

# NOVA Chemicals Q3 Results:

## Strong demand, tight supply driving price and margin improvement

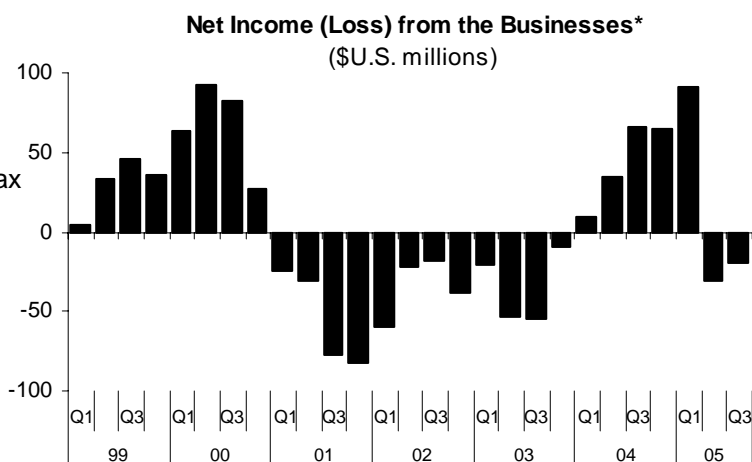
For immediate release, Wednesday, October 19, 2005 Pittsburgh, PA  
All financial information is in U.S. dollars unless otherwise indicated.

NOVA Chemicals Corporation (NOVA Chemicals) reported a net loss of \$105 million (\$1.28 per share loss diluted) for the third quarter of 2005.

Included in the third quarter 2005 loss is the estimated impact of two unusual events totaling \$95 million after-tax (\$1.15 per share loss diluted):

- Joffre ethane interruption.....\$20 million
- Non-cash write-down primarily due to the European Styrenics joint venture....\$75 million

This quarter's total net loss compares to a net loss of \$25 million (\$0.29 per share loss diluted) for the second quarter of 2005. In the third quarter of 2004, NOVA Chemicals reported net income of \$56 million (\$0.60 per share diluted).



\*Net income (loss) from the Olefins/Polyolefins and Styrenics Businesses (See Supplemental Measures on page 12.)

"The two hurricanes on the U.S. Gulf Coast created unprecedented petrochemical and plastic resin production outages in a market that was already strengthening due to low inventories and very healthy demand," said Jeff Lipton, NOVA Chemicals' President and CEO. "NOVA Chemicals continues to implement price increases that began early in the third quarter; with margins now expanding despite higher feedstock costs."

### Third Quarter Snapshot

#### Olefins/Polyolefins:

- Net income of \$39 million in Q3 2005 compares to \$45 million in Q2 2005.
- Polyethylene sales volume was 2% lower than Q2 2005 due to the continued impact of planned and unplanned outages. The estimated loss of sales due to maintenance outages negatively impacted net income by \$14 million.
- Polyethylene prices were up 5%.
- The sales volume loss due to the Alberta storm that interrupted ethane production is estimated to have negatively impacted net income by \$20 million in Q3 2005, for a total impact of \$24 million.

#### Styrenics:

- Net loss of \$59 million in Q3 2005 versus a net loss of \$76 million in Q2 2005.
- North American styrenic polymer prices declined 3% and sales volumes fell 6% primarily on weaker EPS demand.
- European styrenic polymer prices declined 3%, while sales volumes increased 11%.
- Hurricanes Katrina and Rita forced the shutdown of 83% of North American styrene monomer capacity, resulting in the loss of more than 600 million pounds of production. Our Bayport, TX styrene site avoided significant damage.
- The NOVA Innovene JV in Europe commenced operations on October 1 and took rapid steps to reduce fixed costs.

#### Corporate:

- Debt repayment of \$81 million; cash position at quarter-end of \$97 million.
- Preferred shareholders agreed to a removal of the conversion feature of their shares, reducing potential share dilution by 5.8 million shares. A share buy-back program for up to 7.2 million shares was also announced.
- A non-cash write-down of \$75 million was taken primarily due to the NOVA Innovene decision to cease EPS production at Berre, France and permanently shutdown the EPS plant at Carrington, UK.

NOVA Chemicals will host a conference call today, Wednesday, October 19, 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. 3155699). The live call is also available on the Internet at [www.vcall.com](http://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			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Net income (loss) <sup>(1)</sup>					
Olefins/Polyolefins	\$ 39	\$ 45	\$ 77	\$ 196	\$ 167
Styrenics	(59)	(76)	(10)	(156)	(56)
Corporate and other <sup>(2)</sup>	(85)	6	(11)	(76)	(21)
Net income (loss)	\$ (105)	\$ (25)	\$ 56	\$ (36)	\$ 90
Earnings (loss) per common share					
- basic	\$ (1.28)	\$ (0.29)	\$ 0.64	\$ (0.44)	\$ 1.03
- diluted	\$ (1.28)	\$ (0.29)	\$ 0.60	\$ (0.44)	\$ 0.98
Weighted-average common shares outstanding (millions) <sup>(3) (4)</sup>					
- basic	82	82	87	83	87
- diluted <sup>(5)</sup>	82	82	96	83	96
Revenue	\$ 1,366	\$ 1,329	\$ 1,379	\$ 4,183	\$ 3,743
EBITDA <sup>(6)</sup>	\$ 59	\$ 75	\$ 164	\$ 376	\$ 438
Depreciation and amortization	\$ 70	\$ 74	\$ 68	\$ 216	\$ 225
Funds from operations	\$ 35	\$ 41	\$ 128	\$ 231	\$ 336
Capital expenditures (net)	\$ 102	\$ 115	\$ 60	\$ 290	\$ 142
Average capital employed <sup>(7)</sup>	\$ 3,275	\$ 3,354	\$ 3,328	\$ 3,340	\$ 3,241
After-tax return (loss) on capital employed <sup>(8)</sup>	(10.4)%	(0.5)%	9.1%	0.9%	6.2%
Return (loss) on average common equity <sup>(9)</sup>	(31.6)%	(7.2)%	16.9%	(3.5)%	9.4%

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

(2) See table on page 13 for a description of all corporate and other items.

(3) Weighted-average number of common shares outstanding during the period used to calculate the earnings (loss) per share. See page 20, Note 5 for more information.

(4) For periods where there are losses, diluted shares are the same as basic shares because losses are not diluted.

(5) During Sept. 2005, the terms of the preferred shares of our subsidiary, NOVA Chemicals Inc., were amended to remove the feature allowing the holders, under certain circumstances, to convert the preferred shares to NOVA Chemicals' common shares. Accordingly, the preferred shares no longer impact diluted earnings per share.

(6) 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 16 and Supplemental Measures on page 12.

(7) 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 12.

(8) 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 12.

(9) 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			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Revenue <sup>(1)</sup>	\$ 878	\$ 851	\$ 824	\$ 2,687	\$ 2,318
Operating income	\$ 77	\$ 85	\$ 137	\$ 348	\$ 311
Depreciation and amortization	41	42	40	124	139
EBITDA <sup>(2)</sup>	\$ 118	\$ 127	\$ 177	\$ 472	\$ 450
Net income	\$ 39	\$ 45	\$ 77	\$ 196	\$ 167
Capital expenditures (net)	\$ 67	\$ 62	\$ 31	\$ 175	\$ 66
Average capital employed <sup>(3)</sup>	\$ 1,980	\$ 2,000	\$ 1,942	\$ 2,010	\$ 1,895
After-tax return on capital employed <sup>(4)</sup>	10.0%	11.1%	18.0%	15.0%	14.0%

(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 12.

(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<sup>(1)</sup>

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

	Three Month Average			Nine Month Average	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Ethylene <sup>(2)</sup>	\$ 0.41	\$ 0.38	\$ 0.33	\$ 0.40	\$ 0.32
Polyethylene – LLDPE butene liner <sup>(3)</sup>	\$ 0.54	\$ 0.51	\$ 0.48	\$ 0.55	\$ 0.46
Polyethylene – weighted-average benchmark <sup>(4)</sup>	\$ 0.58	\$ 0.55	\$ 0.49	\$ 0.58	\$ 0.47
NYMEX natural gas (dollars per mmbtu) <sup>(5)</sup>	\$ 8.25	\$ 6.80	\$ 5.84	\$ 7.12	\$ 5.83
WTI crude oil (dollars per barrel) <sup>(6)</sup>	\$ 63.19	\$ 53.17	\$ 43.88	\$ 55.40	\$ 39.11

(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			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
NOVAPOL <sup>®</sup>					
Joffre site: LLDPE	301	279	329	890	962
Moore site: LDPE <sup>(1)</sup>	65	69	82	199	232
Moore site: HDPE <sup>(2)</sup>	106	100	115	304	332
SCLAIRTECH <sup>™</sup>					
St. Clair site: LLDPE and HDPE	89	94	118	275	358
Advanced SCLAIRTECH <sup>™</sup>					
Joffre site: LLDPE and HDPE					
Standard Products	26	78	122	198	387
Performance Products <sup>(3)</sup>	127	105	76	328	186
<b>Total</b>	<b>714</b>	<b>725</b>	<b>842</b>	<b>2,194</b>	<b>2,457</b>

NOVAPOL<sup>®</sup> is a registered trademark of NOVA Brands Ltd.; authorized use.

SCLAIRTECH<sup>™</sup> and Advanced SCLAIRTECH<sup>™</sup> are trademarks of NOVA Chemicals.

(1) Low-Density Polyethylene (LDPE).

(2) High-Density Polyethylene (HDPE).

(3) Performance Products include SCLAIR<sup>®</sup> and SURPASS<sup>®</sup> resins. SCLAIR<sup>®</sup> is a registered trademark of NOVA Chemicals Corporation in Canada and of NOVA Chemicals (International) S.A. elsewhere; authorized use. SURPASS<sup>®</sup> is a registered trademark of NOVA Chemicals Corporation in Canada and of NOVA Chemicals (International) S.A. elsewhere.

## **Review of Operations**

### **Olefins/Polyolefins**

The Olefins/Polyolefins business reported net income of \$39 million in the third quarter of 2005 compared to net income of \$45 million in the second quarter of 2005. Polyethylene sales volumes were 2% lower as a result of the ethane feedstock disruption at the Joffre site and planned maintenance turnarounds. The Joffre site experienced reduced ethane feed in July and Aug. due to severe weather damage at third-party ethane plants. Co-product sales volumes were down 13% primarily due to the planned maintenance turnaround at the Corunna, Ontario flexi-cracker.

The negative impact to earnings of the planned turnarounds was approximately \$14 million in the third quarter of 2005, and is projected to be \$15-25 million in the fourth quarter, depending on start-up timing. It is estimated that net income in the third quarter of 2005 would have been \$20 million greater had NOVA Chemicals not experienced a loss of sales volume due to the June 21 Joffre ethane feedstock reduction.

In the third quarter of 2004, the Olefins/Polyolefins business reported net income of \$77 million. The year-over-year variance is primarily attributed to planned and unplanned outages and co-product sales volume reductions.

Year-to-date, the Olefins/Polyolefins business reported net income of \$196 million compared to \$167 million for the first nine months of 2004. The year-over-year variance is primarily due to product price increases that outpaced feedstock costs.

### **Ethylene and Feedstocks**

For the third quarter, Chemical Markets Associates, Inc. (CMAI) reported effective operating rates for ethylene in the U.S. of 94% compared to 92% in the second quarter of 2005 and 95% in the third quarter of 2004.

CMAI benchmark USGC ethylene prices averaged 41¢ per pound in the third quarter compared to 38¢ per pound in the second quarter. CMAI reported USGC contract ethylene prices rose 0.5¢ per pound in July, 3¢ per pound in Aug., and 5¢ per pound in Sept., resulting in a net transaction contract price of 45.5¢ per pound in Sept.

The average price of West Texas Intermediate (WTI) crude oil was up 19% to \$63.19 per barrel in the third quarter and the average price of NYMEX natural gas was up 21% to \$8.25 per mmBTU. On Sept. 30, 2005, the closing market price for the NYMEX crude oil contract was \$66.24 per barrel and the NYMEX natural gas contract was \$13.92 per mmBTU.

The basis differential between the Alberta AECO Daily Index and Henry Hub Daily Cash natural gas prices averaged \$1.90 per mmBTU for the quarter, up from \$1.02 per mmBTU in the second quarter of 2005. At the end of the quarter, the basis differential was \$2.65 per mmBTU. The widening natural gas basis differential resulted in a calculated average of 7¢ per pound Alberta Advantage in the third quarter. NOVA Chemicals realized approximately 6¢ per pound of the Alberta Advantage due to the negative affect of the ethane supply problems and reduced production rates.

### **Polyethylene**

NOVA Chemicals' total polyethylene sales volume for the third quarter was 714 million pounds. Due to the continued impact of the Joffre ethane outage and the planned maintenance turnarounds, NOVA Chemicals' North American sales volume was flat compared to the second quarter.

International volumes declined 30% to 88 million pounds quarter-over-quarter, representing 12% of NOVA Chemicals' total polyethylene sales volume this quarter versus 17% in the previous quarter. In Sept., when relative margins increased in the U.S., NOVA Chemicals chose to significantly reduce International sales.

NOVA Chemicals' polyethylene inventories were up from 18 days of sales on June 30, 2005 to 21 days on Sept. 30, 2005 due to NOVA Chemicals' planned turnarounds. Over the same period, American Plastics Council (APC) reported North American industry inventories were down from 39 days of sales to 34 days of sales. APC also reported industry operating rates for polyethylene in North America at an average of 93% for July and Aug., but only 76% for Sept. due to the shutdowns caused by the hurricanes. As a result, APC reported third quarter 2005 industry operating rates for polyethylene in North America of 87%, compared to 88% in the second quarter of 2005 and 97% in the third quarter of 2004.

Hurricanes Katrina and Rita forced the shutdown of several Louisiana, Mississippi, and Texas Gulf Coast plants, affecting 59% of North American ethylene capacity and approximately 48% of North American polyethylene capacity. To date, CMAI estimates the two hurricanes' combined impact on industry production capacity resulted in a reduction in ethylene production of approximately 3 billion pounds and a reduction in polyethylene production of approximately 1.5 billion pounds.

Third quarter weighted-average benchmark polyethylene prices were up approximately 3¢ per pound from the second quarter of 2005. NOVA Chemicals began to implement in North America a series of price increases during the quarter. As of October 15, NOVA Chemicals had announced price increases totaling 39¢ per pound:

<b>2005 Effective Date</b>	<b>Price Increase Announcements</b>
Aug. 1	+6 cpp
Sept. 1	+6 cpp
Sept. 15	+7 cpp (butene copolymer) / +9 cpp (octene copolymer)
Oct. 1	+5 cpp
Nov. 1	+8 cpp
Nov. 15	+7 cpp

### ***Performance Products***

NOVA Chemicals sold 153 million pounds of Advanced SCLAIRTECH polyethylene in the third quarter, down from 183 million pounds in the second quarter due to a planned maintenance outage. However, sales of polyethylene Performance Products, including new SURPASS rotational molding and thin-wall injection molding resins, increased to 127 million pounds or 60% of plant capacity in the third quarter, up from 105 million pounds or 50% of plant capacity in the second quarter. Year-over-year, polyethylene Performance Products sales volume has increased 76% from 186 million pounds to 328 million pounds. As a result, year-over-year Standard Products sales volume decreased approximately 50% from 387 million pounds to 198 million pounds.

*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 14.*

# STYRENICS BUSINESS

## Financial Highlights

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

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Revenue <sup>(1)</sup>	\$ 525	\$ 540	\$ 641	\$ 1,672	\$ 1,633
Operating loss	\$ (74)	\$ (97)	\$ (5)	\$ (191)	\$ (44)
Depreciation and amortization	29	32	28	92	86
EBITDA <sup>(2)</sup>	\$ (45)	\$ (65)	\$ 23	\$ (99)	\$ 42
NOVA Chemicals' Styrenics	\$ (33)	\$ (39)	\$ 20	\$ (57)	\$ 50
European Styrenic Polymers <sup>(3)</sup>	(12)	(26)	3	(42)	(8)
Total EBITDA	\$ (45)	\$ (65)	\$ 23	\$ (99)	\$ 42
Net loss	\$ (59)	\$ (76)	\$ (10)	\$ (156)	\$ (56)
Capital expenditures (net)	\$ 35	\$ 53	\$ 29	\$ 115	\$ 76
Average capital employed <sup>(4)</sup>	\$ 1,360	\$ 1,420	\$ 1,405	\$ 1,407	\$ 1,366
After-tax loss on capital employed <sup>(5)</sup>	(14.6)%	(18.6)%	(0.4)%	(12.1)%	(2.7)%

(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 12.

(3) As of Oct. 1, 2005, European Styrenic Polymers became part of our European joint venture, NOVA Innovene.

(4) 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.

(5) 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<sup>(1)</sup>

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

	Three Month Average			Nine Month Average	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Styrene monomer <sup>(2)</sup>	\$ 0.60	\$ 0.61	\$ 0.66	\$ 0.62	\$ 0.55
Polystyrene weighted-average benchmark <sup>(3)</sup>					
North America	\$ 0.87	\$ 0.90	\$ 0.83	\$ 0.89	\$ 0.74
Europe	\$ 0.65	\$ 0.67	\$ 0.70	\$ 0.67	\$ 0.59
Benzene (dollars per gallon) <sup>(4)</sup>	\$ 2.82	\$ 3.06	\$ 3.62	\$ 3.02	\$ 2.64

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

(4) A 10¢ 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. Source of benzene benchmark prices: CMAI.

### Styrenics Sales Volumes

(millions of pounds)

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Styrene monomer <sup>(1)</sup>	384	396	431	1,207	1,272
Solid and expandable polystyrene					
North America	265	282	337	842	991
Europe	267	240	263	770	797
Performance Products <sup>(2)</sup>	24	27	24	80	77
Total	940	945	1,055	2,899	3,137

(1) Third-party sales only.

(2) Performance Products includes ARCEL<sup>®</sup>, DYLARK<sup>®</sup>, ZYLAR<sup>®</sup> and EPS Silver<sup>®</sup>.

## **Review of Operations**

### **Styrenics**

The Styrenics business reported a net loss of \$59 million in the third quarter of 2005 compared to a net loss of \$76 million in the second quarter of 2005, largely due to more favorable feedstock costs. Styrene monomer prices declined slightly. North American polymer prices and volumes declined 3% and 6%, respectively. European polymer prices declined 3% and volumes increased 11% compared to the second quarter.

In the third quarter of 2004, the Styrenics business reported a net loss of \$10 million. The year-over-year variance is attributed to slightly lower margins and 11% lower volumes.

Year-to-date, the Styrenics business reported a net loss of \$156 million compared to \$56 million for the first nine months of 2004. The year-over-year variance is due to an 8% decline in third-party sales volume, compounded by increasing feedstock and energy costs. Benzene and ethylene prices have increased 14% and 25%, respectively, year-over-year.

#### **Styrene Monomer**

Quarter-over-quarter, styrene monomer margins were flat. In the third quarter of 2005, average benchmark styrene monomer prices declined by 1¢ per pound, compared to the second quarter of 2005.

Benchmark benzene prices increased to \$2.98 per gallon in July from \$2.30 per gallon in June before settling at \$2.75 per gallon for Aug. and Sept. The third quarter 2005 average price of benzene decreased from \$3.06 to \$2.82 per gallon compared to the second quarter, which is the equivalent of approximately 2¢ per pound of styrene. Since peaking in the fourth quarter of 2004, benzene prices are now at the lowest level relative to crude oil since the second quarter of 2003.

In the third quarter, third party styrene monomer sales volume was down 3% compared to the second quarter. Production volume was reduced due to planned turnarounds at Sarnia and Bayport. The Bayport plant was also shutdown as a precaution, on Sept. 21, in anticipation of Hurricane Rita. The plant sustained minimal damage from the hurricane and successfully re-started operations at reduced rates on Oct. 6. Bayport is currently on allocation due to a force majeure declaration issued because of hurricane-related feedstock constraints. We expect the financial impact in the fourth quarter will be approximately \$5 million. NOVA Chemicals estimates approximately 60 to 70 million pounds of Bayport styrene monomer production was lost during the outage.

Hurricanes Katrina and Rita forced the shutdown of several styrene monomer facilities located on the USGC and affected 83% of North American capacity. CMAI estimates the styrene monomer production lost due to the combined effects of the hurricanes was in excess of 600 million pounds.

NOVA Chemicals announced two price increases for styrene monomer during the quarter totaling 11¢ per pound:

<b>2005 Effective Date</b>	<b>Price Increase Announcements</b>
Sept. 1	+3 cpp
Oct. 1	+8 cpp

#### **North American Solid Polystyrene (SPS)**

North American SPS sales volume decreased 2% quarter-over-quarter.

North American benchmark SPS prices declined by approximately 3¢ per pound from the second quarter.

NOVA Chemicals issued a force majeure for SPS in North America as a result of the impact of Hurricane Rita.

NOVA Chemicals began to implement a series of SPS price increases during the quarter. As of Oct. 15, NOVA Chemicals had announced price increases totaling 21¢ per pound:

<b>2005 Effective Date</b>	<b>Price Increase Announcements</b>
Sept. 1	+5 cpp
Oct. 1	+5 cpp
Nov. 1	+6 cpp
Nov. 15	+5 cpp

### ***North American Expandable Polystyrene (EPS)***

North American EPS sales volumes fell 12% compared to second quarter.

North American benchmark EPS prices declined by 2¢ per pound from the second quarter.

NOVA Chemicals has announced the following North American EPS price increase:

<b>2005 Effective Date</b>	<b>Price Increase Announcement</b>
Nov. 1	+5 cpp

During the quarter, NOVA Chemicals and GRUPO IDESA signed binding agreements to form a cashless 50:50 joint venture in Mexico, called NOVIDESA, SA de CV. The joint venture, which plans to be a market leader in high-value EPS applications primarily targeted to the construction market in Mexico, commenced operations on Oct. 1, 2005.

### ***European Styrenic Polymers***

On Oct. 1, 2005 the NOVA Innovene joint venture in Europe commenced operations.

On Oct. 11, 2005, NOVA Innovene announced it will permanently shutdown an EPS plant in Carrington, UK which had previously been idled, and permanently cease EPS production at its Berre, France plant. The two rationalizations will remove nearly 30% of NOVA Innovene's EPS capacity, 310 million pounds per year, and approximately 10% of Western European industry capacity. This action represents the first step toward achieving a minimum of \$40 million in expected synergies identified by the joint venture.

### **European-SPS**

European SPS volume was up 1% from the second quarter.

The weighted-average European SPS benchmark price declined by approximately 3¢ per pound from the second quarter.

NOVA Chemicals announced two price increases totaling 9¢ per pound:

<b>2005 Effective Date</b>	<b>Price Increase Announcements</b>
Sept. 1	+4 cpp
Oct. 1	+5 cpp

### **European-EPS**

European EPS volumes increased 23% as demand strengthened in anticipation of increased pricing.

In Europe, EPS prices fell 6% on average over the quarter.

NOVA Chemicals announced two price increases totaling 9¢ per pound including:

<b>2005 Effective Date</b>	<b>Price Increase Announcements</b>
Sept. 1	+3 cpp
Oct. 1	+6 cpp

## **Performance Products**

Styrenics Performance Products include products such as ARCEL specialty foam resins; DYLARK resins for automotive and food packaging; ZYLAR resins for food, medical and industrial packaging; and EPS Silver resins for building and construction products.<sup>2</sup> Styrenics Performance Products volumes for the quarter were 24 million pounds, approximately the same as third quarter 2004.

There were several Performance Products developments during the quarter including:

- NOVA Chemicals entered into a long-term agreement with Loyal Chemical Industrial Corporation to manufacture ARCEL moldable foam resin near Shanghai, China. The agreement is a component of NOVA Chemicals' plan to expand manufacturing capacity for ARCEL from 30 million pounds to 100 million pounds annually by the end of 2006.
- NOVA Chemicals signed a joint development agreement with Dietrich Metal Framing, a Worthington Industries company, to commercialize innovative construction products that combine light gauge steel framing with EPS.

*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 14.*

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<sup>2</sup> ARCEL<sup>®</sup> and DYLARK<sup>®</sup> are registered trademarks of NOVA Chemicals Inc. ZYLAR<sup>®</sup> is a registered trademark of NOVA Chemicals (Canada) Ltd./NOVA Chimie (Canada) Ltée.; authorized use/utilization autorisée. EPS Silver<sup>®</sup> is a registered trademark of NOVA Chemicals (International) SA in the European Community and a trademark of NOVA Chemicals Inc. in North America.

## Liquidity and Capital Resources

### Capitalization

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

	<u>Sept. 30 2005</u>	<u>June 30 2005</u>	<u>Dec. 31 2004</u>
Current debt <sup>(1)</sup>	\$ 303	\$ 400	\$ 100
Long-term debt <sup>(2) (3)</sup>	1,338	1,309	1,614
Less: cash and cash equivalents	(97)	(216)	(245)
restricted cash	<u>(65)</u>	<u>(65)</u>	<u>(65)</u>
Total debt, net of cash, cash equivalents and restricted cash	1,479	1,428	1,404
Total common shareholders' equity <sup>(4) (5) (6) (7) (8)</sup>	<u>1,301</u>	<u>1,338</u>	<u>1,493</u>
Total capitalization <sup>(9)</sup>	<u>\$ 2,780</u>	<u>\$ 2,766</u>	<u>\$ 2,897</u>

- (1) A total of \$100 million of 7%, 10-year notes matured in Sept. 2005 and \$300 million of 7% medium term notes are due in May 2006. Current debt also includes bank loans and the current debt related to the Joffre cogeneration facility joint venture.
- (2) On Jan. 1, 2005, NOVA Chemicals adopted new Canadian accounting standards, which require the preferred shares of our subsidiary, NOVA Chemicals Inc., to be classified as debt. Prior periods have been restated accordingly. Maturity dates for NOVA Chemicals' current and long-term debt range from May 2006 to Aug. 2028.
- (3) During Sept. 2005, the terms of the retractable preferred shares of our subsidiary NOVA Chemicals Inc. were amended to remove the feature allowing the holders, under certain circumstances, to convert the preferred shares to NOVA Chemicals' common shares. Accordingly, the preferred shares no longer have an impact on diluted earnings per share.
- (4) Common shares outstanding on Oct. 14, 2005 were 82,348,163 (Sept. 30, 2005 – 82,335,363; June 30, 2005 – 82,316,338; Dec. 31, 2004 – 84,268,293).
- (5) A total of 5,194,259 stock options were outstanding to officers and employees on Oct. 14, 2005 and 5,207,259 were outstanding on Sept. 30, 2005 to purchase common shares of NOVA Chemicals. A total of 2,697,002 common shares were reserved but unallocated at Sept. 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 Apr. 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 Sept. 30, 2005, a total of 19,025 shares were issued upon the exercise of stock options.
- (9) Total capitalization includes shareholders' equity and total debt net of cash and cash equivalents and restricted cash (see Supplemental Measures on page 12).

### Senior Debt Ratings <sup>(1)</sup>

	<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>Sept. 30 2005</u>	<u>June 30 2005</u>	<u>Dec. 31 2004</u>
Net debt to total capitalization <sup>(1)</sup>	53.2%	51.6%	48.5%
Interest coverage on long-term debt <sup>(2)</sup>	2.7x	4.6x	4.0x
Net tangible asset coverage on long-term debt <sup>(3)</sup>	1.8x	1.8x	1.9x

- (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 12.
- (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)

	<b>Three Months Ended Sept. 30, 2005</b>	<b>Nine Months Ended Sept. 30, 2005</b>
Operating income (loss)	\$ (96)	\$ 75
Add back – depreciation and amortization	70	216
– restructuring charges	85	85
EBITDA <sup>(1)</sup>	59	376
Interest	(28)	(80)
Current tax expense and other	4	(65)
Funds from operations	35	231
Operating working capital decrease	96	130
Cash from operations	131	361
Tax-related settlement	-	108
Capital expenditures	(102)	(290)
Turnaround costs, long-term investments and other assets	(61)	(101)
Dividends paid	(7)	(20)
Common shares issued for stock options	-	11
Common shares repurchased	-	(125)
Options retired for cash	-	(10)
Foreign exchange and other	(12)	(9)
Total change in cash and debt	<u>\$ (51)</u>	<u>\$ (75)</u>
Decrease in cash and cash equivalents	\$ (119)	\$ (148)
Decrease in debt (including foreign exchange changes)	68	73
Total change in cash and cash equivalents and debt	<u>\$ (51)</u>	<u>\$ (75)</u>

(1) See Consolidated Statement of Net Income (Loss) and Reinvested Earnings on page 16 and Supplemental Measures on page 12.

NOVA Chemicals' net debt to total capitalization ratio was 53.2% at Sept. 30, 2005. Cash on hand at the end of the third quarter was \$97 million, down from \$216 million at the end of the second quarter, primarily as a result of debt reduction.

NOVA Chemicals' funds from operations were \$35 million for the third quarter of 2005, down from \$41 million in the second quarter.

Operating working capital decreased by \$96 million in the third quarter of 2005 compared to a \$93 million decrease in the second quarter of 2005. This decline was related primarily to lower inventory levels associated with the Corunna turnaround; partially offset by higher feedstock costs.

NOVA Chemicals measures the effectiveness of its working capital management through Cash Flow Cycle Time (CFCT). See Supplemental Measures on page 12. 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 29 days as of Sept. 30, 2005; down from 34 days as of June 30, 2005, primarily due to lower inventory.

Capital expenditures were \$102 million in the third quarter of 2005, compared to \$115 million in the second quarter and \$60 million in the third quarter of 2004. The increase from the third quarter is primarily related to the Corunna flexi-cracker plant modernization project and the Bayport expansion project.

Selling, general and administrative expenses (SG&A) increased by \$68 million from the second quarter, and was up \$1 million from the third quarter of 2004. This third quarter increase was primarily due to the mark-to-market cost of stock-based compensation. NOVA Chemicals stock price dropped by \$12.39 per share in the second quarter and increased by \$6.24 per share in the third quarter causing a quarter-over-quarter swing in SG&A costs of \$65 million.

## **Financing**

NOVA Chemicals has a \$375 million revolving credit facility, expiring June 30, 2010. As of Sept. 30, 2005, NOVA Chemicals has utilized \$62 million of the revolving credit facility in the form of operating letters of credit. As of Oct. 18, 2005, the company utilized \$90 million of the facility, \$65 million of which is in the form of letters of credit. NOVA Chemicals continues to comply with all financial covenants under the facility.

As of Sept. 30, 2005, \$285 million was sold under the accounts receivable securitization programs compared to \$243 million as of June 30, 2005.

In Sept. 2005, \$100 million of 7%, 10-year notes matured and were retired for cash, and a \$19 million lease for new Corunna compressors was finalized for a net debt reduction of \$81 million. In May 2006, \$300 million of 7% medium-term notes will mature.

During Sept. 2005, the certificate of incorporation of our subsidiary, NOVA Chemicals Inc., was amended to remove the conversion feature that allowed the holders of the retractable preferred shares, under certain circumstances, to convert the preferred shares to NOVA Chemicals' common shares. Accordingly, the preferred shares will no longer have an impact on diluted earnings per share.

## **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 second quarter feedstock purchases flowed through the income statement in the third quarter. June benzene prices were \$2.30 per gallon increasing to \$2.75 per gallon in Sept.. September NYMEX natural gas pricing was higher than June pricing by \$3.88 per mmBTU, while crude oil increased from \$56.42 per barrel in June to \$59.03 per barrel in July. Minimal purchases were made in Aug. and Sept. in anticipation of the Corunna plant turnaround in Sept. 2005. We estimate that net income would have been about \$13 million lower in the third quarter had NOVA Chemicals used the LIFO method of accounting. Had Corunna been at normal inventory levels the impact would have been approximately \$23 million.

We estimate that net income in the second quarter would have been about \$23 million higher had NOVA Chemicals used the LIFO method of accounting. See Causal Analysis on page 15.

## **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 third quarter of 2005 was \$1 million compared to an \$8 million gain in the second 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 impact in the third quarter of our outstanding feedstock derivative portfolio was an \$11 million after-tax gain compared to a \$9 million after-tax loss in the second quarter.

## **Supplemental Measures**

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

- EBITDA – defined on page 13
- Average capital employed – defined on page 2
- CFCT – defined on page 11
- After-tax return on capital employed – defined on page 2
- Net debt to total capitalization – defined on page 10
- Net income (loss) from the businesses – total net income or loss from the Olefins/Polyolefins and Styrenics businesses, which equals NOVA Chemicals' net income less corporate and other items (see page 1)

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

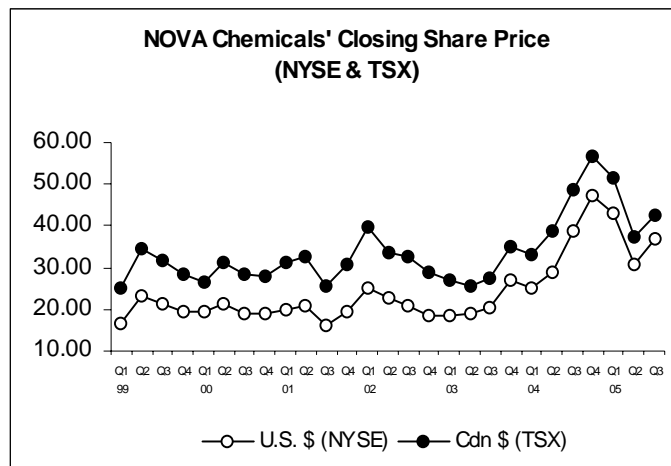
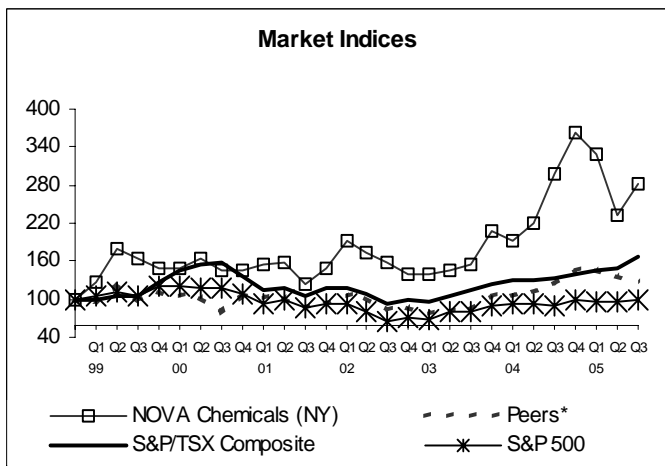
This measure is provided to assist investors in determining the ability of NOVA Chemicals to generate cash from operations. EBITDA can be determined from the Consolidated Statement of Net Income (Loss) and Reinvested Earnings by adding to net income (loss) interest expense, income taxes, depreciation and amortization, other gains and losses, and restructuring charges. Segment 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			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Stock-based compensation and profit sharing <sup>(1)</sup>					
Profit sharing accrual adjustment	\$ 6	\$ (3)	\$ -	\$ -	\$ -
Stock-based compensation accrual	(2)	(4)	-	(10)	(5)
Stock-based compensation mark-to-market adjustment	(14)	28	(21)	24	(26)
Unusual non-cash insurance charge <sup>(2)</sup>	-	(15)	-	(15)	-
IRS Settlement	-	-	10	-	10
Non-cash write-down <sup>(3)</sup>	(75)	-	-	(75)	-
	<u>\$ (85)</u>	<u>\$ 6</u>	<u>\$ (11)</u>	<u>\$ (76)</u>	<u>\$ (21)</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 the first quarter of 2004 the stock-based compensation plan was amended to price equity appreciation units using NYSE values. The NYSE market price on Sept. 30, 2005, was \$36.80 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 third quarter of 2005, the share price rose by \$6.24 U.S. thereby increasing our liability under the stock-based compensation programs. Accordingly, a \$14 million after-tax expense 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. NOVA Chemicals accrues profit sharing based on an evaluation of expected results versus target results. As a consequence of our most recent review of our ability to achieve the minimum return on equity targets required to trigger a profit share payout, we have reversed the amounts previously accrued in 2005. This resulted in an after-tax recovery of \$6 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 third quarter of 2005 related to these items was \$2 million.
- (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.
- (3) NOVA Chemicals recorded a charge of \$75 million after-tax primarily as a result of a NOVA Innovene joint venture decision to cease EPS production at Berre, France and permanently shutdown the EPS plant at Carrington, UK. The benefit of tax losses in France and obsolete assets associated with the Corunna modernization were written off and also included in this charge. (see Note 8 to the consolidated financial statements)



\*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 U.S. \$36.80 at Sept. 30, 2005 from U.S. \$30.56 at June 30, 2005. NOVA Chemicals' share value increased 20% for the quarter ending Sept. 30, 2005 on the NYSE and 14% on the Toronto Stock Exchange (TSX), while peer chemical companies' share values declined 7% on average and the S&P Chemicals Index decreased 6%. The S&P/TSX Composite Index was up 11% and the S&P 500 was up 3% in the third quarter. As of Oct. 18, 2005, NOVA Chemicals' share price was U.S. \$37.06, up 1% from Sept. 30, 2005. The S&P Chemicals Index was down 2% in the same period.

In the third quarter, approximately 46% of trading in NOVA Chemicals' shares took place on the TSX and 54% of trading took place in the U.S.

Third Quarter Trading Volumes	Millions of Shares	% of Float	% of Trading
Toronto Stock Exchange	26.5	32	46
Consolidated U.S. Trading Volumes	31.0	38	54
<b>Total</b>	<b>57.5</b>	<b>70</b>	<b>100</b>

### 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](mailto:shareholders@novachem.com).

#### Contact Information

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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](mailto: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](http://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](http://www.sec.gov/edgar.shtml)

#### Transfer Agent and Registrar

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#### 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)

	Q3 2005 Compared with		First Nine Months 2005 Compared with First Nine Months 2004
	Q2 2005	Q3 2004	
Higher (lower) net unit margins .....	\$ 62	\$ (38)	\$ 34
Lower sales volumes .....	(8)	(63)	(147)
Higher (lower) gross margin <sup>(1)</sup> .....	54	(101)	(113)
Higher research and development .....	(2)	(3)	(4)
(Higher) lower selling, general and administrative .....	(68)	(1)	55
Higher restructuring charges.....	(85)	(85)	(85)
Lower (higher) depreciation and amortization .....	4	(2)	9
Higher interest expense.....	(1)	(2)	-
Lower other gains and losses.....	-	(12)	(13)
Lower income tax expense (Note 4 to the Financial Statements)	18	45	25
Decrease in net income .....	<u>\$ (80)</u>	<u>\$ (161)</u>	<u>\$ (126)</u>

(1) Revenue less feedstock and operating costs.

## CAUSAL ANALYSIS - NET INCOME (LOSS)

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

<b>Q2 2005 Net Income (Loss)</b>		<b>\$ (25)</b>
Margin erosion assuming LIFO based accounting .....	\$ (29)	
Additional margin provided by FIFO based accounting .....	<u>36</u>	7
<b>Unusual Events</b>		
Joffre ethane interruption – June 21, 2005 .....	(16)	
Corunna power outage – Apr. 16, 2005.....	19	
Insurance accrual from Q2 2005.....	<u>15</u>	18
Non-cash write-down.....		(75)
Profit sharing .....	9	
Stock-based compensation.....	(40)	
Other .....	<u>1</u>	<u>(30)</u>
<b>Q3 2005 Net Income (Loss)</b>		<b><u>\$ (105)</u></b>

The above table is provided to describe significant items affecting the variance in net income (loss) from quarter-to-quarter.

NOVA Chemicals had higher margins in the third quarter because it uses FIFO-based accounting versus LIFO-based. The additional margin provided by FIFO-based accounting is partially offset by margin erosion caused by an increase in feedstock prices from June to Sept. which was not fully realized in higher selling prices. The overall quarter-to-quarter gain in margin was \$7 million, before the effect of second quarter unusual events and lower profit sharing.

Second quarter unusual events included the power outage at the Corunna, Ontario flexi-cracker, the ethane feedstock interruption to the Joffre, Alberta site and the insurance accrual related to NOVA Chemicals' share of anticipated incremental future costs in the insurance pools in which it participates. The after-tax impact of these events totaled \$39 million in the second quarter and \$21 million in the third quarter, resulting in approximately \$18 million higher earnings quarter-over-quarter.

In the third quarter, NOVA Chemicals took a non-cash write-down of \$75 million primarily as a result of a decision by the NOVA Innovene joint venture to cease EPS production at Berre, France and permanently shutdown the EPS plant at Carrington, UK.

Differences in the amount of profit sharing and stock-based compensation accruals from quarter-to-quarter account for the remaining increase in net loss from the second quarter to third quarter.

## FINANCIAL STATEMENTS

### Consolidated Statement of Net Income (Loss) and Reinvested Earnings

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

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Revenue .....	\$ 1,366	\$ 1,329	\$ 1,379	\$ 4,183	\$ 3,743
Feedstock and operating costs.....	1,212	1,229	1,124	3,633	3,080
Research and development.....	14	12	11	38	34
Selling, general and administrative.....	81	13	80	136	191
Restructuring charges.....	85	-	-	85	-
Depreciation and amortization.....	70	74	68	216	225
	<u>1,462</u>	<u>1,328</u>	<u>1,283</u>	<u>4,108</u>	<u>3,530</u>
Operating income (loss) .....	(96)	1	96	75	213
Interest expense (net) (Note 3).....	(28)	(27)	(26)	(80)	(80)
Other gains and losses.....	-	-	12	-	13
	<u>(28)</u>	<u>(27)</u>	<u>(14)</u>	<u>(80)</u>	<u>(67)</u>
Income (loss) before income taxes.....	(124)	(26)	82	(5)	146
Income tax (expense) recovery (Note 4) ....	19	1	(26)	(31)	(56)
Net income (loss).....	\$ (105)	\$ (25)	\$ 56	\$ (36)	\$ 90
Reinvested earnings, beginning of period ..	577	608	597	633	584
Change in accounting policy .....	-	-	-	-	(7)
Common share dividends .....	(7)	(6)	(7)	(20)	(21)
Common share repurchase.....	-	-	(59)	(107)	(59)
Options retired for cash (net) .....	-	-	-	(5)	-
Reinvested earnings, end of period.....	\$ 465	\$ 577	\$ 587	\$ 465	\$ 587
Earnings (loss) per share (Note 5)					
- basic.....	\$ (1.28)	\$ (0.29)	\$ 0.64	\$ (0.44)	\$ 1.03
- diluted.....	\$ (1.28)	\$ (0.29)	\$ 0.60	\$ (0.44)	\$ 0.98

### Summary Quarterly Financial Information

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

	Three Months Ended							
	2005			2004				2003
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Revenue .....	\$ 1,366	1,329	1,488	1,527	1,379	1,238	1,126	1,041
Operating income (loss).....	\$ (96)	1	170	51	96	76	41	3
Net income (loss).....	\$ (105)	(25)	94	162	56	27	7	(15)
Net income (loss) per share								
-basic.....	\$ (1.28)	(0.29)	1.12	1.91	0.64	0.31	0.08	(0.18)
-diluted.....	\$ (1.28)	(0.29)	1.06	1.78	0.60	0.30	0.08	(0.18)
Weighted-average common shares outstanding (millions)								
-basic.....	82.3	82.3	83.2	84.8	87.2	87.6	87.3	87.0
-diluted.....	82.3	82.3	90.0	92.4	95.9	96.9	89.2	87.0

Notes to the Consolidated Financial Statements appear on pages 19 to 22.

## Consolidated Balance Sheet

(unaudited, millions of U.S. dollars)

	<u>Sept. 30, 2005</u>	<u>Dec. 31, 2004</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents .....	\$ 97	\$ 245
Receivables .....	430	567
Inventories .....	536	634
	<u>1,063</u>	<u>1,446</u>
Investments and other assets .....	150	147
Plant, property and equipment, net .....	<u>3,579</u>	<u>3,454</u>
	<u>\$ 4,792</u>	<u>\$ 5,047</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Bank loans .....	\$ 1	\$ -
Accounts payable and accrued liabilities .....	863	808
Long-term debt due within one year .....	<u>302</u>	<u>100</u>
	1,166	908
Long-term debt (Note 1) .....	1,338	1,614
Future income taxes .....	652	677
Deferred credits .....	<u>335</u>	<u>355</u>
	<u>3,491</u>	<u>3,554</u>
Shareholders' equity		
Common equity		
Common shares .....	494	499
Contributed surplus .....	11	8
Cumulative translation adjustment .....	331	353
Reinvested earnings .....	465	633
	<u>1,301</u>	<u>1,493</u>
	<u>\$ 4,792</u>	<u>\$ 5,047</u>

Notes to the Consolidated Financial Statements appear on pages 19 to 22.

## Consolidated Statement of Cash Flows

(unaudited, millions of U.S. dollars)

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
<b>Operating activities</b>					
Net income (loss) .....	\$ (105)	\$ (25)	\$ 56	\$ (36)	\$ 90
Depreciation and amortization .....	70	74	68	216	225
Future income tax expense (recovery)...	(15)	(9)	15	(38)	31
Restructuring charges .....	85	-	-	85	-
Other gains and losses .....	-	-	(12)	-	(13)
Stock option expense .....	-	1	1	4	3
Funds from operations .....	35	41	128	231	336
Changes in non-cash working capital ....	96	93	(56)	130	(159)
Cash from operations .....	<u>131</u>	<u>134</u>	<u>72</u>	<u>361</u>	<u>177</u>
<b>Investing activities</b>					
Proceeds on asset sales and other capital transactions .....	-	-	31	-	37
Plant, property and equipment net additions .....	(102)	(115)	(60)	(290)	(142)
Turnaround costs, long-term investments and other assets .....	(61)	(23)	(4)	(101)	(8)
Changes in non-cash working capital ....	-	-	-	108	-
	<u>(163)</u>	<u>(138)</u>	<u>(33)</u>	<u>(283)</u>	<u>(113)</u>
<b>Financing activities</b>					
Increase in current bank loans .....	1	-	-	1	-
Long term debt additions .....	19	-	-	19	400
Long term debt repayments .....	(101)	-	-	(101)	-
Preferred securities redeemed .....	-	-	-	-	(383)
Options retired for cash .....	-	-	(1)	(10)	(1)
Common shares issued for stock options .....	-	-	13	11	25
Common share repurchases .....	-	-	(72)	(125)	(72)
Common share dividends .....	(7)	(6)	(7)	(20)	(21)
Project advances from third parties .....	-	-	3	-	9
Changes in non-cash working capital ....	1	(1)	1	(1)	-
	<u>(87)</u>	<u>(7)</u>	<u>(63)</u>	<u>(226)</u>	<u>(43)</u>
Increase (decrease) in cash and cash equivalents .....	(119)	(11)	(24)	(148)	21
Cash and cash equivalents, beginning of period .....	216	227	257	245	212
Cash and cash equivalents, end of period .....	<u>\$ 97</u>	<u>\$ 216</u>	<u>\$ 233</u>	<u>\$ 97</u>	<u>\$ 233</u>
Cash tax payments .....	<u>\$ 1</u>	<u>\$ 44</u>	<u>\$ (5)</u>	<u>\$ 54</u>	<u>\$ 6</u>
Cash interest payments .....	<u>\$ 40</u>	<u>\$ 24</u>	<u>\$ 36</u>	<u>\$ 102</u>	<u>\$ 84</u>

Notes to the Consolidated Financial Statements appear on pages 19 to 22.

## 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, the preferred shares of NOVA Chemicals' subsidiary, NOVA Chemicals Inc., 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 third quarter of 2005, \$2 million in the second quarter of 2005 and \$1 million in the third 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<sup>(1)</sup>

	Three Months Ended Sept. 30				Nine Months Ended Sept. 30			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2005	2004	2005	2004	2005	2004	2005	2004
Current service cost .....	\$ 8	\$ 6	\$ -	\$ -	\$ 20	\$ 18	\$ 2	\$ 2
Interest cost on projected benefit obligations.....	11	9	1	1	29	25	3	3
Actual return on plan assets.....	(10)	(11)	-	-	(28)	(34)	-	-
Actuarial (gain) loss on accrued benefit obligations .....	-	6	-	-	-	19	-	(2)
Costs arising in the period.....	9	10	1	1	21	28	5	3
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.....	-	3	-	-	-	11	-	-
Transition (asset) obligation .....	(2)	(1)	-	-	(4)	(4)	1	1
Actuarial (gain) loss .....	1	(5)	-	1	5	(15)	1	3
Past service and actual plan amendments...	1	-	-	-	1	2	-	-
Net defined benefit cost recognized.....	<u>\$ 9</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 23</u>	<u>\$ 22</u>	<u>\$ 7</u>	<u>\$ 7</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 \$17 million to its defined benefit pension plans and \$2 million to its defined contribution plans in the third quarter of 2005 (\$32 million and \$6 million in the nine months ended Sept. 30, 2005).

### 3. Interest Expense

#### Components of Interest Expense

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Interest on long-term debt .....	\$ 29	\$ 28	\$ 26	\$ 84	\$ 79
Interest on securitizations and other .....	4	3	2	8	6
Gross interest expense.....	33	31	28	92	85
Interest capitalized during plant construction .	(4)	(3)	-	(9)	(1)
Interest income .....	(1)	(1)	(2)	(3)	(4)
Interest expense (net).....	<u>\$ 28</u>	<u>\$ 27</u>	<u>\$ 26</u>	<u>\$ 80</u>	<u>\$ 80</u>

### 4. Income Taxes

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Income (loss) before income taxes.....	\$ (124)	\$ (26)	\$ 82	\$ (5)	\$ 146
Statutory income tax rate.....	33.62%	33.62%	33.87%	33.62%	33.87%
Computed income tax expense					
(recovery) .....	\$ (42)	\$ (9)	\$ 28	\$ (2)	\$ 49
Increase (decrease) in taxes resulting from:					
Lower tax rates on other gains.....	-	-	(2)	-	(2)
Tax benefits not recognized on restructuring charges.....	16	-	-	16	-
Income tax rate adjustment.....	-	-	-	-	(7)
Additional cost-of-service income taxes <sup>(1)</sup> .....	-	-	-	-	4
Foreign tax rates .....	3	6	(2)	10	2
Other .....	4	2	2	7	10
Income tax expense (recovery) .....	<u>\$ (19)</u>	<u>\$ (1)</u>	<u>\$ 26</u>	<u>\$ 31</u>	<u>\$ 56</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.

### 5. Earnings (Loss) Per Share

(shares in millions)	Three Months Ended						Nine Months Ended			
	Sept. 30 2005		June 30 2005		Sept. 30 2004		Sept. 30 2005		Sept. 30 2004	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss).....	\$(105)	\$(105)	\$(25)	\$(25)	\$ 56	\$ 56	\$(36)	\$(36)	\$ 90	\$ 90
Interest on convertible preferred shares .....	-	-	-	-	-	1	-	-	-	4
Net income (loss) for EPS calculation .....	<u>\$(105)</u>	<u>\$(105)</u>	<u>\$(25)</u>	<u>\$(25)</u>	<u>\$ 56</u>	<u>\$ 57</u>	<u>\$(36)</u>	<u>\$(36)</u>	<u>\$ 90</u>	<u>\$ 94</u>
Weighted-average common shares outstanding.....	82.3	82.3	82.3	82.3	87.2	87.2	82.6	82.6	87.4	87.4
Add back effect of dilutive securities:										
Stock options .....	-	-	-	-	-	2.7	-	-	-	2.2
Preferred shares .....	-	-	-	-	-	6.0	-	-	-	6.9
Weighted-average common shares for EPS calculations .....	<u>82.3</u>	<u>82.3</u>	<u>82.3</u>	<u>82.3</u>	<u>87.2</u>	<u>95.9</u>	<u>82.6</u>	<u>82.6</u>	<u>87.4</u>	<u>96.5</u>
Earnings (loss) per common share.....	<u>\$(1.28)</u>	<u>\$(1.28)</u>	<u>\$(0.29)</u>	<u>\$(0.29)</u>	<u>\$0.64</u>	<u>\$0.60</u>	<u>\$(0.44)</u>	<u>\$(0.44)</u>	<u>\$1.03</u>	<u>\$0.98</u>

A total of 4.7 million stock options have been excluded from the computation of diluted earnings per share for the quarter ended Sept. 30, 2005. As of Sept. 30, 2005, the fully diluted share count was 82,335,363 million. A total of 8.5 million retractable preferred shares and 4.7 million stock options were excluded in the quarter ended June 30, 2005. No retractable preferred shares or stock options were excluded from the computation of diluted earnings per share for the quarter ended Sept. 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 were dilutive prior to Sept. 2005 if our 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 retractable 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.

## 6. Segmented Information

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

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Revenue					
Olefins/Polyolefins.....	\$ 878	\$ 851	\$ 824	\$ 2,687	\$ 2,318
Styrenics .....	525	540	641	1,672	1,633
Intersegment eliminations .....	(37)	(62)	(86)	(176)	(208)
	<u>\$ 1,366</u>	<u>\$ 1,329</u>	<u>\$ 1,379</u>	<u>\$ 4,183</u>	<u>\$ 3,743</u>
Operating income (loss)					
Olefins/Polyolefins.....	\$ 77	\$ 85	\$ 137	\$ 348	\$ 311
Styrenics.....	(74)	(97)	(5)	(191)	(44)
Corporate and other .....	(99)	13	(36)	(82)	(54)
	<u>\$ (96)</u>	<u>\$ 1</u>	<u>\$ 96</u>	<u>\$ 75</u>	<u>\$ 213</u>
Net income (loss)					
Olefins/Polyolefins.....	\$ 39	\$ 45	\$ 77	\$ 196	\$ 167
Styrenics.....	(59)	(76)	(10)	(156)	(56)
Corporate and other .....	(85)	6	(11)	(76)	(21)
	<u>\$ (105)</u>	<u>\$ (25)</u>	<u>\$ 56</u>	<u>\$ (36)</u>	<u>\$ 90</u>

	Sept. 30 2005	Dec. 31 2004
Assets		
Olefins/Polyolefins.....	\$ 2,602	\$ 2,510
Styrenics .....	1,911	2,018
Corporate and other <sup>(1)</sup> .....	279	519
	<u>\$ 4,792</u>	<u>\$ 5,047</u>

(1) Amounts include all cash and cash equivalents.

## 7. Reconciliation to United States Accounting Principles

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Net income (loss) in accordance with Canadian GAAP.....	\$ (105)	\$ (25)	\$ 56	\$ (36)	\$ 90
Add (deduct) adjustments for:					
Hedging and derivative activity <sup>(1)</sup> .....	(1)	-	(2)	(3)	2
Inventory costing <sup>(2)</sup> .....	-	(6)	1	(7)	3
Start-up costs <sup>(3)</sup> .....	2	-	4	3	2
Change in accounting policy <sup>(4)</sup> .....	-	-	-	-	(7)
Other .....	-	1	-	1	-
Net income (loss) in accordance with U.S. GAAP <sup>(5)</sup> .....	<u>\$ (104)</u>	<u>\$ (30)</u>	<u>\$ 59</u>	<u>\$ (42)</u>	<u>\$ 90</u>
Earnings (loss) per share – basic.....	<u>\$ (1.27)</u>	<u>\$ (0.36)</u>	<u>\$ 0.68</u>	<u>\$ (0.51)</u>	<u>\$ 1.03</u>
Earnings (loss) per share – diluted.....	<u>\$ (1.27)</u>	<u>\$ (0.36)</u>	<u>\$ 0.63</u>	<u>\$ (0.51)</u>	<u>\$ 0.98</u>

	Three Months Ended			Nine Months Ended	
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Comprehensive income (loss) <sup>(5)</sup>					
Net income (loss) in accordance with U.S. GAAP .....	\$ (104)	\$ (30)	\$ 59	\$ (42)	\$ 90
Cumulative translation adjustment <sup>(6)</sup> .....	73	(63)	75	(22)	14
Comprehensive income (loss) in accordance with U.S. GAAP .....	<u>\$ (31)</u>	<u>\$ (93)</u>	<u>\$ 134</u>	<u>\$ (64)</u>	<u>\$ 104</u>
				<b>Sept. 30 2005</b>	<b>Dec. 31 2004</b>
Accumulated other comprehensive income <sup>(5)</sup>					
Cumulative translation adjustment <sup>(6)</sup> .....				\$ 310	\$ 332
Minimum pension liability <sup>(7)</sup> .....				(3)	(3)
				<u>\$ 307</u>	<u>\$ 329</u>
Balance sheet in accordance with U.S. GAAP					
Current assets <sup>(1), (2)</sup> .....				\$ 1,093	\$ 1,482
Investments and other assets <sup>(3), (7)</sup> .....				149	139
Plant, property and equipment, net .....				3,557	3,429
Current liabilities <sup>(1)</sup> .....				(1,161)	(893)
Long-term debt <sup>(1)</sup> .....				(1,344)	(1,625)
Deferred credits <sup>(1), (7)</sup> .....				(987)	(1,030)
Common equity .....				<u>\$ 1,307</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 largely 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 included in net income.
- (6) 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.
- (7) 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.
- (8) See Note 1 on page 19 for change in accounting policy related to financial instruments.

## 8. Restructuring Charges

On Oct. 1, 2005, NOVA Chemicals and Innovene combined their European polystyrene businesses into a 50:50 joint venture known as NOVA Innovene. In accordance with Canadian generally accepted accounting procedures, NOVA Chemicals will be accounting for the joint venture on a proportionate consolidation basis.

On Oct. 11, 2005, NOVA Innovene announced it plans to cease EPS production at Berre, France and permanently shutdown the EPS plant at Carrington, UK. Accordingly, NOVA Chemicals has written down the value of the plants on its books to zero as of Sept. 30, 2005. The amount of the write-down was \$76 million (\$60 million after-tax). The company also reduced the recorded benefit of certain tax loss carry-forwards by \$9 million, as the likelihood of their utilization is reduced as a result of the formation of the joint venture and closure of the plants. Certain other non-productive assets were written off amounting to \$9 million (\$6 million after-tax). The total amount of the restructuring charge is \$85 million (\$75 million after-tax).