

NOVIK REACHES HISTORICAL QUARTERLY SALES

SECOND QUARTER 2011 HIGHLIGHTS

- **Historic sales record for a quarter at \$9.0 M**
- **17% sales growth versus Q2 - 2010**
- **17% sales growth for the first six months**
- **Adjusted EBITDA of \$1,699,000 compared with \$1,002,000 Q2 – 2010**
- **Adjusted EBITDA of 19% versus 13% on sales in Q2 - 2010**
- **Net profit of \$471,000 compared with \$30,000**
- **Year-to-date net profit of \$394,000 versus net loss of \$244,000 last year**

MANAGEMENT DISCUSSION AND ANALYSIS

The management report was prepared in order to help understand the company's activities, performance, and financial position as of June 30, 2011. This management report compares the operating results and the cash position of the current period ended June 30, 2011, with those of the fiscal year ended December 31, 2010, and the quarter ended June 30, 2010. This analysis of the company's results of operations and financial position should therefore be read in conjunction with the audited and interim consolidated financial statements and related notes. The interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information was prepared as at March 31, 2011, applied retrospectively. The conciliation between the previously used Canadian generally accepted accounting principles and the international financial reporting standards (IFRS) and the choices made in the transition are available in note 18 of the interim consolidated financial statements as well as in the "IFRS" section of this document.

The following information takes into account any significant event that occurred up until August 4th, 2011, the date of the Board's approval of this management report on the recommendation of the audit committee.

FORWARD-LOOKING STATEMENTS

This MD&A may contain statements that are forward-looking in nature. These forward-looking statements may include, but are not limited to, comments with respect to the company's business, financial objectives, strategies or future actions, targets, financial forecasts, or outlooks for operating activities. Forward-looking statements are not guarantees of future performance, and the company's actual results may differ materially from those indicated or implied in these forward-looking statements as a result of various factors, including downturns in general economic conditions and resulting changes in client business, dependence upon a limited number of clients contributing a significant percentage of income, inability to acquire new clients or new orders from existing clients and the retention of key management or technical personnel. Assumptions related to future events involve judgments and risks, a good number of which are

beyond the control of the company. Although management believes that the expectations reflected in the forward-looking statements are reasonable based on the information available upon their formulation, it cannot assure that the expectations will prove to have been correct. Accordingly, the reader should not place undue reliance on forward-looking statements.

NON-IFRS MEASURES

The company uses adjusted EBITDA (earnings before interest, income taxes, stock-based compensation costs, depreciation and amortization), a non-IFRS measure, to evaluate the company's performance. Securities regulators require that issuers warn the reader that such data (not based on IFRS) have no standardized meaning according to IFRS. It is therefore difficult to compare such data with similar data provided by other companies. This non-IFRS measure is presented solely as supplemental disclosure, because management believes they provide useful information regarding the company's liquidity and ability to generate funds to finance its activities.

OPERATING RESULTS

NOVIK inc. for the periods ended June 30, 2011 and 2010 <i>(in thousands dollars, except for amounts per share)</i>	Period of three months 2011	Period of three months 2010	Period of six months 2011	Period of six months 2010
	\$	\$	\$	\$
Operating results				
Revenues	9,019	7,691	13,505	11,545
Gross margin	3,368	2,897	4,987	4,171
Earnings before depreciation, stock-based compensation, financial expenses and income taxes	1,699	1,002	2,090	1,049
Net earnings (loss)	471	30	394	(244)
Basic and diluted net earnings (loss) per share	0.010	0.001	0.008	(0.004)

Revenues

During the course of the second quarter of fiscal year 2011, Novik recorded revenues of \$9.0 M, compared with \$7.7 M during the same quarter of the previous fiscal year. This level of sales is a historic record for Novik during a quarter, surpassing the record of \$7.8 M set last year during the third quarter. It should be noted that over the last seven quarters, Novik has shown sales growth over comparative periods.

This 17% growth in Novik's sales in the second quarter compared with the same period of the previous fiscal year is localized in Europe and Mexico, just like the first quarter. Stronger economic activity in certain territories has allowed Novik to make more deliveries since the beginning of the year with distributors in place. The higher level of sales by nearly \$1,400,000 in the current quarter compared with the same period of the previous fiscal year allows Novik to continue the growth of its sales. Cumulative sales since the beginning of the year on these territories are up \$2,400,000.

In Canada and the US, sales remained stable in the second quarter compared with the previous year, where Novik is continuing to outperform the industry and gain market share. For example, the vinyl exterior sidings industry has seen a decrease in its deliveries of nearly 5% in the United States and 20% in Canada since the beginning of the year. For our part, a range of varied, unique products for some that also meet the needs of consumers is allowing us to obtain new customers and maintain interesting discussions with potential distributors. These items are thus allowing Novik to obtain orders for quantities comparable to those of last year versus the current negative trend observed in the North American market.

Novik's cumulative sales, for the first six months of 2011, amount to \$13.5 M compared with \$11.5 M for the same period of the previous year. This 17% growth in sales is also explained by the items mentioned above.

Gross margin

The company's gross margin for the second quarter of the current fiscal year totals \$3.4 M, or a gross margin of 37% compared with 38% for the same period of the previous fiscal year.

This change is explained by the significant increase in the cost of raw materials observed in the second quarter. Some raw materials used in manufacturing our products have reached very high price levels compared with recent years, thus negatively impacting Novik's gross margin. The Canadian dollar's appreciation against the US dollar has also influenced the gross margin, given that sales in US dollars can represent nearly 65% of Novik's total sales.

In order to reduce the impact brought about by these two external factors, Novik has managed to take the necessary actions to counter these negative trends. An increase in the price of our products was communicated to our customers in May 2011, and a second in the same direction was launched in June 2011. The constant pressure of the increase in the price of raw materials justified these two increases. These successive price increases should allow Novik to stabilize the gross margin for the coming months, assuming steadiness in the cost of raw materials. In addition, sound operational management over the consumption of raw materials and the use of our manufacturing technologies has allowed Novik to generate cost savings. Also, the introductory price level offered last year in the first six months of the previous year to major distributors was not granted in 2011. In order to encourage these distributors offering high potential volume to join Novik, favourable terms had been granted to them last year to allow them to stock our products in their warehouses.

For the six-month period ending June 30, 2011, gross earnings amount to \$5.0 M, or 37% on revenues, compared with 36% for the same period of the previous fiscal year.

Earnings before interest, taxes, depreciation, amortization, and stock-based compensation (adjusted EBITDA)

NOVIK inc. for the periods ended June 30, 2011 and 2010 (in thousands of dollars)	Period of	Period of	Period of	Period of
	three months	three months	six months	six months
	2011	2010	2011	2010
	\$	\$	\$	\$
Adjusted EBITDA	1,699	1,002	2,090	1,049
Stock-based compensation costs	(293)	(116)	(299)	(116)
Depreciation and amortization	(402)	(469)	(732)	(851)
Financial expenses	(312)	(386)	(479)	(456)
Income before income taxes	692	31	580	(374)

For the second quarter of fiscal year 2011, adjusted EBITDA increased by 70% to \$1,699,000 compared with \$1,002,000 for the same period of the previous fiscal year.

A higher level of sales of nearly \$1,225,000 for the period compared with the previous year, lower levels of introductory discounts offered to major distributors, permanent operational efficiencies implemented and a decrease in selling expenses, explained below, are mainly responsible for this increase.

For the six-month period ended on June 30, 2011, adjusted EBITDA increased by 99% to \$2,090,000 compared with \$1,049,000 for the same period of the previous fiscal year. Adjusted EBITDA over sales for the 2011 second quarter were 19% versus 13% over the corresponding quarter last year, and for the first half of 2011, such ratio was at 16% versus 9% year-over-year. This ratio demonstrates the significant increase in Novik's operating performance in 2011. This desire of Novik's management to improve this profitability threshold was clearly identified at the beginning of the year and will remain a constant priority until the end of the year.

Selling expenses

The decrease in selling expenses observed in second quarter 2011 of around \$210,000 compared with the same period of the previous fiscal year is explained by the use of lower-cost commercial activities while supporting our current customers as well as a different sales mix by territory causing lower transport expenses in the current year.

Cumulative selling expenses amount to \$2.7 M compared with \$2.9 M for the six-month period ended in the previous fiscal year.

Administrative expenses

Administrative expenses for second quarter 2011 were \$148,000 greater compared with the second quarter of the previous fiscal year. This increase is mainly related to the fact that the number and value of the stock options granted in May 2011 to directors and certain managers of Novik were greater than last year. A higher number granted following the annual general meeting, i.e. 470,000 options, and a greater fair value by \$0.10 per option explain the increase in compensation expenses related to share-based payments. Excluding this non-monetary charge, administrative expenses remain stable compared with the increase in Novik's sales.

Cumulative administrative expenses amount to \$970,000 for the current fiscal year versus \$924,000 for the same period of the previous fiscal year.

Financial expenses

Financial expenses for second quarter 2011 decreased by \$74,000 compared to second quarter 2010. Interest expenses remained relatively stable, while the exchange loss decreased, given the variations observed during the period for the Canadian dollar compared with the US dollar. The conversion of monetary elements denominated in foreign currencies as of the end date of the period brought about a lower exchange loss at June 30, 2011, compared with June 30, 2010.

Financial expenses for the six-month period ended on June 30, 2011, remained stable compared with the same period of the previous fiscal year.

Net profit

The company's net profit for the second quarter of fiscal year 2011 amounts to \$471,000 compared with a level of \$30,000 for the same quarter of the previous fiscal year. This increase in profitability is directly in line with the same factors previously explained in the adjusted EBITDA section: the increase in the sales volume combined with the decrease in introductory discounts offered to major customers last year and selling expenses.

For the six-month period ended on June 30, 2011, net profit is \$394,000 compared with a net loss of \$244,000 for the same period of the previous fiscal year. This financial result represents a net improvement compared with the previous year and is directly in line with management's desire to maximize this profitability.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars Except amounts per share)	Q 2 June 2011	Q 1 March 2011	Q 4 Dec. 2010	Q 3 Sept. 2010	Q 2 June 2010	Q 1 March 2010	Q 4 Dec. 2009	Q 3 Sept. 2009
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	9,019	4,486	4,392	7,839	7,691	3,854	3,372	4,872
Net earnings (net loss)	471	(77)	(55)	754	30	(274)	(678)	93
Basic and diluted net earnings (net loss) per share	0.010	(0.002)	(0.002)	0.016	0.001	(0.005)	(0.014)	0.002

Considering the seasonality of the residential and commercial construction and home improvement industry, Novik's second and third quarters of the fiscal year are often characterized by a higher demand, whereas the first and fourth quarters show a slight slowdown.

LIQUIDITY, FINANCIAL POSITION, AND COMMITMENTS

Liquidity

Operating activities

The higher net profit reached during the second quarter of the current fiscal year, as explained above, increased cash flows from operating activities, excluding elements with no impact on cash, by \$636,000 during this period compared with the second quarter of the previous fiscal year. Cash flow related to operating activities was nearly \$1,900,000 greater during the second quarter of the current fiscal year compared with the same period of the previous year. The increase in trade accounts payable and other creditors and the decrease in inventories between June 30 and March 31 of fiscal years 2011 and 2010 explain this situation.

Cumulative cash flows from operating activities for the current fiscal year are also up, i.e. \$1,070,000 compared with the previous fiscal year.

Financing activities

For the second quarter of the current fiscal year, financing activities decreased by \$1,603,000 compared with the second quarter of the previous fiscal year. This decrease is directly in line with the decrease in the bank loan balance observed over the period. This decrease was directly reimbursed by cash flows coming from operations, given the increase in sales volume since the beginning of the year.

At the cumulative level, financing activities decreased by \$815,000 compared with the same period of the previous fiscal year. The decrease observed in the bank loan balance at June 30, 2011, was partially offset by the long-term debts contracted at the beginning of the year. During the first quarter, the company obtained a loan of \$2,625,000, of which \$1,853,125 has been paid. From the proceeds of this loan, the company repaid notes payable falling due from 2011 to 2015 totalling \$1,428,490. The company also obtained a second loan of \$400,000, the amount of which was paid during this period. The company also obtained a moratorium on capital payments for a period of six months on these new debts as well as other loans. Capital payments payable at the end of the moratorium for loans existing before the current fiscal year have been adjusted so that the capital is repaid according to the initial due dates.

These new loans are intended to allow Novik to have an appropriate threshold of working capital to support the current growth observed in its sales and the development of new potential products.

Investing activities

Investing activities used greater funds in the period compared with the same period of the previous fiscal year. These investments of around \$245,000 were put forth to meet two needs: generating operational savings and improving our existing moulds in order to facilitate the installation of some of our products. An amount of nearly \$350,000 had been received last year following the dismantling of an injection moulding machine.

Excluding this event, investment activities used comparable funds for the six-month periods ended on June 30, or around \$700,000.

Financial position

NOVIK inc.	June 30	December 31
<i>(in thousands dollars, except for amounts per share)</i>	2011	2010
	\$	\$
Financial position		
Total assets	25,709	24,488
Working capital	3,154	2,186
Total long-term financial liabilities	9,575	8,960
Total liabilities	13,636	13,109
Shareholders' equity	12,072	11,379
Shareholders' equity per share	0.25	0.23
Number of outstanding shares	48,470,858	48,470,858

Total assets

Total assets increased for the period ended June 30, 2011, compared with December 31, 2010. This rise of nearly \$1,200,000 is attributable in large part to the company's increased accounts receivable, given that sales for the current period were higher than in the fourth quarter of the previous fiscal year.

Financial liabilities

Total liabilities increased by nearly \$500,000 at June 30, 2011, compared with December 31, 2010, given a higher volume of sales justifying a higher level of trade accounts payable and other creditors. Obtaining new loans also contributed to increasing total liabilities, but the decrease in the bank loan partially offset this total increase.

Capital stock

Shares

No movement occurred in the first six months of fiscal year 2011 on the company's Class A shares.

DATA ON THE SHARES	
Issued and outstanding as at June 30, 2011	Issued
Class A shares	48,470,858
Outstanding stock options as at June 30, 2011	
Options issued under the stock option plan	3,205,000
CLASS A SHARES	Six-month period ended June 30, 2011
Volume traded	2,509,300
Average price	0.30
Closing price	0.27
Price range	0.21 - 0.37

Stock Options

During the quarter ended March 31, 2011, the company granted 25,000 stock options to a manager of the company at an exercise price of \$0.27, maturing on February 23, 2016. A compensation expense of \$5,600 was accounted for in consolidated global earnings when they were granted given that they are immediately exercisable.

During the second quarter ended June 30, 2011, the company granted 1,175,000 stock options to its directors and certain managers at an exercise price of \$0.36, maturing on May 19, 2016. A compensation expense of \$293,291 was accounted for in consolidated global earnings when they were granted given that they are immediately exercisable.

Note 12 related to the company's audited consolidated financial statements at December 31, 2010, also provides other information relating to capital stock.

Commitments

The company offers a limited, transferable warranty on its products, which reduces proportionally with the number of years. The typical warranty terms require that the company replace defective material during the warranty period at its own expense. The company posts a warranty provision when the products are shipped based on the estimated incurred costs of the warranty. As of June 30, 2011, this provision is estimated at \$324,857.

The company also has contractual obligations on equipment and vehicle rental/use agreements. Note 16 to the interim consolidated financial statements provides a status of these commitments.

Related-Party Transactions

During the first six months of fiscal year 2011, Novik made no related-party transactions.

FINANCIAL INSTRUMENTS

As at June 30, 2011, foreign currency forward contracts not designated as cash flow hedges and maturing in the next year totalled US\$1,675,000 at an average conversion rate of 1.07 for the sale of US dollars. A foreign currency exchange swap is currently opened and totals US\$1,500,000. This financial instrument matures in December 2011 at a conversion rate of 0.98.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in compliance with the IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported on the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include the allowance for doubtful accounts receivable, provisions for obsolete inventories, refundable tax credits, the useful lives and recoverable amount of property, plant, and equipment and intangible assets, future income taxes, capitalized development costs, warranty provisions, certain accrued liabilities, and the fair value of options granted to employees, officers, and directors. Management believes that these estimations are adequate; however, actual results could differ from those estimates.

The main accounting policies are described in note 2 to the interim consolidated financial statements as at June 30, 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company has adopted IFRS for the preparation of its interim and annual financial statements relating to fiscal year beginning on January 1, 2011.

Impacts related to the transition to IFRS are described in details in note 18 of the interim consolidated financial statements. In addition, the company did not identify any significant impacts from the IFRS transition related to information technologies and key internal controls.

First-time Adoption of International Financial Reporting Standards – IFRS 1

According to IFRS 1, adjustments required upon transition to IFRS will be made retrospectively against opening deficit on January 1, 2010, presented in the comparative balance sheet.

Novik applied IFRS retrospectively, but made the two following choices in order to minimize impacts on its opening statement balance sheet:

- IFRS 2 - Share-Based Payments: Equity instruments granted and vested before January 1, 2010 have not been restated;
- IFRS 3 - Business Combinations: Business combinations recorded prior to January 1, 2010 have not been restated.

Disclosure and reclassification

Under IFRS, the statement of changes in equity comprises all balances related to shareholder's equity. In consequence, Novik made an analysis in order to determine each component of equity that must be presented apart. It must be noted that IFRS do not have a direct equivalent for the

notion of contributed surplus. Novik created two reserves, stocks options and warrants, to distinguish impacts on equity related to past transactions and allow for follow-up in the future. In consequence, as of January 1, 2010, \$900,899 was credited to the opening balance of reserve – stock options, \$640,074 was credited to the opening balance of reserve – warrants and \$94,820 previously presented in the contributed surplus was credited to the opening balance of deficit.

Furthermore, the Company presents distinctly in the balance sheet the provision related to warranties in order to comply with IFRS. This figure was previously presented in the accounts payable and accrued liabilities.

Property, plant and equipment – IAS 16 and intangible assets – IAS 38

Novik decided not to reevaluate its property, plant and equipment at fair value at the transition date and use the cost model for subsequent measurement of these assets.

In the context of IFRS transition, Novik performed a detailed analysis of the components of its property, plant and equipment that require distinct useful lives and reflected it appropriately in its amortization methods. Furthermore, the Company considered that the straight-line amortization method is more relevant to reflect the pattern in which the asset's future economic benefits from tangible and some intangible assets. In consequence, the Company modified its accounting policies and applied retrospectively the necessary adjustments.

As at January 1, 2010, the combined impact of these analyses, net of taxes, is \$8,663 recognized in deduction of the opening deficit. Including tax impacts of this adjustment of amortization for the full fiscal year 2010, the comprehensive income of the period increased by \$166,017. The amortization expense of the second quarter of 2010 as well as for the six months period of 2010 was adjusted properly.

Detailed reconciliations of adjusted balances of shareholder's equity and comprehensive income are available in note 18 of the interim consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments issued in November 2009 introduces new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition. IFRS 9 will be effective for annual periods beginning on January 1, 2013, with earlier application permitted.

IFRS 9 requires all recognized financial assets accounted for that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally valued at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Company anticipates that IFRS 9 will be adopted for the annual period beginning January 1, 2013. At this moment, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. However, according to the nature of financial instruments held by the Company and the fact that the Company does not use hedge accounting, anticipated impacts are not significant.

RISK FACTORS

The company's risk factors are presented in the management report for the fiscal year ending December 31, 2010.

RISKS AND UNCERTAINTIES

The company is confident about its medium- and long-term prospects. However, the reader should take into account the risks and uncertainties described in the 2010 annual report. They could impact the Company's ability to fulfill its strategic vision and growth objectives.

OUTLOOK

Just like the first quarter of fiscal year 2011, Novik's current financial performance is positive. The combination of sales growth and higher profitability in the first six months of fiscal year 2011 is directly in line with the objectives set at the beginning of the year. Despite lingering effects on the industry from the latest economic crisis and price increase pressures on the cost of its raw materials, Novik has managed to recover quickly to achieve better financial results. The company has successfully taken advantage of the opportunities created by the industry's weakness by increasing its presence with various distribution networks and intends to pursue this strategy to ensure continued growth in its sales.

Novik must remain vigilant in the second part of the 2011 fiscal year in order to maintain and continue the pace of growth in its sales and its profitability. The recent price increases announced in May and June 2011 will favour an increase in our sales, but the success of our marketing strategy as well as those of our current and potential customers to push our products will need to be watched in order to maintain or increase our volume of deliveries.

At the operational level, we are always on the lookout for any opportunities to improve our production costs. Improving our productivity and buying raw materials at competitive prices are constantly on the agenda with our various teams in order to be able to generate potential savings.

OTHER INFORMATION

Additional information about Novik is available on the Company's website at the address www.novik.com. The documents produced by Novik as part of its obligation of continuous disclosure, in particular its annual and quarterly management reports and its annual and quarterly consolidated financial statements, its 2010 annual report, its management proxy circular, as well as the company's various press releases can also be obtained directly through SEDAR at the following Internet address: www.sedar.com.

(s) Michel Gaudreau

Michel Gaudreau
President

(s) Pascal Bouthot

Pascal Bouthot, CA
Chief Financial Officer

August 4th, 2011