

FIRST QUARTER 2010 HIGHLIGHTS

- **Record first-quarter sales at \$3.9 M**
- **155% increase in North American sales**
- **46% sales growth in first quarter 2010**
- **Net loss of \$312,000 compared to \$627,000**

MANAGEMENT REPORT

The management report was prepared in order to help understand the company's activities, performance, and financial position as of March 31, 2010. This management report compares the operating results and the cash position of the current period ended March 31, 2010, with those of the fiscal year ended December 31, 2009, and the quarter ended March 31, 2009. 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 Canadian generally accepted accounting principles.

The following information takes into account any significant event that occurred up until May 27, 2010, 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 involve, but are not limited to, comments with respect to the company's business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future earn-out and additional equity interest obligations. Forward-looking statements are not guarantees of future performance and actual results may differ materially from those in the 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 and the retention of key management, and technical personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict accurately and many 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 information currently available, it cannot assure that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on forward-looking statements.

NON-GAAP MEASURES

The company uses adjusted EBITDA (earnings before interest, income taxes, stock-based compensation costs, depreciation and amortization), a non-GAAP measure, to evaluate the company's performance. Securities regulators require that issuers caution readers that measures adjusted to a basis other than GAAP do not have standardized meaning under GAAP and are unlikely to be comparable to similar measures used by other companies. This non-GAAP 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 March 31, 2010 and 2009 <i>(in thousands of dollars, except data per share)</i>	Three-month period	Three-month period
	2010	2009
	\$	\$
Operating		
Revenues	3,854	2,645
Gross earnings	1,219	965
Earnings before interest, stock-based compensation, taxes, depreciation and amortization	49	22
Net loss	(312)	(627)
Basic and diluted net income (loss) per share	(0.006)	(0.013)

Revenues

During the course of the first quarter of fiscal year 2010, Novik recorded revenues of \$3.9 M, compared to \$2.6 M during the same quarter of the previous fiscal year. This level of sales is a record for Novik during a first quarter, the best previous first quarter was \$3.3 M in 2008. Novik's 46% sales growth in the first quarter compared to the same period of last fiscal year is located in Canada and the United States. The presence of new major distributors in these two countries and the introduction of innovative covering products in 2009 explain this growth.

Novik has been successfully entering into strategic agreements with major Canadian and US distributors since 2008, ensuring better product penetration in these markets where our types of products are already known. We have managed to displace the competition through our innovation efforts in our product line. Our 155% growth in sales in these two countries compared to the same period in the previous year demonstrates the success achieved so far.

On the other hand, European deliveries are down, given the continuing difficult economic environment. However, it is worth noting that our Russian distributors had taken advantage of beneficial conditions during the first quarter of last year to replenish their inventories. This year, they decided to be more prudent and not make use of the offers presented to them, aiming instead to start their ordering period during the second quarter of the current year. We have begun to receive these orders as of today. We have continued our marketing efforts in this country, and recent visits to Europe have been conducted, resulting in the opening of distributors and continued business discussions with other distributors, promoting excess sales on this continent in 2010 compared to last year.

Gross earnings

The company's gross earnings for the first quarter of the current fiscal year amounted to \$1.2 M, or a gross margin of 32% compared to 36% for the same period of the previous fiscal year.

This decrease in gross margin as a percentage is explained by the following three factors: introductory prices offered at the beginning of the year to our major distributors, the appreciation of the Canadian dollar in relation to the US dollar, and the increase in the price of plastic.

In order to encourage new distributors having high potential volume to join Novik, advantageous terms were given to allow them to build up an inventory of our products in their warehouses. This measure favoured the receipt of large orders in the first quarter in return for an introductory discount. This discount level is a short-term measure, and the signed agreements already specify the standard price level granted after the delivery of these introductory orders. The impact of this discount on the gross margin represents 4% in the first quarter of current fiscal year. As such, gross margin will increase as a percentage during the coming months when subsequent orders are delivered if the price of plastic and the Canadian dollar remain stable. These two variables are indeed important for Novik, since nearly 70% of sales are made in US dollars and since plastic represents a significant portion of the cost of our products.

The Canadian exchange rate continued to appreciate in relation to the US dollar during first quarter 2010 compared to the end of fiscal year 2009. The presence of foreign exchange contracts at the average rate of 1.25 reduced the negative impact of this variable.

On the other hand, the higher plastic procurement cost during the period compared to the same period of the previous fiscal year reduced Novik's gross margin as a percentage. High prices have been seen on the market since the beginning of 2010, reaching historic levels compared to prices over the past three years. Our customers have already been informed of an increase in our sale prices of around 8% for the second quarter in order to partially offset this increase in our raw materials costs. In addition, we are currently seeing a price decrease on the market and are making sure that we protect our plastic purchasing cost if an attractive offer arises.

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

NOVIK INC. for the periods ended March 31, 2010 and 2009 <i>(in thousands of dollars)</i>	Three- month period	Three- month period
	2010	2009
	\$	\$
Adjusted EBITDA	49	22
Depreciation and amortization	(437)	(431)
Financial expenses	(71)	(514)
Loss before income tax recovery	(459)	(923)

For the first quarter of fiscal year 2010, adjusted EBITDA was \$49,000 compared to \$22,000 for the same period of the previous fiscal year.

Despite a higher level of sales during the period compared to the previous fiscal year, adjusted EBITDA was comparable. As previously explained, gross margin as a percentage was 4% lower, given the prices offered to our strategic distributors during this period combined with the stronger Canadian exchange rate in relation to the US dollar and the high cost of plastic.

In addition, selling expenses were higher for the period, as increased sales generate higher transport costs in dollars.

Selling expenses

The increase in selling expenses observed in the first quarter of 2010 on the order of \$254,000 is explained by higher transport costs, given the higher level of sales during the first quarter of fiscal year 2010 compared to 2009. Moreover, Novik continued its development efforts in its Novexpert network by participating in numerous trade fairs in Quebec and Ontario during the first few months of the year. The higher exhibition costs are intended to continue the promotion of Novik products to end-consumers. The increased sales in Quebec in 2009 compared to 2008 have shown us that a more direct presence leads to better business opportunities.

Administrative expenses

Administrative expenses for first quarter 2010 were stable compared to the first quarter of the previous fiscal year, despite the increase in sales during this period.

Financial expenses

Financial expenses decreased by \$443,000 for first quarter 2010 compared to first quarter 2009. The recording of an exchange gain on exchange contracts and net monetary liabilities of \$116,000 is explained by the appreciation of the Canadian dollar in relation to the US dollar as of March 31, 2010 compared to December 31, 2009. The situation was the opposite last year when the Canadian dollar depreciated between December 31, 2008, and March 31, 2009, thus generating an exchange loss of \$315,000. Interest expenses on the bank loan and long-term debt remained stable compared to the same period of the previous year.

Net loss

The company's net loss for the first quarter of fiscal year 2010 amounted to \$312,000, compared to a net loss of \$627,000 for the same quarter of the previous fiscal year. The company generally shows a net loss in its first quarter of each fiscal year. This situation is explained by cyclical fluctuations, as the first quarter is normally a quarter signifying a slow-down in sales compared to the second and third quarter.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars except amounts per share)	Q 1 March 2010	Q 4 Dec. 2009	Q 3 Sept. 2009	Q 2 June 2009	Q 1 March 2009	Q 4 Dec. 2008	Q 3 Sept. 2008	Q 2 June 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	3,854	3,372	4,872	4,172	2,645	2,723	7,239	6,772
Net earnings (net loss)	(312)	(678)	93	436	(627)	(958)	917	811
Basic and diluted net earnings (net loss) per share	(0.006)	(0.014)	0.002	0.009	(0.013)	(0.021)	0.020	0.018

Considering the seasonality of the residential and commercial construction and home improvement industry, Novik's second and third quarters 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 lower net loss during the first quarter of the current fiscal year, as explained above, increased the cash flows generated from operating activities, excluding the items having no impact on cash, by \$332,000 during the first quarter of the current fiscal year compared to the first quarter of the previous fiscal year. Cash flows from operations were \$862,000 greater during the first quarter of the current fiscal year compared to the same period of the previous year.

Financing activities

For the first quarter of the current fiscal year, financing activities decreased by \$1.3 M compared to the first quarter of the previous fiscal year. This decrease is explained primarily by the increase in long-term debts contracted to finance the construction of new moulds last year in order to offer new innovative products. In 2010, the level of acquisition of tangible fixed assets will be less than in 2009.

Investing activities

Investing activities used \$497,000 less in the first quarter of the current fiscal year compared to the previous fiscal year, given the lower level of fixed asset acquisition.

Financial position

NOVIK INC.	March 31	December 31
<i>(in thousands of dollars, except data per share)</i>	2010	2009
Financial position	\$	\$
Total assets	26,204	25,314
Working capital	268	1,457
Total long-term financial liabilities	10,126	10,450
Total liabilities	15,698	14,496
Shareholders' equity	10,506	10,818
Shareholders' equity per share	0.22	0.22
Number of outstanding shares	48,470,858	48,470,858

Total assets

Total assets showed a rise for the period ended March 31, 2010, compared to December 31, 2009. This rise of nearly \$900,000 is partially attributable to the company's increased inventories in order to be in a better position to meet the high demand expected for the second and third quarters and the increase in 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 \$1.2 M as of March 31, 2010, compared to December 31, 2009, given the greater use of its bank loan necessary for a quieter first quarter in terms of sales and the increase in accounts payable and accrued expenses in relation with the increased inventories.

Capital stock

Shares

No movement occurred in the first quarter of fiscal year 2010 on the company's Class A shares.

DATA ON THE SHARES	
Issued and outstanding as of March 31, 2010	Issued
Class A shares	48,470,858
Outstanding stock options as of March 31, 2010	
Options issued under the stock option plan	2,583,500
CLASS A SHARES	
	Three-month period ended March 31, 2010
	\$
Volume traded	567,100
Average price	0.21
Closing price	0.20
Price range	0.15 - 0.29

Stock options

During the quarter ended March 31, 2010, the company granted no stock options.

As of the date of this management report, no change has occurred regarding the exercise of stock options under the plan.

Note 13 related to the company's audited consolidated financial statements at December 31, 2009, 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.

The company also has contractual obligations on long-term financing agreements, rental/use agreements, and storage spaces. Note 16 pertaining to the interim consolidated financial statements provides a status of these commitments.

Related-party transactions

During the first quarter of fiscal year 2010, Novik made no related-party transactions.

FOREIGN CURRENCY FORWARD CONTRACTS

As at March 31, 2010, foreign currency forward contracts not designated as cash flow hedges and maturing in the current year totalled US\$2,587,500 at an average conversion rate of 1.25 for the sale of US dollars.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 audited consolidated financial statements as of December 31, 2009.

FUTURE ACCOUNTING CHANGES

The company is currently assessing the impacts on the consolidated financial statements of the following recently issued standards:

a) Financial Reporting Framework

In 2008, the Accounting Standards Board (“AcSB”) announced that all Canadian reporting entities, subject to certain exceptions, will adopt IFRS as Canadian generally accepted accounting principles (GAAP) for fiscal years beginning on or after January 1, 2011. Therefore, publicly accountable enterprises, like the company, must adopt IFRS for the preparation of their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The company has developed a plan for the conversion of its consolidated financial statements to IFRS. An analysis of the differences between IFRS and the company’s accounting standards is underway. This analysis is being conducted by taking into account the potential impacts, among others, on accounting policies, financial reporting, and information technologies.

The company has not yet determined the full effects of adopting IFRS. The company’s preliminary view of the key areas where changes in accounting policies may impact the company’s consolidated financial statements are listed below. The list and comments below should not be regarded as a complete list of changes that will result from the transition to IFRS. This information is intended to highlight those effects the company believes to be most significant; however, analysis of the changes is still in progress, and not all decisions have been made where choices of accounting policies are available. At this stage, the company has not quantified the expected impacts on its consolidated financial statements from these differences.

Note that most adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings in the first comparative balance sheet. Transitional adjustments relating to those standards where comparative figures are not required to be restated because they are applied prospectively will only be made as at the first day of the year of transition.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards,” provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain cases, to the general requirements for full retrospective application of IFRS. The company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate for the company’s circumstances.

Property, Plant, and Equipment

International Accounting Standard (IAS) 16, “Property, Plant, and Equipment,” and Canadian GAAP contain the same basic principles, but there are some differences. IFRS requires that significant parts of an asset be depreciated separately and that depreciation must commence when the asset is available for use. IFRS also permits property, plant, and equipment to be valued using the fair value model of the historical cost model. The company is not planning on adopting the fair value model for its property, plant, and equipment.

IFRS 1 contains an elective exemption according to which an entity may elect to reset the fair value at the date of transition as the new cost basis for property, plant, and equipment. The company is not planning on adopting this exemption and will continue to value its property, plant, and equipment at cost.

Impairment of Assets

Impairments under IAS 36, “Impairment of Assets,” are based on discounted cash flows. Under Canadian GAAP, if an asset’s estimated undiscounted future cash flows are below its carrying amount, a write-down is required, as determined by the amount by which the carrying amount exceeds the discounted cash flows. There is no undiscounted test under IFRS. This may result in more frequent write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis but could not be supported on a discounted cash flow basis.

In addition, under IAS 36, a favourable change in the circumstances that resulted in an impairment of an asset, other than goodwill, would trigger the requirement for a re-determination of the amount of the impairment, with any reversal being recognized in earnings to the extent the asset had previously been impaired. Under Canadian GAAP, impairments may not be reversed.

Provisions, Contingent Liabilities, and Contingent Assets

IAS 37, “Provisions, Contingent Liabilities, and Contingent Assets,” requires a provision to be recognized when there is a present obligation as a result of a past transaction or event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. “Probable” in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable.” Therefore, it is possible that there may be some contingent liabilities that would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate when there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range) and the requirement under IFRS for provisions to be discounted when they are significant.

b) Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the AcSB issued Section 1582, “Business Combinations,” Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-Controlling Interests.” Section 1582, which replaces Section 1581, “Business Combinations,” establishes standards for accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations” (January 2008). Sections 1601 and 1602, taken together, replace the former Section 1600, “Consolidated Financial Statements.” Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

These new sections apply to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted; however, the three new sections must be adopted simultaneously. The company does not expect to apply these new standards, because it does not plan to elect an early adoption date and instead plans to adopt IFRS as at January 1, 2011.

RISK FACTORS

The company's risk factors are presented in the management report for the fiscal year ending December 31, 2009.

RISKS AND UNCERTAINTIES

The company is confident in its medium- and long-term prospects. However, the reader should take into account the risks and uncertainties described in the 2009 annual report. They could impact the Company's ability to fulfill its strategic vision and growth objectives. The reader is therefore invited to take them into account.

OUTLOOK

Despite a difficult fiscal year 2009, Novik has had two consecutive quarters of sales growth compared to the same period of the previous fiscal year, and next quarter is expected to be in the same situation. In fact, sales for the month of April are nearly 50% higher than in April 2009, and the level of orders received for May is up.

The level of sales growth observed during the first quarter and in April shows the results achieved following our marketing efforts in the North American market since 2008. These marketing efforts have paid off so far and should allow Novik to resume with growth in its annual sales. The current economic environment remains fragile, but the return of a period of economic growth will benefit Novik, given that recently signed North American distributors are still not reaching the sales achieved in the years before 2009. We believe that Novik will be very well positioned in North America for the coming years.

We are continuing our canvassing efforts with major distributors in the United States and Europe, and we hope to turn these discussions into sales beginning in 2010. In addition, we are continuing to push our Novexpert program in Quebec, Ontario, and the Maritimes in order to better educate contractors and consumers about our products.

Lastly, we are always vigilant about returning to profitability for Novik. Despite the current exchange rate and the high price of raw materials, we have established an action plan to track the trends observed over the coming months and to take the actions necessary to correct any negative trends.

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 2009 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

May 27, 2010