332</u>	<u>1,410</u>
Investments and other assets	119	181
Plant, property and equipment, net	<u>3,732</u>	<u>3,626</u>
	<u>\$ 5,183</u>	<u>\$ 5,217</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank loans	\$ -	\$ 1
Accounts payable and accrued liabilities	948	996
Long-term debt due within one year	<u>200</u>	<u>301</u>
	1,148	1,298
Long-term debt	1,690	1,737
Future income taxes	614	645
Deferred credits and long-term liabilities	<u>344</u>	<u>318</u>
	<u>3,796</u>	<u>3,998</u>
Shareholders' equity		
Common shares	497	494
Contributed surplus	16	11
Cumulative translation adjustment	397	324
Reinvested earnings	477	390
	<u>1,387</u>	<u>1,219</u>
	<u>\$ 5,183</u>	<u>\$ 5,217</u>

Notes to the Consolidated Financial Statements appear on pages 20 to 24.

Consolidated Statements of Cash Flows

(unaudited, millions of U.S. dollars)

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Operating activities					
Net income (loss)	\$ 108	\$ (5)	\$ (25)	\$ 103	\$ 69
Depreciation and amortization	77	72	74	149	146
Future income tax recovery	(73)	(27)	(9)	(100)	(23)
(Gain) loss on derivatives	(12)	18	4	6	1
Other gains and losses	-	(2)	-	(2)	-
Stock option expense	1	3	1	4	4
Funds from operations	101	59	45	160	197
Changes in non-cash working capital	147	(80)	67	67	10
Cash (used in) from operations	<u>248</u>	<u>(21)</u>	<u>112</u>	<u>227</u>	<u>207</u>
Investing activities					
Proceeds on asset sales and other capital transactions	-	2	-	2	-
Plant, property and equipment additions	(64)	(41)	(115)	(105)	(188)
Turnaround costs, long-term investments and other assets	(11)	(9)	(16)	(20)	(34)
Settlement of derivatives	1	6	10	7	13
Changes in non-cash working capital	(5)	(6)	5	(11)	112
	<u>(79)</u>	<u>(48)</u>	<u>(116)</u>	<u>(127)</u>	<u>(97)</u>
Financing activities					
Decrease in current bank loans	-	(1)	-	(1)	-
Long term debt additions	-	4	-	4	-
Long term debt repayments	(302)	-	-	(302)	-
Long term debt – changes in revolving debt	139	(1)	-	138	-
Options retired for cash	-	-	-	-	(10)
Common shares issued	-	2	-	2	11
Common share repurchases	-	-	-	-	(125)
Common share dividends	(8)	(7)	(6)	(15)	(13)
Changes in non-cash working capital	1	-	(1)	1	(2)
	<u>(170)</u>	<u>(3)</u>	<u>(7)</u>	<u>(173)</u>	<u>(139)</u>
Decrease in cash and cash equivalents	(1)	(72)	(11)	(73)	(29)
Cash and cash equivalents, beginning of period	94	166	227	166	245
Cash and cash equivalents, end of period	<u>\$ 93</u>	<u>\$ 94</u>	<u>\$ 216</u>	<u>\$ 93</u>	<u>\$ 216</u>
Cash tax payments	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 11</u>	<u>\$ 53</u>
Cash interest payments	<u>\$ 48</u>	<u>\$ 36</u>	<u>\$ 24</u>	<u>\$ 84</u>	<u>\$ 62</u>

Notes to the Consolidated Financial Statements appear on pages 20 to 24.

Notes to Consolidated Financial Statements

(unaudited, millions of U.S. dollars, except per share amounts and 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, 2005.

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, 2005 on pages 71 to 75 of the 2005 Annual Report.

Certain comparative figures have been restated to conform with the current periods' presentation.

2. Pensions and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost for
Defined Benefit Plans

	Three Months Ended					
	June 30, 2006		Mar. 31, 2006		June 30, 2005	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost	\$ 7	\$ 2	\$ 7	\$ 1	\$ 6	\$ 1
Interest cost on projected benefit obligations.....	9	1	9	1	9	1
Actual return on plan assets	(9)	-	(9)	-	(9)	-
Costs arising in the period	7	3	7	2	6	2
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:						
Transition asset	(1)	-	(1)	-	(1)	-
Actuarial loss	2	-	2	-	2	-
Net defined benefit cost recognized	\$ 8	\$ 3	\$ 8	\$ 2	\$ 7	\$ 2

	Six Months Ended			
	June 30, 2006		June 30, 2005	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Current service cost	\$ 14	\$ 3	\$ 12	\$ 2
Interest cost on projected benefit obligations.....	18	2	18	2
Actual return on plan assets	(18)	-	(18)	-
Costs arising in the period	14	5	12	4
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:				
Transition (asset) obligation	(2)	-	(2)	1
Actuarial loss	4	-	4	1
Net defined benefit cost recognized	\$ 16	\$ 5	\$ 14	\$ 6

The expected long-term rate of return on plan assets is 7.3%.

Employer Contributions

NOVA Chemicals contributed \$12 million to its defined benefit pension plans and \$2 million to its defined contribution plans in the second quarter of 2006. NOVA Chemicals contributed \$22 million to its defined benefit pension plans and \$4 million to its defined contribution plans in the six months ended June 30, 2006.

3. Restructuring Charges

NOVA Chemicals accrued \$1 million of additional restructuring costs in the second quarter of 2006 related to rationalization activities commenced in 2005 in its European joint venture with INEOS, NOVA Innovene. These actions will largely be complete by the end of 2006.

On Jan. 19, 2006, NOVA Chemicals announced its intention to permanently close its Chesapeake, VA plant. Closure of the site is expected to reduce costs by \$15 million annually and reduce SPS production capacity by 300 million pounds and compounding capability by 170 million pounds annually. Severance costs of \$15 million (\$10 million after-tax) related to the Chesapeake closure were accrued in the first quarter of 2006. NOVA Chemicals ceased producing polystyrene resin at this site in early June and expects to discontinue its compounding operation in the second half of 2006. Less than \$1 million of the \$15 million accrued severance costs was spent in the second quarter.

4. Interest Expense

Components of Interest Expense

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Interest on long-term debt	\$ 37	\$ 38	\$ 28	\$ 75	\$ 55
Interest on securitizations and other	6	5	3	11	4
Gross interest expense.....	43	43	31	86	59
Interest capitalized during plant construction .	-	(1)	(3)	(1)	(5)
Interest income	(3)	-	(1)	(3)	(2)
Interest expense (net).....	<u>\$ 40</u>	<u>\$ 42</u>	<u>\$ 27</u>	<u>\$ 82</u>	<u>\$ 52</u>

5. Other Gains and Losses

NOVA Chemicals recorded a \$2 million before-tax gain on the sale of land at its former Joliet plant site in the first quarter of 2006.

6. Income Taxes

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Income (loss) before income taxes.....	\$ 71	\$ (6)	\$ (26)	\$ 65	\$ 119
Statutory income tax rate.....	32.49%	33.62%	33.62%	32.49%	33.62%
Computed income tax recovery (expense)	\$ (23)	\$ 2	\$ 9	\$ (21)	\$ (40)
Decrease (increase) in taxes resulting from:					
Tax benefit of rate reductions ⁽¹⁾	60	-	-	60	-
Foreign tax rates	2	1	(6)	3	(7)
Other	(2)	(2)	(2)	(4)	(3)
Income tax recovery (expense)	<u>\$ 37</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 38</u>	<u>\$ (50)</u>

(1) As a result of Canadian federal and Alberta provincial income tax rate reductions, which were enacted in the second quarter of 2006, future tax liabilities were reduced by \$60 million. This benefit was recorded as a reduction in income tax expense.

7. Earnings (Loss) Per Share

(shares in millions)	Three Months Ended						Six Months Ended			
	June 30 2006		Mar. 31 2006		June 30 2005		June 30 2006		June 30 2005	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss).....	\$ 108	\$ 108	\$ (5)	\$ (5)	\$ (25)	\$ (25)	\$ 103	\$ 103	\$ 69	\$ 69
Interest on convertible preferred shares	-	-	-	-	-	-	-	-	-	4
Net income (loss) for EPS calculation	\$ 108	\$ 108	\$ (5)	\$ (5)	\$ (25)	\$ (25)	\$ 103	\$ 103	\$ 69	\$ 73
Weighted-average common shares outstanding	82.5	82.5	82.5	82.5	82.3	82.3	82.5	82.5	82.8	82.8
Add back effect of dilutive securities:										
Stock options	-	0.7	-	-	-	-	-	0.8	-	2.0
Preferred shares	-	-	-	-	-	-	-	-	-	5.0
Weighted-average common shares for EPS calculations	82.5	83.2	82.5	82.5	82.3	82.3	82.5	83.3	82.8	89.8
Earnings (loss) per common share.....	\$1.31	\$1.30	\$(0.06)	\$(0.06)	\$(0.29)	\$(0.29)	\$1.25	\$1.24	\$0.84	\$0.82

No stock options were excluded from the computation of diluted earnings per share for the quarter ended June 30, 2006; however, 4.4 million stock options were excluded from the computation of diluted earnings per share for the quarter ended Mar. 31, 2006 and 4.7 million stock options and 8.5 million retractable preferred shares were excluded from the computation of diluted earnings per share for the quarter ended June 30, 2005 because they were anti-dilutive. As of June 30, 2006, the fully diluted share count was 83.1 million. 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 preferred shares were dilutive prior to September 2005 when NOVA Chemicals' earnings per share was greater than the preferred share dividend divided by the number of shares issued on conversion. As of Sept. 30, 2005, the preferred shares are no longer convertible to NOVA Chemicals' common stock and therefore are no longer a dilutive factor in the earnings per share calculation. No restatements were made to prior periods.

8. Segmented Information

On June 26, 2006, NOVA Chemicals announced the restructuring of its business into three units to better reflect its performance, align resources and reduce costs. These three units are Olefins/Polyolefins, EPS/SPP and STYRENIX. Previously, the business was reflected in two segments: Olefins/Polyolefins and Styrenics. Prior periods have been restated to reflect the new operating segments.

	Three Months Ended			Six Months Ended	
	June 30 2006	Mar. 31 2006	June 30 2005	June 30 2006	June 30 2005
Revenue					
Olefins/Polyolefins.....	\$ 1,078	\$ 1,008	\$ 851	\$ 2,086	\$ 1,809
EPS/SPP	106	99	102	205	204
STYRENIX	510	512	449	1,022	968
Intersegment eliminations ⁽¹⁾	(75)	(66)	(73)	(141)	(164)
	\$ 1,619	\$ 1,553	\$ 1,329	\$ 3,172	\$ 2,817
Operating income (loss)					
Olefins/Polyolefins.....	\$ 160	\$ 129	\$ 101	\$ 289	\$ 288
EPS/SPP	(4)	(6)	(8)	(10)	(8)
STYRENIX	(53)	(45)	(90)	(98)	(109)
Corporate and other	8	(44)	(2)	(36)	-
	\$ 111	\$ 34	\$ 1	\$ 145	\$ 171
Net income (loss)					
Olefins/Polyolefins.....	\$ 151	\$ 70	\$ 56	\$ 221	\$ 169
EPS/SPP	(4)	(6)	(6)	(10)	(6)
STYRENIX	(45)	(39)	(71)	(84)	(91)
Corporate and other	6	(30)	(4)	(24)	(3)
	\$ 108	\$ (5)	\$ (25)	\$ 103	\$ 69

(1) Intersegment eliminations include eliminations between any of the three business units.

	<u>June 30 2006</u>	<u>Dec. 31 2005</u>
Assets		
Olefins/Polyolefins.....	\$ 2,870	\$ 2,888
EPS/SPP.....	371	333
STYRENIX.....	1,600	1,584
Corporate and other ⁽¹⁾	342	412
	<u>\$ 5,183</u>	<u>\$ 5,217</u>

(1) Amounts include all cash and cash equivalents.

9. Reconciliation to United States Generally Accepted Accounting Principles

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>June 30 2006</u>	<u>Mar. 31 2006</u>	<u>June 30 2005</u>	<u>June 30 2006</u>	<u>June 30 2005</u>
Net income (loss) in accordance with Canadian GAAP.....	\$ 108	\$ (5)	\$ (25)	\$ 103	\$ 69
Add (deduct) adjustments for:					
Hedging and derivative activity ⁽¹⁾	1	-	-	1	(2)
Inventory costing ⁽²⁾	(3)	(3)	(6)	(6)	(7)
Start-up costs ⁽³⁾	1	(7)	-	(6)	1
Other.....	-	-	1	-	1
Net income (loss) in accordance with U.S. GAAP.....	<u>\$ 107</u>	<u>\$ (15)</u>	<u>\$ (30)</u>	<u>\$ 92</u>	<u>\$ 62</u>
Earnings (loss) per share – basic.....	<u>\$ 1.29</u>	<u>\$ (0.18)</u>	<u>\$ (0.36)</u>	<u>\$ 1.12</u>	<u>\$ 0.75</u>
Earnings (loss) per share – diluted.....	<u>\$ 1.28</u>	<u>\$ (0.18)</u>	<u>\$ (0.36)</u>	<u>\$ 1.10</u>	<u>\$ 0.74</u>

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>June 30 2006</u>	<u>Mar. 31 2006</u>	<u>June 30 2005</u>	<u>June 30 2006</u>	<u>June 30 2005</u>
Comprehensive income (loss) ⁽⁴⁾					
Net income (loss) in accordance with U.S. GAAP.....	\$ 107	\$ (15)	\$ (30)	\$ 92	\$ 62
Cumulative translation adjustment ⁽⁵⁾	66	7	(63)	73	(95)
Comprehensive income (loss) in accordance with U.S. GAAP.....	<u>\$ 173</u>	<u>\$ (8)</u>	<u>\$ (93)</u>	<u>\$ 165</u>	<u>\$ (33)</u>

	<u>June 30 2006</u>	<u>Dec. 31 2005</u>
Accumulated other comprehensive income ⁽⁴⁾		
Cumulative translation adjustment ⁽⁵⁾	\$ 376	\$ 303
Minimum pension liability ⁽⁶⁾	(12)	(12)
	<u>\$ 364</u>	<u>\$ 291</u>

Balance sheet in accordance with U.S. GAAP		
Current assets ⁽²⁾	\$ 1,375	\$ 1,455
Investments and other assets ^{(3), (6)}	88	159
Plant, property and equipment, net.....	3,711	3,604
Current liabilities ⁽¹⁾	(1,144)	(1,293)
Long-term debt ⁽¹⁾	(1,693)	(1,742)
Deferred credits and long-term liabilities ^{(1), (6)}	(966)	(972)
Common equity.....	<u>\$ 1,371</u>	<u>\$ 1,211</u>

- (1) **Derivative Instruments and Hedging Activities.** Canadian GAAP does not require the recognition of derivative instruments on the consolidated balance sheet at fair values, unless the derivative instrument does not qualify for hedge accounting under Canadian Accounting Guideline 13, Hedging Relationships (AcG-13). Non-qualifying derivatives are adjusted to fair value through income (loss). Under U.S. GAAP, entities must follow the recommendations of Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, which require the recognition of all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income (loss). If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. For derivatives that are designated and qualify as hedging instruments, the Corporation documents the hedging strategy, including hedging instrument and hedged item, based on the risk exposure being hedged. Based upon the designated hedging strategy, effectiveness of the hedge in offsetting the hedged risk is assessed at inception and on an ongoing basis during the term of the hedge. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The application of SFAS No. 133 for U.S. GAAP reporting results in differences related to foreign exchange, commodity-based and other derivative instruments used by NOVA Chemicals.
- (2) **Inventory Costing.** Canadian GAAP allows fixed overhead costs associated with production activities to be expensed during the period whereas U.S. GAAP requires an allocation of fixed production overhead to inventory.
- (3) **Start-up Costs.** Canadian GAAP provides that when an entity starts up a new facility, expenditures incurred during the pre-operating period may be deferred when certain criteria are met. Under U.S. GAAP, all costs (except interest on constructed assets) associated with start-up activities must be expensed as incurred.
- (4) **Comprehensive Income (loss).** U.S. GAAP SFAS No. 130, Reporting Comprehensive Income, requires the presentation of a statement containing the components of comprehensive income (loss) and the accumulated balance of other comprehensive income. Comprehensive income includes all changes in equity during the period including items that are not in net income (loss). This statement is not currently required under Canadian GAAP.
- (5) **Cumulative Translation Adjustment.** Under U.S. GAAP unrealized 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.
- (6) **Minimum Pension Liability.** SFAS No. 87, Employer's Accounting for Pensions, requires an employer to record an additional minimum liability (AML) if the unfunded accumulated benefit obligation exceeds the accrued pension liability or if there is a prepaid pension asset with respect to the plan. If an AML is recognized, an intangible asset, in an amount not exceeding the unrecognized prior service cost, is also recognized. The excess of the AML, over the intangible asset, if any, is charged to other comprehensive income, net of income tax effects.
- (7) **Joint Ventures.** NOVA Chemicals accounts for its interests in joint ventures using the proportionate consolidation method under Canadian GAAP. As permitted by specific United States Securities and Exchange Commission exemptions, adjustments to reflect equity accounting, as required under U.S. GAAP, have not been made. The equity method would not result in any changes in NOVA Chemicals' net income (loss) or shareholders' equity, however, all assets, liabilities, revenue, expenses, and most cash flow items would decrease when compared with the amounts that are presented using proportionate consolidation.