

**FOURTH QUARTER 2007 CONFERENCE CALL – TRANSCRIPT
THURSDAY, JANUARY 31, 2008**

Set forth below is a transcript of NOVA Chemicals' conference call on Thursday, January 31, 2008, related to our fourth quarter 2007 earnings. This transcript has been edited for the purpose of increasing clarity and readability. However, management does not believe any of these changes, individually or in the aggregate, represent a material change from the information presented during the conference call itself.

Chuck Magro, Vice President of Investor Relations

Good morning. Welcome to the conference call for NOVA Chemicals' fourth quarter 2007 results.

Today you will hear from Jeff Lipton, our Chief Executive Officer, Chris Pappas, our President and Chief Operating Officer, and Larry MacDonald, our Chief Financial Officer.

After these remarks, we will open the phone lines to analysts and investors for a Q&A session. But first, a few comments about disclosure.

Be advised that this call is being recorded for replay through our conference call provider, and is being broadcast live through an Internet web cast system. The audio replay will be available in the Investor Relations section of our company website for the next 90 days.

A transcript of the recording will remain available at our company website after that period, as will all posted materials related to this Earnings Press Release, including a set of slides that will be referenced during our comments.

The comments and answers to your questions will contain forward-looking information. This information, by its nature, is subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from those suggested today. Certain material facts and assumptions were applied in drawing the conclusions, and making the forecasts or projections, contained in these forward-looking statements.

Please refer to page 16 of our Fourth Quarter Earnings release and page 29 of our 2006 Annual Report for more information.

Now I will turn the call over to Jeff.

Jeff Lipton, Chief Executive Officer

Thank you Chuck and good morning.

In early December when I last spoke publicly about our expected fourth quarter earnings, I said if we had a good December we would have an excellent fourth quarter. Well, as my two little boys would say, December wasn't good – it was great!

December for Olefins/Polyolefins was our best month ever, not just for EBITDA but also for total polyethylene sales volume, export volumes and revenue. We set many operating records in the fourth quarter and for the full year – but the most important aspect of our results is the performance of our Alberta based business in the second half of 2007.

As oil prices and consequently, most global feedstock costs moved up sharply to what many believe will be a new, higher energy cost environment, NOVA Chemicals' competitive advantages expanded sharply and our absolute and relative financial results reached very impressive levels.

At the end of our prepared comments, I will explain how this upward shift in energy costs can have a powerful impact on our earnings and cash flow performance for 2008 and I believe for many years to come. So stay with us.

To start, we will turn to our new President and Chief Operating Officer, Chris Pappas. He will cover some of the details of our fourth quarter results and explain why we expect continued strength for 2008.

Larry MacDonald will review corporate items and the currency impact on our numbers and describe our strong cash flow and debt reductions.

So, let's go to Chris.

Chris Pappas, President and Chief Operating Officer

Thanks Jeff.

Let me start with Olefins/Polyolefins, a business that continues to perform exceptionally well. I am very pleased to report that our fourth quarter EBITDA of \$308 million is not only a record for a fourth quarter, but also better than any other quarter in our history. Our previous best quarter was \$280 million in the third quarter. Clearly the new higher range for the Alberta Advantage and the maturing of our Advanced SCLAIRTECH™ business is making a significant impact on the bottom line. A record quarter to cap a record year.

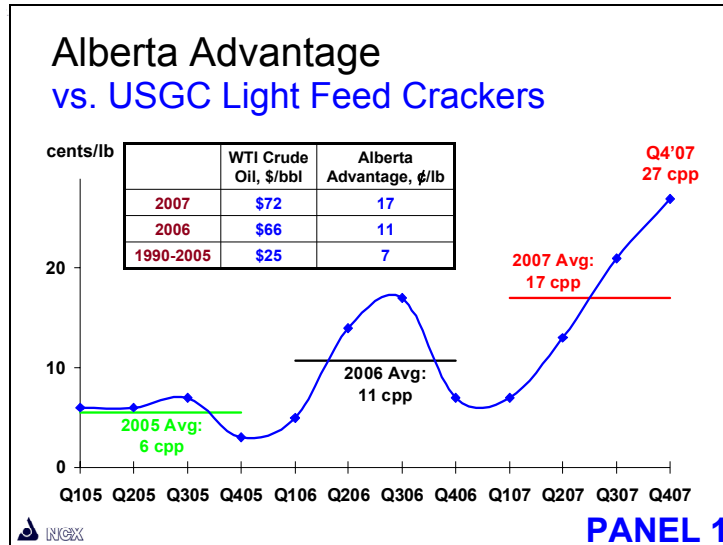
The 2007 annual results for Olefins/Polyolefins are equally impressive with EBITDA of \$975 million which is 22% of sales. This performance shatters the previous record of \$817 million set in 2006.

Fourth quarter results include another solid performance from our Corunna flexi-cracker with \$52 million of EBITDA compared to \$57 million in the third quarter. Corunna, as did most heavy feed crackers, saw lower margins in the fourth quarter as co-product pricing lagged soaring feedstock costs. Our flexi-cracker margins were not off as much as some others because of our relatively lower flow through feedstock costs.

For the full year, in 2007, the Corunna Olefins business generated \$209 million of EBITDA.

Now let's look at our Alberta based ethylene business.

You can see in **Panel 1** that our Alberta Advantage over U.S. Gulf Coast light feed producers increased to a record average 27 cents per pound of ethylene cash cost this quarter that is up from an average of 21 cents per pound in the third quarter.

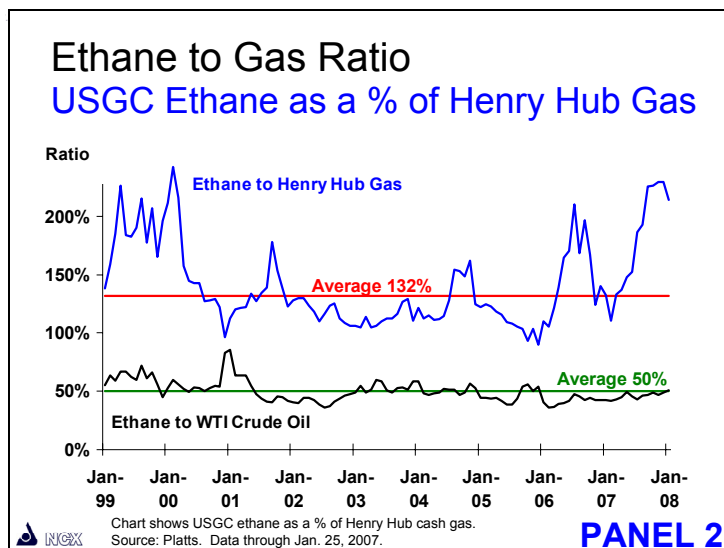


The Alberta Advantage for the full year 2007 was a record at 17 cents per pound, when oil prices averaged \$72 per barrel, a step change increase from the 2006 average of 11 cents per pound and oil prices of \$66 per barrel. In the second half of 2007 the Alberta Advantage averaged 24 cents per pound when oil prices averaged \$83 per barrel.

So far in January, the Alberta Advantage is averaging 27 cents per pound. We believe as long as oil continues to be high priced, the Advantage will continue to be large. Jeff will explain this further later in the call.

Let's look at what is driving the shift to the higher range for the Alberta Advantage, because it is fundamental to understanding the earnings potential of our company.

Panel 2 shows two lines: the ethane to gas ratio on the U.S. Gulf Coast is on the top and the ethane to crude ratio on the bottom. You can clearly see that U.S. Gulf Coast ethane does not track natural gas, but rather crude oil pricing, the ratio on a price per barrel basis is very consistent around 50% of crude. It is important to note that since each barrel of crude oil has twice the contained energy as a barrel of ethane, ethane is trading at parity to oil on a contained energy basis.



So, as crude oil prices reached record levels in the fourth quarter, so did ethane pricing for our U.S. Gulf Coast competitors. In fact ethane traded as high as a record \$1.15 per gallon in the fourth quarter and as of Monday traded at \$1.06 per gallon. Despite record prices for USGC ethane, it still is the favored ethylene feedstock. In fact, since the January 2007, ethane inventories have declined 16% and are now at their lowest levels in the last 12 years.

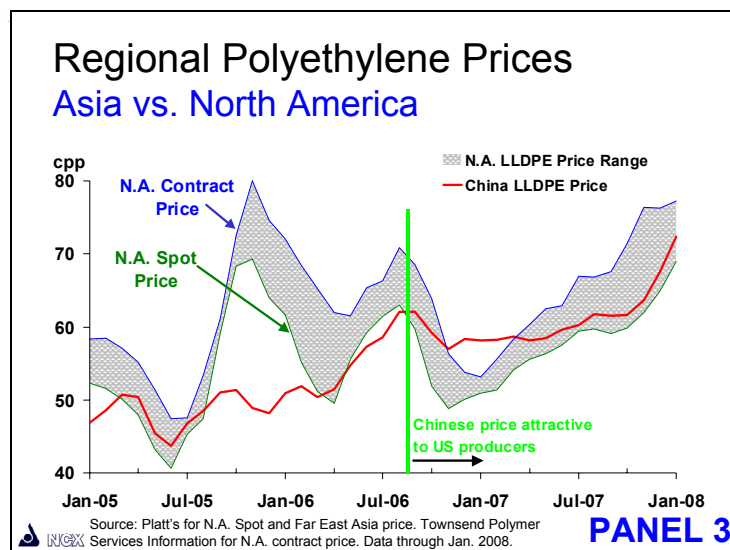
Polyethylene producers, in response to continued intense feedstock pressures, raised prices in the fourth quarter. Producers implemented two price increases, totaling 9 cents per pound, in the fourth quarter: 4 cents per pound on October 1 and 5 cents per pound on November 1.

Producers are implementing the originally announced January 1st, 6 cents per pound price increase in 2 steps: 3 cents per pound on January 1 and 3 cents per pound on February 1. U.S. Gulf Coast producers need these price increases just to restore margins to third quarter 2007 levels. In addition, we just learned that Flint Hills Resources declared force majeure at their Odessa, Texas facility, which will remove 700 millions per year of polyethylene supply for most of February.

NOVA Chemicals has also announced that we will implement the previously announced February 1st 5 cent per pound polyethylene price increase on March 1st.

Polyethylene prices in other parts of the world are also increasing due to record high naphtha feedstock costs driven by high crude oil values. Prices in Asia have increased by 8 cents per pound since the end of the third quarter while polyethylene prices in Europe have increased by about 3 cents per pound.

Because of the relative advantage of light feed crackers, U.S. producers still have, and we believe will continue to have, a strong incentive to export. **Panel 3** shows that prices in Asia remain attractive for North American producers, and for NOVA Chemicals in particular.



We have heard a lot of concerns recently that the North American export window is closing. Based on recent industry data, we could not disagree more. According to the American Chemistry Council, North American producers exported record volumes in the fourth quarter. For 2007, export volumes were up 26% compared to 2006.

NOVA Chemicals took full advantage of its competitive delivered costs, and set a record for export volume in 2007 with 19% of our total polyethylene volume exported. In the fourth quarter, we shipped 23% of our volume outside of North America.

As we have in the past, we exported significant volumes to China. Recently we have been selling increasingly higher volumes of food-packaging grades of polyethylene not just agricultural film grades. What is more interesting is that we exported significant volumes to diverse parts of the world, clearly demand for polyethylene continues to be strong, and there are real supply limitations out there.

In India, we are growing export volumes of our Advanced SCLAIRTECH polyethylene to meet surging demand for food packaging products, as the rapidly growing middle class changes their buying patterns and the retail markets get more organized.

Latin American export volume is also expanding and NOVA Chemicals is uniquely positioned to service this market and compete with all global producers given relatively low shipping costs to this market and our feedstock advantage.

We also exported polyethylene to places such as Africa and Turkey, which is considered a key market for polyethylene produced in the Middle East, particularly Iran.

Incidentally, polyethylene traders have reported that Iranian polyethylene production is experiencing market acceptability issues due to supply reliability and product quality concerns. The Jam ethylene plant that most consultants reported would start-up in 2006 is still not operational. Traders also report,

because of the U.S. financial sanctions, buyers are having difficulties getting letters of credit from any major banks to purchase polyethylene from Iran. Also in Iran there are news reports of naphtha shortages for gasoline production and due to a cold winter, natural gas shortages for home heating. Gasoline and home heating needs are trumping petrochemical production needs, as they are doing in China and other parts of the world.

NOVA Chemicals expects to continue to maximize exports through the first quarter, given strong demand, and attractive margins through much of 2008. As one of the lowest cost producers in the world, with competitive delivered costs, high quality products and reliable production we have many options to sell our products around the world, and not just China. In 2007, 54% of our polyethylene exports were outside of China.

The American Chemistry Council reported 2007 domestic sales were up slightly compared to 2006, which was also a steady year for our products. In January, consumption, as measured by our hopper car returns, has maintained levels similar to the second half of 2007.

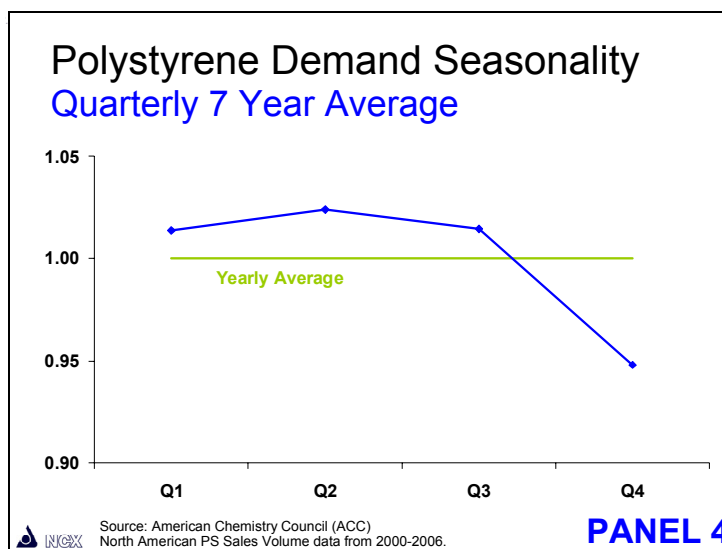
The record performance improvement in Olefins/Polyolefins was due in part to our high value Advanced SCLAIRTECH polyethylene. Advanced SCLAIRTECH polyethylene sales were 244 million pounds in the fourth quarter. For the year, we sold 885 million pounds of Advanced SCLAIRTECH polyethylene, a new sales record, exceeding the original nameplate capacity of 850 million pounds at our Joffre plant. As we move into 2009, we will increase the output of this one-of-a-kind plant to about 1 billion pounds per year to meet growing demand for the exceptional products that our Advanced SCLAIRTECH technology makes possible.

The Advanced SCLAIRTECH business EBITDA is now delivering results that begin to match our expectations. We expect further improvements as a result of capacity growth and additional market penetration by our industry leading Advanced SCLAIRTECH polyethylene products.

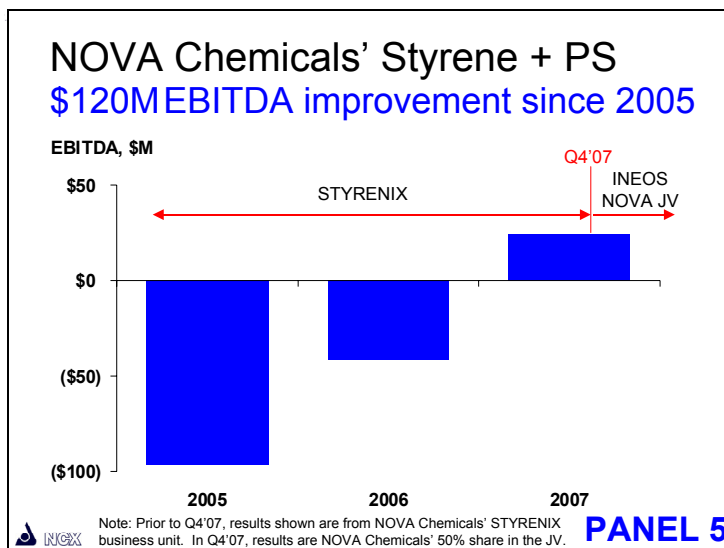
We believe Advanced SCLAIRTECH is a real gem of a business and will have more stable margins in all market conditions than commodity polyethylene will have.

Now let's turn to our INEOS NOVA joint venture.

NOVA Chemicals 50% share of the joint venture had a loss of \$6 million of EBITDA in the fourth quarter, compared to a loss of \$ 22 million in the third quarter. **Panel 4** shows the seasonality of this business. You can see how weak the fourth quarter is compared to the first three quarters of the year, 2007 was no exception. Seasonally weak demand in both Europe and North America and rising ethylene feedstock costs pressured margins in the fourth quarter.



As you can see in **Panel 5**, EBITDA generation for the full year, which includes three quarters of STYRENIX results and one quarter of the INEOS NOVA joint venture, was \$17 million. 2007 results showed a significant improvement over the EBITDA loss of \$43 million in 2006 and since 2005, EBITDA from these businesses has improved \$120 million. These results have been cost driven with very little improvement seen in the styrenics market. Any future market improvement will be additive and very beneficial to this business.



The INEOS NOVA management team has acted quickly since start up in October 2007. They have announced 2 polystyrene plant shut downs and both facilities have now stopped producing.

Also during the fourth quarter, INEOS NOVA acquired the exclusive production rights to Sterling Chemicals' Texas City, styrene monomer asset. INEOS NOVA nominated zero production from the site starting in December 2007, and Sterling exercised its right to permanently shut down and decommission its styrene plant in Texas City, Texas, which represents 11% of North American capacity.

These actions, and others that will be taken by INEOS NOVA, should contribute to a total of \$80 million per year in annual synergies.

These synergies, which will start in 2008, should result in a \$40 million EBITDA step change improvement for NOVA Chemicals, assuming no change in market conditions.

The styrenics industry continues to remove capacity, American Polymers' has shutdown their 110 million pounds polystyrene facility in Massachusetts earlier this month. This represents 1.5% of North American capacity. Since 2006, the North American industry has taken out 14% of polystyrene capacity. Shutdowns continue in other parts of the world as well with traders reporting that the Korean Dongbu styrene monomer plant was shutdown in October. Including this shutdown, about 3 billion pounds of global styrene monomer has been shutdown which equates to almost 5% of global capacity.

In Performance Styrenics, we achieved a breakeven EBITDA position in the fourth quarter and generated cash by improving the management of our working capital. This is the second quarter in a row that we have been breakeven or better and we expect to improve results further in 2008.

We grew expandable polystyrene sales volume by 13% in 2007, which is on top of the 21% growth in 2006 and we continue to find ways to drive down our costs.

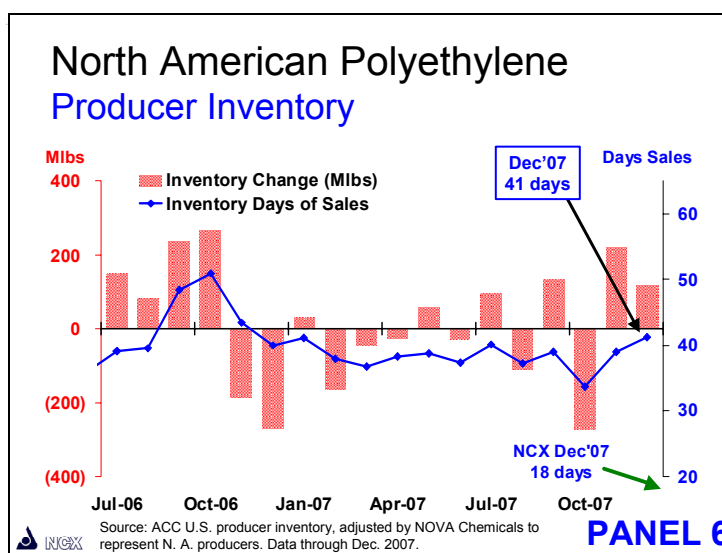
Each of the new Ventures started or grew revenue during the year and we should see significant revenue growth in 2008.

As we look forward to the first quarter of 2008 and beyond for our Olefins/Polyolefins business, we expect continued solid performance based on the following:

1. relatively low producer inventories
2. the need for polyethylene price increases to restore industry margins
3. a continued strong Alberta Advantage, allowing us to sell out our polyethylene capacity
4. high operating rates

As you may recall, 2007 started off slowly due to high producer inventories in late 2006 and relatively low feedstock costs. Polyethylene prices fell 17 cents per pound in late 2006 before finally bottoming out in January 2007 when crude oil was trading at \$55 per barrel.

In contrast, we enter 2008 with positive momentum. **Panel 6** shows the North American polyethylene producer inventory picture. You can see that producer inventories peaked at 50 days in October 2006 before declining and remaining low and flat for much of 2007. December producer inventories were at 41 days, about 5% lower than the historical industry average.



Our view of converter inventories is similar. We believe that our customers do not have enough inventory to delay ordering for current needs and that the uncertainty in the financial environment will help keep inventories low.

U.S. Gulf Coast margins for both ethane and naphtha crackers shrank in the fourth quarter and are now below the three year average. So further polyethylene price increases are needed to restore industry margins. As I look at the strong industry fundamentals: low producer and converter inventories, strong

operating rates, and attractive export opportunities, I think that there is a very good chance of the announced price increases will stick.

For NOVA Chemicals, the future is especially promising. In the first quarter last year, when crude oil was trading around \$58 per barrel, the Alberta Advantage averaged 7 cents per pound. We enter 2008 with about \$90 crude oil and an Advantage near 27 cents per pound. We intend to take full advantage of our low cost feedstock position by running our plants at capacity and pursuing sales in both domestic and international markets.

Beyond 2008, NOVA Chemicals is planning for future growth through a number of quick payback modernization and debottleneck projects in Alberta and Ontario.

We have already described the polyethylene expansions in Alberta that will allow us to exploit our record Alberta Advantage on a greater number of polyethylene pounds. We added 100 million pounds of capacity in 2007 and plan to add an additional 150 million pounds by the end of 2009. This means greater ethylene integration and captive use of our Advantaged ethylene. At the conclusion of these projects our Joffre gas phase polyethylene capacity will be 1.5 billion pounds per year and our Advanced SCLAIRTECH capacity will be 1 billion pounds per year.

Earlier this month we announced a series of polyethylene plant modernization and debottleneck projects in Sarnia. The projects will add up to 250 million pounds of new polyethylene capacity in stages over the next two years. These projects will provide significant shareholder value and carry a quick payback.

The upgrades include technology that will enable us to produce higher value products more reliably for our customers. The projects are possible because the Corunna flexi-cracker modernization, which was completed in 2007, has successfully delivered greater ethylene capacity, increased energy efficiency, and improved plant reliability.

So all in all, I would say we delivered a terrific quarter, and a great 2007. But, we are not satisfied or resting on our past records. We enter 2008 with a record Alberta Advantage and strong market conditions to drive our Olefins/Polyolefins business and we have great prospects for an improving Performance Styrenics business and the potential for significant upside in our INEOS NOVA styrenics joint venture.

Now, I will turn it over to Larry

Larry MacDonald, Chief Financial Officer

Thanks Chris.


I would like to focus on three topics this afternoon:

- Our fourth quarter earnings and cash flow
- The impact of the Canadian dollar on fourth quarter results and beyond and,
- The implications of a new round of Canadian federal tax cuts on our earnings and cash flow generation potential

NOVA Chemicals reported net income of \$126 million or \$1.51 per share in the fourth quarter. This compares to \$97 million or \$1.16 per share for the third quarter.

As you can see on **Panel 7**, there were several items impacting our fourth quarter earnings:

Items Impacting Q4'07 Earnings	
<small>(Millions of U.S. dollars, all amounts are after-tax)</small>	
Restructuring charges	\$(46)
Derivative mark-to-market	\$(9)
Canadian dollar impact	\$(15)
Gain on asset sale	\$13
Tax adjustments	<u>\$66</u>
Total after-tax impact	\$9

 **PANEL 7**

- First, we recorded a series of restructuring charges totaling \$46 million after-tax as a result of the aggressive actions that INEOS NOVA took to streamline its operations after the joint venture started up on October 1, 2007. The charges are related to the plant closures in Belpre, Ohio, Montreal, Quebec and the Sterling facility in Texas. These actions represent major steps forward towards the INEOS NOVA joint venture goal of a total of \$80 million in synergies associated with the North American portion of our global joint venture.
- Second, we incurred non-cash mark to market charges as a result of the accounting treatment for our Corunna feedstock-purchasing program. You will recall that NOVA Chemicals locks in butane and propane positions at a percentage of crude oil when attractive forward prices become available. Positions that have not matured must be marked-to-market every quarter.

The value of these outstanding positions declined in the fourth quarter, resulting in an after-tax charge of \$9 million. When compared to the \$6 million after-tax benefit in the third quarter, the quarter-over-quarter change is \$15 million dollars after-tax. The mark-to-market value of positions outstanding at December 31 was \$22 million, while realized gains on liquidated positions in 2007 resulted in a gain of \$25 million after-tax.

Overall, our feedstock-purchasing program has been very successful since we began back in 2004 and it gives us another important tool to deal with rising and volatile feedstock costs.

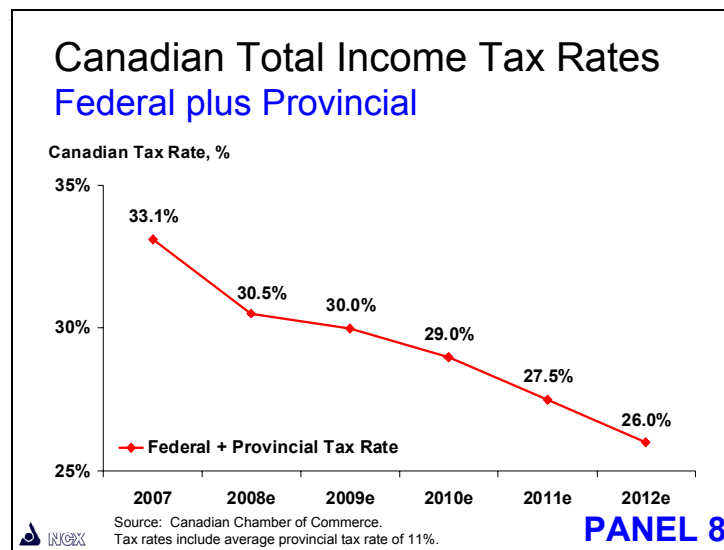
- Third, the Canadian dollar, which appreciated 7 cents against the U.S. dollar, impacted our results by \$15 million after-tax. As you may recall, because we report our results in U.S. dollars and a significant part of our operations are in Canada, we experience higher fixed costs when the Canadian dollar appreciates against the U.S. dollar. Since peaking in late November at \$1.10, the Canadian dollar has moved back to par with the US dollar.

In total, the stronger Canadian dollar has resulted in \$48 million in higher pre-tax fixed costs and depreciation. The after-tax amount was \$32 million.

This was a significant drag on our earnings and cash flow in 2007.

- Fourth, we sold the Chesapeake, Virginia facility - which had been shutdown in 2006. We also sold other non-operating land resulting in a total \$13 million after-tax gain. We have received \$5.7 million in cash and took back an 8.75% first mortgage for the remainder of the purchase price.
- Finally, we recorded a series of non-cash tax benefits in the fourth quarter totaling \$66 million. The largest of which, \$53 million, is related to the recent reduction in the Canadian federal tax rate. Going forward this non-cash benefit will generate higher earnings and cash flow as the lower tax rates come into effect.

The Canadian federal government enacted its third in a series of tax cuts, which will ultimately lower the federal tax rate from 22% in 2007 to 15% by 2012. This reduction puts Canada at the very lowest corporate tax rates for any of the G7 countries. When combined with our average provincial tax rate of 11%, which we show in **Panel 8**, we expect our total Canadian tax rates to reduce from 33.1% in 2007 to 26% in 2012, a 21.5% reduction.



To put this in context, if we applied the 2008 tax rate to our 2007 Canadian pre-tax earnings, net income would have been about \$10 million higher. If we applied the 2012 rate, we would have seen net income about \$30 million higher in 2007. Canada continues to be an excellent place for us to do business and grow.

Now lets discuss our cash and liquidity positions.

We generated \$205 million in cash from operations during the fourth quarter. This is a \$220 million improvement over the third quarter. For the full year 2007, we generated \$329 million in cash from operations.

Despite much higher feedstock costs, we managed to lower working capital net of corporate items by \$56 million in the fourth quarter. This allowed us to reduce net debt and fund our capital investments:

- We reduced net debt by \$105 million.

- In addition, we paid down \$27 million on our off-balance sheet accounts receivable securitization financing on December 31.

Our liquidity ended the quarter at \$552 million compared to \$443 million at the end of the third quarter. We feel very comfortable with our liquidity and are squarely in the target range we set for ourselves.

I will turn the call back over to Jeff.

Jeff Lipton, Chief Executive Officer

Thanks Larry.

To close off, I am going to make three key points:

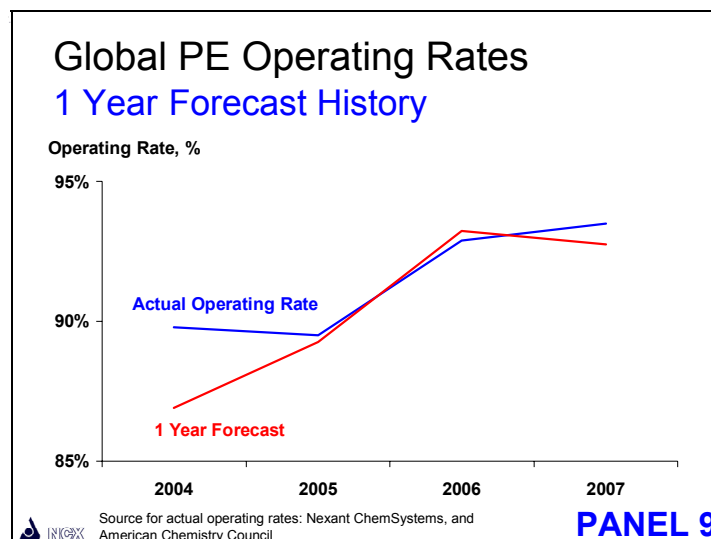
1. Our detailed work indicates the global polyethylene supply and demand balance will be strong over the next five years at just about any point within the full range of current economic forecasts.
2. Our Alberta Advantage will stay very large allowing

NOVA Chemicals to export globally and maintain full capacity operations with exceptional margins.
3. The high oil prices forecast for the foreseeable future will create an environment in which NOVA Chemicals will generate uniquely high cash flow and earnings in the entire range of current analyst supply/demand balance projections, before I finish I will show you a simple model that will allow investors and analysts to recalibrate their own estimates of NOVA Chemicals' Olefins/Polyolefin's EBITDA based on their expectations for oil prices and industry fundamentals.

For some quantification of these thoughts, first let's look at our polyethylene operating rate projections.

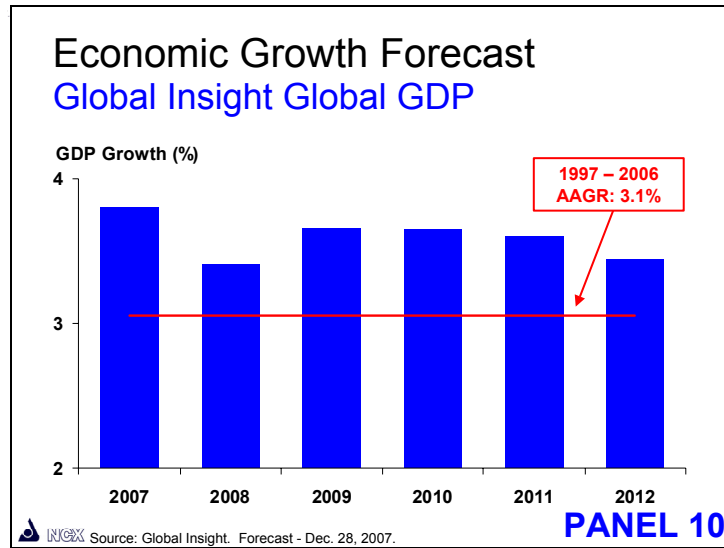
I know some industry observers believe NOVA Chemicals is always optimistic. So it is worthwhile noting, that our previous forecasts have been extremely accurate, and if anything, a little conservative.

Panel 9 shows NOVA Chemicals' one-year forecasts for global polyethylene operating rates compared with the actual operating rates. I do not think any set of forecasts has been better. As Casey Stengel used to say, you can look that up!



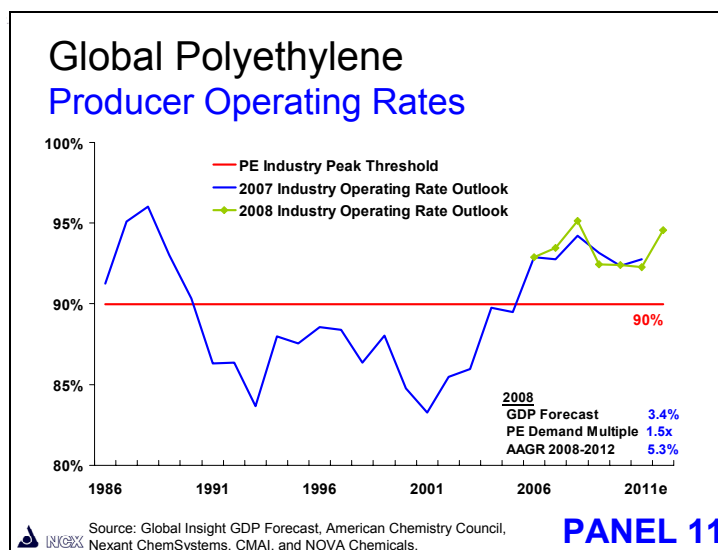
To generate our outlooks we spend a lot of time understanding the supply side of the story and use Global Insight GDP forecasts to develop demand projections. They have a very good track record.

Panel 10 shows their most recent forecast for this year with an expected decline in global Gross Domestic Product (GDP) growth to 3.4%, which is still stronger than the average of the last 10 years.

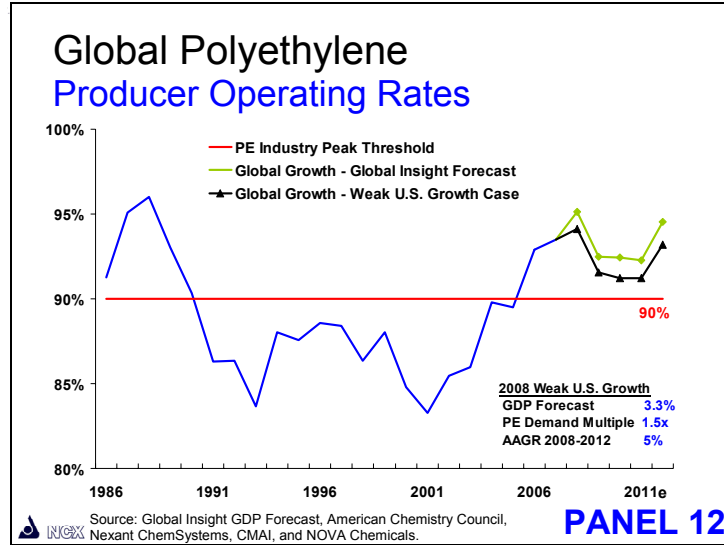


I would add parenthetically that on January 9th Goldman Sachs downgraded its U.S. forecasts to include a U.S. recession in 2008 and put global GDP growth at 3.7% for the year.

Panel 11 is our new global polyethylene operating rate projection in green on top of our January 2007 projection in blue. We, like others in the industry, expect 2008 to be a very good year and stronger than our previous forecast. We also expect the industry supply and demand balance to stay strong in 2009, 2010 and 2011 and return to current very high levels in 2012.



In **Panel 12** we look at a very conservative scenario with 0% U.S. GDP growth for the entire year of 2008, as shown by the black line. Even in this scenario, global operating rates remain quite strong and industry margins should be excellent.

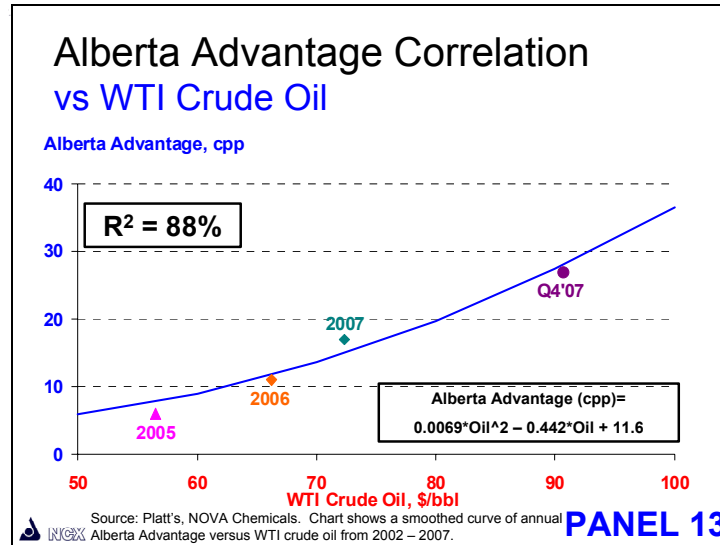


By the way, the Goldman Sachs forecast including a recession has the U.S. at 0.8% GDP growth for the year. Global Insight has the U.S. growth at 1.9%.

Many analysts are calling for a multi-year slide in polyethylene operating rates, we see a very different picture mainly due to continued project delays and our estimates of practical plant start up schedules.

Our work on the ground in the Middle East and China has proven to be accurate and we would be glad to compare plant-by-plant expectations with anyone. We have our detailed view on our website and you can give Chuck Magro a call if you would like to discuss the data.

In addition to strong market fundamentals, we see continued strength for our Alberta Advantage. Take a look at **Panel 13**, the Alberta Advantage correlation with WTI Crude Oil prices from 2002 to today.

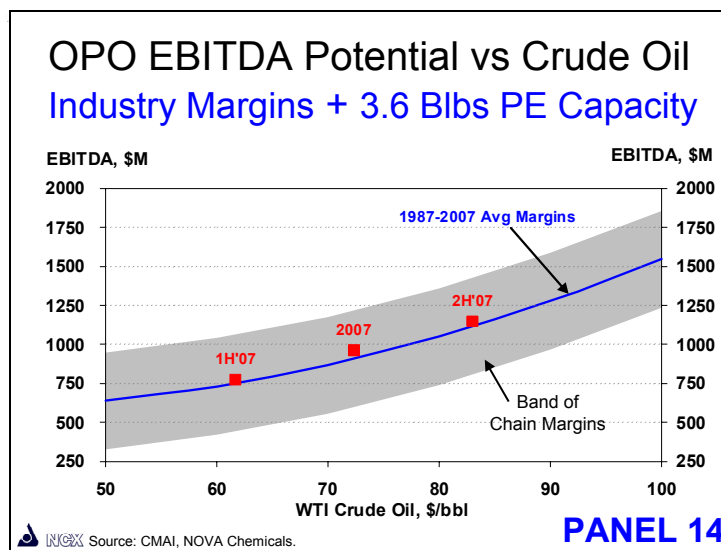


This model assumes an ethane to crude oil ratio at the recent level of 47%, which is slightly below the long-term average. It also assumes natural gas prices won't be as volatile as oil prices could be, and therefore, oil to gas ratios will decline with lower oil prices and increase, as they have historically, with higher oil prices.

You can see our actual results for 2005, 2006 and 2007 and where we were in the fourth quarter. Pretty strong correlations!

We have shown you this curve before and the fourth quarter and all of 2007 fit nicely.

Panel 14 is a new chart and I believe the most important take-away for you, as you think about NOVA Chemicals going forward. It shows how we believe Olefins/Polyolefins EBITDA will continue to move in conjunction with two critical variables, the price of crude oil and U.S. Gulf Coast ethylene / polyethylene chain margins.



The key to understanding this chart is to understand that the Alberta Advantage is relative to light feed crackers on the Gulf Coast, not an absolute.

This chart assumes three things:

First, the correlation of the Alberta Advantage to crude oil will follow the curve shown in Panel 13.

Second, NOVA Chemicals will sell out our full polyethylene capacity of 3.6 billion pounds over the course of the year. We did better than that in the fourth quarter and we intend to continue to sell at maximum production rates going forward. Of course the actual sales volumes will vary quarter by quarter with maintenance requirements and other issues - but we will continue volume growth over the year.

With our competitive cost advantage, selling out our full production is the only strategic position that makes sense. We will have excellent opportunities in just about every important market in the world and, we have proven that we have the sales and logistical capability in place to be where the opportunities are best.

The third assumption is that the Corunna cracker will generate EBITDA at about the same level we saw in 2007. We have proven that the modernization work we completed in 2007 will deliver lower costs, more reliability and more capacity.

Of course, the exact numbers will vary month-to-month and quarter-to-quarter as our flow through feedstock costs and cracker co-product pricing vary with each other - but over the course of a year and with Corunna's production increasing to match our Eastern polyethylene expansion, this assumption seems reasonable to us.

Investors and analysts must make two projections to use this tool: Your expected WTI crude oil price for the period in question and your estimate of ethane based ethylene / polyethylene chain margins for U.S. Gulf Coast producers.

For the industry margin data, we have discounted Chemical Market Associations, Inc. (CMAI) polyethylene list prices by 15% to represent realistic market prices. We apply this discounted industry margin plus the Alberta Advantage to our capacity to develop the EBITDA potential curve for Olefins/Polyolefins.

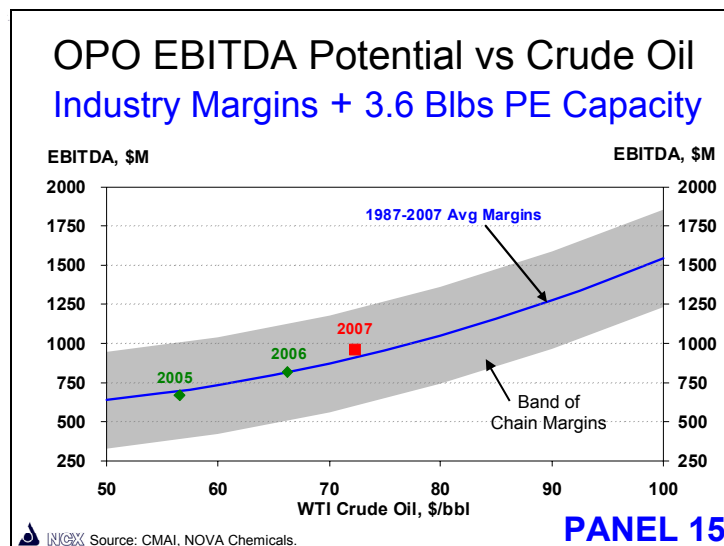
The bottom of the range we have shown is discounted CMAI EBITDA margins for 2001, the worst year I have seen for our industry in my 44 years. We start with the CMAI gross margin of 16 cents per pound for 2001, and discount for real polyethylene pricing to get a gross margin of about 11 cents per pound and remove 10 cents per pound of fixed costs, to get U.S. Gulf Coast EBITDA margins of 1 cent per pound.

On this chart, the top of the range is an average of discounted CMAI EBITDA chain margins in the peak earnings years of 1988 and 1995. Using the same process I just described, undiscounted peak gross margins of 35 cents per pound become 27 cents per pound after pricing discounts and 17 cents per pound EBITDA margins.

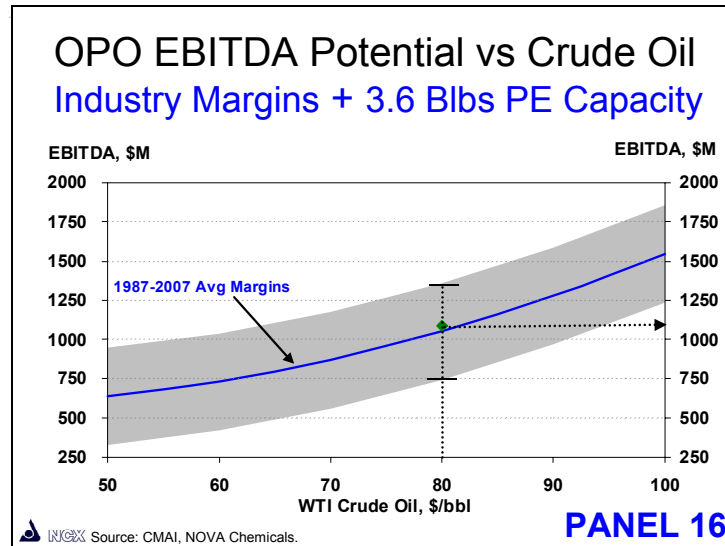
The line through the range is the average discounted CMAI U.S. Gulf Coast EBITDA margins from 1987 to 2007 of 7 cents per pound.

Panel 14 shows our actual Olefins/Polyolefins EBITDA for the first and second half of 2007 and the full year. We had less polyethylene capacity over the year than we now have as we start 2008, but industry margins were a little better than the 20-year average.

Panel 15 is the same chart showing the fit of the last three years versus the annual average WTI crude oil costs. Polyethylene volumes in 2005 and 2006 were lower than 2007. So EBITDA in those years was lower than this model would predict going forward with our increased capacity.



Let me step you through **Panel 16** by using an example:



Let's say you think the WTI crude oil price for 2008 will average \$80 per barrel. That means at the bottom of the U.S. industry EBITDA margin range, or 1 cent per pound, we should expect to generate about \$750 million of EBITDA for the year. At the top of the range, we should expect to generate about \$1.4 billion of EBITDA from our Olefins/Polyolefin's business.

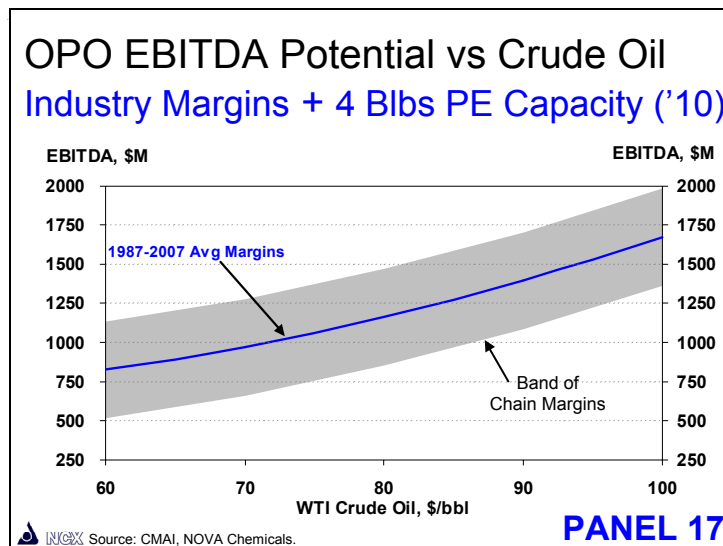
Going forward, a user of this chart would make their estimate of U.S. Gulf Coast light feed cracker ethylene and polyethylene EBITDA margins. In this case, we show EBITDA margins at the 2007 level, slightly above the 20-year historical average.

Then using this model, you would project NOVA Chemicals' Olefins/Polyolefins business to generate about \$ 1.1 billion of EBITDA per year, with WTI crude oil averaging \$80 per barrel.

Of course, every period will have some variation based on our Corunna flexi-cracker margins and our actual sales volumes, but as you saw this model has worked quite well looking back over the last three years – and we are very comfortable with it going forward.

If you think crude oil will be about \$90 per barrel for the period and match today's forward pricing, your range of estimates using this model would be between a low of \$960 million for a margin year link 2001 and a high of \$1.6 billion EBITDA per year.

Panel 17 is a view that shows the capacity increases we will put in place by the end of 2009. In 2010, Alberta polyethylene capacity will be 2.5 billion pounds and Eastern polyethylene, 1.5 billion pounds, for a total of 4.0 billion pounds.



These charts represent how we think about our future high oil prices make for an exciting NOVA Chemicals Olefins/Polyolefins EBITDA story.

We do not see this recalibration as a giant leap from our past. Our Alberta ethylene / polyethylene business has been outstanding for many years. We have averaged 29% EBITDA margins since our first full year of operation in 1999.

Since then, we have expanded capacity, upgraded our technology, improved the product mix and very importantly, we will expand further without adding ethylene hardware in today's high capital cost environment.

We believe that this business, which has had stronger EBITDA margins than other North American commodity chemical businesses and most specialty chemical businesses, will get even stronger and generate excellent returns on capital employed, even when compared to new Middle East assets.

As you can also see from these charts, our Olefins/Polyolefins business could generate strong EBITDA even in difficult economic conditions, outstanding cash flow in expected conditions and the higher oil prices are, the better we will be.

While the quality and potential of our Olefins/Polyolefins business might have been masked by our styrenics business over the past years, as we look to 2008 and beyond, we are confident styrenics won't be a drag, but in fact, will be a positive contributor to the company EBITDA!

I hope from this you will conclude, as I do, that if you are looking for an opportunity that matches high energy cost expectations for the future, you will find NOVA Chemicals' an uniquely valuable investment in just about any U.S. and Global economic environment.

Thank you for your attention and interest – now for your questions and comments.

Kevin McCarthy - Banc of America

Jeff, you alluded to the export strength in olefins and polyolefins as 23% of your volume. It seems to me you've broadened your basket of partners there. You mentioned India, Africa, Turkey, et cetera. Can you talk a little bit about how much of that business may be done on a contract basis, if any, versus a spot basis, and what your outlook is generally for that 23% figure as 2008 progresses.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Well, the only major contract we're going to have for volume, and it won't be for pricing, is in India where we have a partner that we're trying to develop a long-term relationship with. In most other cases, we're going to have the flexibility to go where the margins are the best and where the logistics gives us the ability to move significant quantities of product. So we are keeping some fixed arrangements, which we have with our joint venture partners in China, and we'll have something for Indian shipments, but we'll remain flexible for the rest of the world. And I would tell you that we're shipping as far away as Australia. We're actually selling AST product in Australia for large rotationally molded parts because our product offers unique capabilities. I think we have interesting opportunities all over the world.

Kevin McCarthy - Banc of America

Great. And then as a follow-up Jeff as I consider that basket of export volume, how would you characterize the differential in net backs on exports versus your North American sales of polyethylene?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Sure. Why don't I let Chris answer that question? He's done a lot of work on it and is deeply involved in selecting our targets. Chris.

Chris Pappas - NOVA Chemicals - President and Chief Operating Officer

Kevin, on the basket and the mix, in 2007 54% of our polyethylene exports were outside of China. And in the fourth quarter, that number was 59%, which is dramatically up from history. So we're clearly moving away from just a China-focused export strategy in the areas that Jeff mentioned.

As far as netbacks, depending on the place that we go, we can get better than our spot net backs in the U.S. market in this environment in almost all the places we go. In some of the high value AST applications, we can do even better than that and have netbacks that are better than some of our non-spot North American business. It's a gradient of course, and we manage that gradient actively on a month-to-month basis to optimize our margins around the world.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Kevin let me add one point to Chris' comments. We can still get extremely favorable transportation rates out of Vancouver back towards Asia. We're still moving product to China in bulk for a couple of cents a pound and in many cases for less than the logistical cost to U.S.-based customers in the southern tier. So we think our location and our logistical capability offer us a competitive advantage as well.

Frank Mitsch - BB&T Capital Markets

Good morning gentlemen and congrats again, Chris. Jeff, I was wondering if you could you spend a moment or two talking about the Styrenics business. I think in reading through some of the commentary about the weakness in the fourth quarter I guess your expectation is that's going to seasonally improve as we march into the early part of the year. I wanted to see if in fact that was correct, and can you talk a little

bit about the shutdowns in capacity in monomer and what impact that is having on the marketplace right now?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Okay. Frank, why don't I turn this over to Chris and let him talk a little bit about seasonality, which normally starts improving about now. January's usually relatively weak.

Chris Pappas - NOVA Chemicals - President and Chief Operating Officer

We are seeing, as Jeff said, the normal seasonality. January was a weak month, as it usually is, in both Europe and North America. February and March look better. It's still a difficult environment out there in general for Styrenics that is in spite of its capacity closures. We have seen, as I mentioned, a whole number of capacity closures including about 15% of polystyrene capacity in Europe shut down, and it is starting to have some effect on the market, but in general the marketplace for Styrenics is still difficult. We're focused on delivering that \$80 million of synergies, and we see that coming in, as we mentioned in 2008. With a little bit of a rebound in demand and particularly because of benzene coming down, we see the potential for this business to get quite good as we move through 2008. But I would not expect it to be in rapid rebound mode during the early part of 2008.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Frank, we continue to hear rumors, as I'm sure many people involved in the industry, do about further shutdowns of Korean capacity, and we anxiously await what other major players in the industry might do, whether they be European-based or North American-based. And our view is that we're likely to see some significant effort there to reduce excess supply. But, of course, we don't know what they're going to do.

Frank Mitsch - BB&T Capital Markets

Okay, great. Larry, you paid down -- your net debt came down \$100 million in the fourth quarter. Could you talk about your capital expenditure needs in 2008 and what if any targeted debt levels -- your further debt reduction levels you have?

Larry MacDonald - NOVA Chemicals - Chief Financial Officer

As far as our CapEx in 2008, our current plan is for about \$220 million in CapEx. Our prime financing strategy is to always maintain that liquidity base in the \$450 to \$650 million range. If the fourth quarter results continue, through 2008, certainly we'll be able to repay a significant amount of debt. It was \$100 million in the fourth quarter. Certainly if the fourth quarter repeats itself as we go through 2008, we can easily take off another \$300 to \$400 million of debt, but only time will tell. The key thing is always maintaining that liquidity strength.

Sergey Vasnetsov - Lehman Brothers

Good morning, Jeff. I want to ask you about slide number 15. I think it's a very interesting slide and gives us work to do over the next weekend, which is always good. What I want to ask you is the conditions in 2005, 2006, 2007 by many people's view was a particular cycle, and some companies came up with it earlier, some came up with it later. Clearly the performance was driven by oil prices as well besides just margins themselves.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Correct.

Sergey Vasnetsov - Lehman Brothers

But I was wondering on just a methodological basis, why use 1987 to 2007 average numbers, I would argue that is not as much relevant in today's world, the supply/demand, locations and dynamics is very different. But again this is just my view; you might have a different view.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

I don't think we're trying to say that we believe the future will be the 20-year average. We're just placing it in the middle of the range to give people a feel for what a typical year looks like. And as you know, there are reasonable number of investors who try to come up with mid-cycle estimates, and that's just to help them do that. Our view is that 2008 will be a strong year. I know other operating people in our industry believe the same. And we don't see -- even with a relatively weak global economy that the demand picture is going to get hurt appreciably. I think it's important to note that outside of the fully developed countries, the growth and demand for our kind of products for food packaging, and agricultural uses is at multiples of GDP growth. And so, by showing that black line that we did on Panel 12 in our supply demand forecast that includes U.S. year to year growth at zero, what we're trying to point out is that the U.S. GDP situation is not as critical going forward as it has been for a long time.

We're in a global business. We have global opportunities. And with the cost of naphtha being what it is, we think the opportunities for all of the North American industry to export and for us in particular to get strong margins with export are the most important thing in thinking about the future. And I think that you're going to see the U.S. Gulf coast margins for 2008 even in a relatively weak GDP growth environment to be reasonably good because of those export opportunities and the ability to keep the operating rates up relatively high. So our view is quite positive going forward. I didn't mean to imply that it would fall on the 1987-2007 average line.

Dave Silver - J.P. Morgan

I have a couple of questions. First, I was just hoping that you could maybe give us the analogous description of market conditions on the polyethylene side to Frank's question about Styrenics. From our perspective, I think there's some cross turns of fourth quarter demand fundamentally in the U.S. excluding exports was not strong. Anecdotally we hear that cracker operating rates in Europe are improving, and that's leading to some additional supply, and then Asia right now is not especially robust in part because of the timing of the proximity to the Chinese new year. Just in the fundamental areas, what is the demand profile you see in the first quarter?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

David, as you know, we tend to try to take out the inventory change variations by looking at consumption, and as Chris pointed out in his remarks, we see consumption starting off in January which is usually just a so-so month as people recover from the holidays, to be comparable to the consumption numbers we saw in the second half. So our expectation is that we're going to see continued relatively low inventory levels on the part of producers because they can export, and low inventory numbers for the direct consumers. The distributors in our industry use inventory to try to pick up a couple of pennies as they see price increases moving, but their inventories could be the most fluctuating part of the inventory environment.

But we think basic consumption will be strong and the supply to demand balance globally will be excellent for 2008. I've heard some of my peers express the exact same kind of feelings with their own view of new supply coming on stream and what global GDP will look like. So we feel very positive about 2008 given all the economic uncertainty in the U.S. We still believe that the supply demand balance will be quite strong.

And by the way, the point Chris made about Iran and the dilemmas you hear about Iranian supply are playing out in other places. I assume you've read about the shortages of naphtha around the world, and the increasing concerns about whether there will be enough naphtha available to satisfy gasoline production needs and petrochemical needs. There is a strong belief that gasoline production will always take precedent over petrochemical production in developing countries. So our view is quite positive. I know there's a lot of pessimism out there, but our view is very different than that, and as I pointed out, I think, we've been pretty good forecasters of the supply-demand balance.

Dave Silver - J.P. Morgan

Possibly I may have asked the question a little too broadly. If I could just come at you with, you talked about selling out 3.6 billion pounds of polyethylene in 2008. Is what you're saying that you believe that for the first quarter you will be able to sell 900 million pounds or so given the current spread of the demand profile in the different markets?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

I'll tell you what I believe. I put a lot of pressure on Chris and his team to do this, but I believe we ought to be able -- given the margins around the world and the logistics and sales capability to move that quantity on a regular basis. Will we be at exactly 900 million pounds every quarter? For sure not. It will vary up and down. In the fourth quarter we were above that in what was a weak quarter for our industry in general. I think in some quarters you'll find us slightly below, some quarters slightly above. But we're going to run our plants full. We think the netbacks available all around the world will more than support our plants running full. And if anybody is going to turn down operations it's going to be the people that are tight for naphtha supply and the people with very high costs -- which often are the same operators. And we and a few of the older sites in the Middle East will be the last ones to cut back on our production. That's my message. And it's different than the way we thought about the world in previous years.

Dave Silver - J.P. Morgan

Okay. Thanks. Can I ask you a question about the relationship of the Alberta advantage to your ethylene margins? If I understand it correctly, and if I look at the fourth quarter results, the wider Alberta advantage effectively means that more of the profit through the chain and olefins, polyolefins is captured at the ethylene step. And you do sell 3 billion pounds to other customers, I believe. So can you refresh my memory, but how will your returns on those ethylene pounds that are sold to other producers or other polyethylene makers, the 3 billion pounds of the merchant sales, how does the profile of the margins on that portion of your business change as the Alberta advantage widens out here?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Well, we always get a portion of the Alberta advantage, and we have different contracts with each one of our customers. In some cases we have different contracts with the same customer for different streams because the old ones mature at different points in time. So the number varies, and I don't want to be highly specific about that for the reason I just described. But I would tell you that we have developed contracts in the past that we called margin share contracts where we said we'll share that Alberta advantage as it grows with our customers in Alberta and we wanted them to build more and more consuming capacity in Alberta. In recent years we have felt that we ought to be holding more of the advantage. And as I've mentioned in the past, we have a couple of contracts that are expiring where we intend to significantly increase our share of the Alberta advantage. And the other point I would make to you is that, that amount of sales at the historic levels is in the model and going forward, we're actually going to be expanding the margin for those sales on average even though we've left the model the same. Does that help?

Edlain Rodriguez - Goldman Sachs

Jeff, a quick question in terms of what's going on in the polyethylene market. Why do you suspect that converters are not prebuying ahead of those price increase announcements that are out there?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Well distributors did some prebuying in the fourth quarter. They were the only group that we saw raising inventory levels, but there's also limited inventory in the hands of producers. And whenever we raise the price and of course we don't know exactly what our competitors do, but whenever we raise the price, we're very careful to not allow anybody to buy too much going forward. So that's part of the reason, but I would tell you of all our customers, the dealers picked up as much as they could.

Edlain Rodriguez - Goldman Sachs

Okay. And the follow-up in terms of the FIFO impact, what FIFO impact this quarter? I know you didn't provide it this time, but your competitors do note that on the conference calls.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

I would tell you, I told our people that we weren't going to calculate that number anymore, and so I can't give you a number. We didn't calculate it. I just don't see the value, and I'm sorry if it messes you up for your model, but I just don't see the value of us going through the exercise to produce what really is a rough estimate and is never an accurate number. And so instead of bothering with it, since our only direct comparable peer uses FIFO, I just said let's forget about it going forward.

Edlain Rodriguez - Goldman Sachs

So the follow-up is the developing economies multiplier for polyethylene is 1.5 times, how does that compare to previous deals where we have a mild recession? I would assume that number would have been much smaller?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

The longterm trend is 1.7, we've modified it a little bit to 1.5, but we actually believe it will increase in major parts of the world where instead of just exporting imported polyethylene as finished products they're going to start using it for food packaging and their own domestic needs. So we think the growth rate in China and India is going to pick up appreciably over historic levels. And so our view is that 1.5 is a very conservative number. The U.S. is basically one to one, maybe a little lower than that, and that's why I've taken the U.S. out. Putting it at zero growth doesn't have that much impact on global demand.

Kevin Chiang - CIBC World Markets

This is Kevin Chiang on behalf of Jacob Bout. Just a follow-up on the margin-sharing question. When do these contracts typically come up for negotiation and what percentage do you expect going forward in any given year?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Well, they don't come up very often. They're very long-term agreements. We happen to have one that expired at the end of last year, and we haven't settled a new agreement for 2008. And we have another one that will expire at the end of 2008. I don't really want to give you too much information because a lot of it is proprietary for us and our customers.

Kevin Chiang - CIBC World Markets

And just a follow-up, regarding the mark to market charges, where exactly are they -- in the P&L? Are they to be in that free stock and operating cost line?

Larry MacDonald - NOVA Chemicals - Chief Financial Officer

Those costs are reported on the income statement in the feed stock cost line, but for business reporting. The section at the front where we report business EBITDA reflects matured positions. The mark to market on outstanding positions is reflected in the corporate EBITDA.

Peter Butler - Glen Hill Investments

Well, okay. Well, I do have a question. I was wondering -- I searched through your press release, and I can't find the paragraph on guidance. I'm wondering if you took the January results and adjusted them for seasonality and multiplied by three, where would that put the first quarter earnings comparing to the fourth quarter?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Well, how about I answer your question in a different way since we don't have January results yet. If you were to look at the oil prices that we've seen for January and assume that those oil prices will be in place for the quarter, and then go to those new charts I showed, you'd come up with some very powerful numbers. So for us as I've really been trying to say, the two keys are what will the oil price be, and what are the industry margins? Those are the keys. We're going to get some variations around our Corunna cracker, but the key at Corunna is how will the refiners move pricing given the high oil price? So we're really impacted by what our Gulf coast brethren do. We think they have tremendous pressure to raise prices to get reasonable margins and that the supply-demand balance and the inventory position in the industry will allow the industry to move prices up, and so we expect an outstanding 2008. I can't do January times three for you because I don't have January, but I can certainly point you to the oil prices.

Peter Butler - Glen Hill Investments

The second question is on a longer-term one, during the fourth quarter in January, has there been any movement on the Alaskan pipeline politics? Is it getting any closer to where a project could be defined and get an official go-ahead?

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

I think there was some dialogue that I read in the press. I don't know whether it's accurate or not. In talking with the pipeline people in Alberta, which I had a chance to do just a few weeks ago, I would tell you that they are pushing hard on the Canadian government to get the McKenzie Delta pipeline built before the Alaskan line and believe that they're having some success with the government audiences that have to overcome political pressures of a lot of different kinds to get that pipeline built. We would welcome them both and welcome them both as fast as possible. In the meantime, though, given politics being what it is, we're focusing on oil sands offgas projects. We're doing that, and I understand Dow is now doing some of the same. What's good for them will be good for us and vice versa. We think that offgases will represent a strong low-cost feedstock source for a lot of years, and if we're successful there with our pilot level projects, we think that could be a big addition to our feed stock source.

Sam Kanés - Scotia Capital

Chris. These questions are for you on styrene. First of all, a simple one. The JV benzene costs you referred to in your notes went down 9%. You called it "flow-through benzene costs" versus 3% for the industry. Is that a unique little LIFO thing inside that JV or is it something different?

Chris Pappas - NOVA Chemicals - President and Chief Operating Officer

No, that would be it. They're on the same system. It's a flow-through feed stock issue.

Sam Kanés - Scotia Capital

That should then reverse itself as benzene costs are constant? Obviously it depends what benzene does?

Chris Pappas - NOVA Chemicals - President and Chief Operating Officer

They're operating under the same financials Sam, if you will, as we did in terms of flow-through economics, and so they have the same concept that they have to work through. And yes, you're right, in an opposite scenario, it would reverse itself.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Over the last quarter or two we've been talking about benzene prices coming down on a supply demand basis and eventually having a fundamental impact for the demand for Styrenic materials. Benzene is as low as we've seen for maybe five or six years and looks pretty flat going into the first quarter at 150% to 155% of crude which is a very positive thing for us.

Sam Kanés - Scotia Capital

Chris, can you give us kind of a guidance profile for the Performance Styrenics segment based on how you see it now?

Chris Pappas - NOVA Chemicals - President and Chief Operating Officer

We're clearly disappointed on the one hand about the ramp rate, at least in terms of EBITDA. We're not where we want to be. We're around break-even with a positive quarter last quarter and break even this quarter. The trajectory still looks good, Sam. There's two pieces of that business, one is the ventures and one is the pellet, which is expanded polystyrene, ARCEL[®] and DYLARK[®]. In both cases we see things moving very positively going forward. The leverageable keys for short-run improvement continues to be selling more ARCEL faster, getting better EBITDA out of our expanded polystyrene business and then looking at the venture activity kicking in around the middle of the year toward the back of 2008.

So we're not where we wanted to be, but we've got all hands on deck to improve that, and we see a pretty good trajectory. I was just with them yesterday for the afternoon and the evening, and I'm looking at all of their plans in detail. And I'm getting more and more encouraged by the short-term activities that are going on in the market both in the ventures and the pellets, so we'll just keep driving ahead. We've gotten to a point right now where we're looking at the upside without any real cash burn, which is not a bad place to be, and the business looks like it's got a really exciting future to us still.

Jeff Lipton - NOVA Chemicals - Chief Executive Officer

Thank you, Sam. Operator, thank you, and thank everybody for being on the call.