

HIGHLIGHTS – THIRD QUARTER 2007

- **Net income of \$305,000 compared with \$106,000**
- **Revenue growth of 25% to \$5.1 M**
- **Gross margin increased from 34% to 40%**
- **EBITDA increase in excess of 80%**
- **Nine-month net income of \$402,000 compared with net loss of \$313,000**
- **Nine-month EBITDA higher by over \$1,000,000**

MANAGEMENT REPORT

The management report was prepared in order to help understand the company's activities, performance, and financial position as of September 30, 2007. This management report compares the operating results and the cash position of the current period ended September 30, 2007, with those of the fiscal year ended December 31, 2006, and the quarter ended September 30, 2006. This analysis of the company's results of operations and financial position should therefore be read in conjunction with the audited and interim financial statements and related notes. The interim 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 October 29, 2007, the date of the Board's approval of this management report on the recommendation of the audit committee.

OPERATING RESULTS

NOVIK INC. for the periods ended September 30, 2007 and 2006 <i>(in thousands of dollars, except data per share)</i>	Period of three months	Period of three months	Period of nine months	Period of nine months
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating				
Revenue	5,056	4,052	11,882	10,361
Gross earnings	2,014	1,393	4,659	3,601
Earnings before interest, stock-based compensation, taxes, depreciation and amortization	1,046	570	2,111	1,047
Net income (loss)	304	106	402	(313)
Basic and diluted net income (loss) per share	0.007	0.003	0.009	(0.008)

Revenue

During the third quarter of fiscal 2007, Novik recorded revenues of \$5.1M compared with \$4.1M during the same quarter of the previous year. This growth of 25% is related mainly to the success of our international marketing. The European and Asian markets have brought Novik sales growth of more than \$1.5M. The increase in the number of deliveries to these markets has allowed us to minimize the impact observed in the American market. However, the Canadian market is continuing to grow with an increase in sales of more than \$200,000.

Novik's sales for the nine-month period amounted to \$11.9M compared with \$10.4M for the same period of the previous year. This 14% growth is explained by the same aforementioned items. These sales over the nine-month period will bring Novik's annual sales for fiscal year 2007 to a higher level than the \$12.2M realized in the previous fiscal year. Novik's management intends to put in the necessary effort during the final quarter in order to maintain this level of sales growth.

Gross earnings

The company's gross earnings for the third quarter of the current fiscal year amounted to \$2.0M, or a gross margin of 39% compared with 34% for the same period of the previous fiscal year. This improvement as a percentage of gross earnings in relation to sales is directly linked to the success of our cost-reduction program, which began during the second half of the previous fiscal year. Reduced raw material, labor, and operating costs were an integral part of our cost-reduction program. In addition, the introduction of new innovative products such as our roof coverings brought higher margins because of their uniqueness. The 5% improvement in the gross margin occurred despite the appreciation of the Canadian dollar in relation to the American dollar of approximately 7% for the third quarter compared with the same period of the previous year. This rapid increase in our dollar is a significant challenge, given that sales in American dollars represent nearly 70% of the company's total sales. The supplying of major raw materials and certain other expenses in American dollars minimize this impact, but Novik's management is consistently working to improve the company's productivity and have put forward price increases in order to observe the same gross margins in a context of parity.

For the nine-month period ending September 30, 2007, gross earnings amounted to \$4.7M representing a gross margin 39%, compared with 35% for the same period of the previous fiscal year.

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

NOVIK INC. for the periods ended September 30, 2007 and 2006 <i>(in thousands of dollars)</i>	Period of three months	Period of three months	Period of nine months	Period of nine months
	2007	2006	2007	2006
	\$	\$	\$	\$
Adjusted EBITDA	1,046	578	2,111	1,056
Stock-based compensation costs	(13)	(19)	(90)	(205)
Depreciation and amortization	(296)	(237)	(830)	(690)
Financial expenses	(289)	(179)	(615)	(507)
Income (loss) before income taxes	448	143	576	(346)

For the third quarter of fiscal year 2007, the adjusted EBITDA was greater than the third quarter of 2006 by nearly \$0.5M. This positive turnaround is directly related to the company's flexibility in quickly adjusting in a context in which Novik's financial situation was showing a loss during the past two fiscal years. Thus, the action plan associated with our cost-reduction program greatly contributed to achieving a higher gross margin, directly impacting the adjusted EBITDA.

For the nine-month period ended September 30, 2007, the adjusted EBITDA amounted to \$2.1M compared with \$1.1M for the same period of previous fiscal year. The higher sales and gross margin seen since the beginning of the fiscal year explains this significant improvement in large part.

Selling expenses

Selling expenses for the third quarter 2007 were \$160,000 greater than in the same quarter of the previous fiscal year. These expenses remained stable as a percentage of sales compared with the same period of the previous fiscal year. Transport expenses for sales remained stable despite the increase in sales of \$1.0M. The lower percentage of transport expenses on sales is explained by lower transport costs, in view of the large volume shipped by sea on the European and Asian market. Payroll and travel costs increased during the current quarter, since Novik decided to invest more in a larger sales force for better representation with our distributors, contractors, and consumers.

Cumulative sales expenses increased by more than \$100,000 compared with the nine-month period ended in the previous fiscal year for the same reasons explained above.

Administrative expenses

Administrative expenses for the third quarter of 2007 in the amount of \$300,000 remained stable compared with the third quarter of the previous fiscal year. This stability of expenses is positive, considering the growth experienced in sales for the current quarter. This situation demonstrates that our current administrative structure can allow Novik to support significant sales growth without a significant increase in these fixed costs.

Administrative expenses decreased by nearly \$200,000 for the nine-month period ended September 30, 2007, compared with the same period of the previous fiscal year. These lower expenses are explained by a lower stock-based compensation expense and a less imposing structure than last year.

Financial expenses

Financial expenses for the third quarter of 2007 compared with the third quarter of 2006 were stable, excluding an unrealized exchange loss on the order of \$150,000. The appreciation of the Canadian dollar in relation to the American dollar of approximately 7% during the quarter ending resulted in the exchange loss. Novik shows net monetary assets of nearly \$2.5M in American dollars as of September 30, 2007. The re-evaluation in Canadian dollar of these net monetary assets as of September 30, 2007 caused this unrealized exchange loss. Cumulated financial expenses also remained stable over the nine-month period, excluding this unrealized exchange loss.

Net earnings

The company's net earnings for the third quarter of fiscal year 2007 amounted to approximately \$305,000 compared with \$106,000 for the same quarter of the previous fiscal year. These financial results stem mainly from the increased sales and the improved gross margin. This improvement could have been greater had it not been for the unrealized exchange loss of approximately \$150,000 recorded during the current quarter.

For the nine-month period ended September 30, 2007, net earnings were \$402,000, compared with a net loss of \$313,000 for the same period of the previous fiscal year. Management is encouraged by the improvement in profitability realized to date this year and its outlook for the full fiscal year 2007. This change of course would be a major success for fiscal year 2007 considering the net loss of nearly \$1,000,000 observed in the previous fiscal year.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars except amounts per share)	Q 3 Sept 2007	Q 2 June 2007	Q 1 March 2007	Q 4 Dec. 2006	Q 3 Sept. 2006	Q 2 June 2006	Q 1 March 2006	Q 4 Dec. 2005
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	5,056	4,470	2,356	1,809	4,052	3,704	2,605	2,320
Net earnings (Net loss)	304	311	(213)	(644)	106	(185)	(234)	(762)
Basic and diluted net earnings (net loss) per share	0.007	0.007	(0.005)	(0.015)	0.003	(0.005)	(0.006)	(0.030)

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 net earnings showing for the current quarter of the fiscal year in large part explain the positive cash flows from operations of \$745,000, compared with a threshold of \$407,000. For the nine-month period ended September 30, 2007, these cash flows are also at a higher threshold on the order of \$900,000.

Financing activities

For the third quarter of the current fiscal year, financing activities used more than \$400,000 of cash, currently reflecting the repayment of the current long-term debt. Cumulatively, the cash flows associated with financing activities decreased by nearly \$800,000, given the lower use of the bank loan for the current fiscal year. Novik's profitability and good management of accounts receivable and accounts payable have led to a better use of the bank loan.

Investing activities

Investing activities used comparable funds for the current quarter compared with the same quarter of the previous fiscal year, i.e. on the order of nearly \$550,000. The acquisition of property, plant, and equipment and the increase in capitalized development expenses represent most of the use of these funds. The situation is comparable over a cumulative nine-month period with an amount used of more than \$1,400,000 explained by the same use as in the third quarter.

Financial position

NOVIK INC.	September 30	December 31
<i>(in thousands of dollars, except data per share)</i>	2007	2006
	\$	\$
Financial position		
Total assets	17,361	16,442
Working capital	2,487	2,203
Total debt, net of cash, excluding accounts payable and accrued expenses	5,612	6,055
Total liabilities	8,220	7,793
Shareholders' equity	9,141	8,649
Shareholders' equity per share	0.200	0.189
Number of outstanding shares	45,799,429	45,799,429

Novik's working capital as of September 30, 2007, is \$463,000 greater than at December 31, 2006, in view of the profitability shown for the nine-month period ended September 30, 2007.

Total assets

Total assets showed a rise for the period ended September 30, 2007, compared with December 31, 2006. This rise is partially attributable to the increased accounts receivable due to clearly higher sales observed in the third quarter of the current fiscal year in relation to the last quarter of the previous fiscal year, as well as the acquisition of property, plant, and equipment greater than the recorded depreciation.

Financial liabilities

Total liabilities increased at September 30, 2007, compared with December 31, 2006, due to a previously explained increase in long-term debt and the increased accounts payable and accrued expenses brought about by the higher level of business volume observed during the last quarter of the previous fiscal year.

Financial ratios

Novik is required by its financial institutions to meet specific financial ratios. As of September 30, 2007, all of the financial ratios were met. As of December 31, 2006, a liquidity coverage ratio was not met. However, the company obtained a waiver from the financial institution in that regard. It is worth noting that this financial institution eliminated this ratio in their analysis of our file starting with the third quarter of fiscal year 2007.

Capital stock

Shares

As of the date of this management report, no change has occurred regarding the number of Class A shares since the end of fiscal year 2006.

DATA ON THE SHARES	
Issued and outstanding as of September 30, 2007	Issued
Class A shares	45,799,429
Outstanding stock options as of September 30, 2007	
Options issued under the stock option plan	1,630,000
CLASS A SHARES	
	Nine-month period ended Sept. 30 2007
	\$
Volume traded	2,539,500
Average price	0.25
Closing price	0.19
Price range	0.15 - 0.41

Stock options

During the second quarter ended June 30, 2007, the company granted 330,000 stock options to its directors and certain officers of the company at the exercise price of \$0.19. These options generated total stock-based compensation costs of \$43,500 during their period in place and will mature on May 24, 2012. An expense of \$43,500 has been recorded for the second quarter of 2007 for these new stock options, as they are immediately exercisable.

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

Unit options and warrants

As of the date of this management report, all unit options have matured. Therefore, there are no unit options outstanding. As for warrants, 8,878,000 matured during the period ending September 30, 2007. A balance of 3,435,715 warrants remains outstanding as of the date of this management report.

Note 13 related to the company's audited financial statements at December 31, 2006, 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 to 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 17 pertaining to the interim financial statements provides a status of these commitments.

Related party transactions

During the third quarter of fiscal year 2007, Novik made no related party transactions. The related party expenses recorded during the previous fiscal year are detailed in note 14 of the interim financial statements.

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 3 to the audited financial statements as at December 31, 2006.

NEW ACCOUNTING POLICIES

During the first quarter 2007, the company adopted three new accounting standards issued by the Canadian Institute of Chartered Accounts (CICA): Section 1530, Comprehensive Income; section 3855, Financial Instruments – Recognition and Measurement; and section 3865, Hedges. These sections establish standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives and require the company to account for those financial instruments at fair market value and to determine their appropriate classes. The adoption of the recommendations has no effect on the company's financial statements.

FINANCIAL INSTRUMENTS

Fair value

The financial instruments that the company included on the balance sheet are cash, the fixed-term deposit, accounts receivable, the bank loan, accounts payable and accrued expenses, as well as long-term debt. The fair value of these financial instruments is close to their accounting value because of their short-term maturity or current market rates for long-term debt.

The fair value of government assistance receivable stood at approximately \$112,500 as of September 30, 2007, and the fair value of the long-term debt amounted to approximately \$5,264,000 as of the same date.

Interest rate risk

Cash, accounts receivable, government assistance receivable, as well as accounts payable and accrued expenses do not carry interest. The fixed-term deposit carries an annual fixed interest rate of 8% and will mature on December 15, 2007. No accrued interest was recorded on this fixed-term deposit, because if it is cashed out before maturity, no interest will be paid. The bank loan and most of the long-term debt have variable interest rates. The interest rates of the bank loan and the long-term debt are described respectively in notes 8 and 10 to the interim financial statements as of September 30, 2007.

Credit risk

In the normal course of its operations, the company evaluates the financial position of its customers on a continual basis and examines the credit histories of every new customer. No account currently presents a significant risk to the company. As such, a provision for doubtful accounts receivable is established by considering the specific customer credit risks, historical trends, and the economic climate. As of September 30, 2007, 53% (33% as of December 31, 2006) of the company's accounts receivable is due from three customers (two as of December 31, 2006).

Exchange rate risk

The company makes a portion of its sales in U.S. dollars and is therefore exposed to currency fluctuations. These risks are partially offset by purchases in U.S. dollars and foreign currency forward contracts.

Financial derivatives

The financial derivatives used by the company are foreign currency forward contracts, which are financial instruments whose values are based on fluctuations in currency rates. The use of derivatives allows the transfer, modification, or reduction of current or expected risks, including exchange rate risks and other market risks. The derivatives are used by the company to manage its risks related to the exchange rates. The company has chosen not to apply hedge accounting. Consequently, the foreign currency forward contracts are recorded at their fair value. The asset value or unrealized liability value on foreign currency forward contracts is shown in assets or short-term liabilities on the balance sheet. The gain or unrealized loss is recorded in the results. During the third quarter of fiscal year 2007, an unrealized gain on foreign currency forward contracts of nearly \$13,000 (\$0 in 2006) was included in the results. As of September 30, 2007, the company had a foreign currency forward contract of US\$250,000 with an exchange rate of 1.0506. As of December 31, 2006, Novik had committed to a sum of \$300,000 for foreign currency forward contracts.

RISK FACTORS

The company's risk factors are presented in the management report for the fiscal year ending December 31, 2006.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Financial Officer assessed the disclosure controls and procedures (as defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2007, and concluded that the controls and procedures gave reasonable assurance that the material information with respect to the company is communicated to management.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting (“IFCR”) is designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its compliance with GAAP in its financial statements. The President and Chief Financial Officer have evaluated whether there were changes to its IFCR during the nine months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, its IFCR. No such changes were identified through their evaluation.

OUTLOOK

A second consecutive quarter marked by new records in our sales and our profitability is encouraging us to pursue our sales and profitability growth objectives. In fact, the important work in cost reduction done since the second half of the previous fiscal year and the success in certain distribution niches ensure that Novik’s potential is confirmed to us and gives us confidence for the coming years. Our objective of bringing Novik on the path of profitability starting in 2007 could occur, and this change would be significant in view of the efforts made to get there.

In addition, we have just completed our strategic planning for the next fiscal year, and we intend to put more effort and financial resources in the development of targeted territories offering more short-term sales potential. We want to work closely with our current and potential distributors and their respective contractors in order to highlight the quality and ease of installation of our products. We believe that an investment in our sales team is desirable while ensuring that it is well-focused and has precise territory goals. The main goal of this strategic plan is to maintain the company’s organic, value-added growth in the short term. We have put a lot of energy as a team into developing a clear, neat, precise action plan understood by all. The implementation of this action plan is now the next step in which we must succeed in order to bring Novik to greater profitability.

FORWARD-LOOKING STATEMENTS AND WARNING

This document may contain forward-looking statements reflecting the management's current expectations with respect to future events. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. The company's management does not assume any obligation to update except for items requested by legislation or revise these forward-looking statements as a result of new information or future events.

Earnings before interest, stock-based compensation costs, taxes, depreciation, and amortization (adjusted EBITDA) is a measure that has no standardized meaning prescribed by Canadian generally accepted accounting principles. It is therefore considered to be a non-GAAP measure in Canada. Accordingly, the measure may not be comparable to similar measures presented by other issuers. This measure is presented and described in this management report in order to provide shareholders and potential investors with additional information regarding the company's liquidity and ability to generate funds to finance its activities.

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 financial statements, its 2006 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

October 29, 2007