

HIGHLIGHTS – FIRST QUARTER 2007

- Reduction in net loss of nearly 10% in relation to 2006
 - International sales up 650% in relation to 2006
- Cost reduction program confirmed into the first quarter's financial results

MANAGEMENT REPORT

The management report was prepared in order to help understand the company's activities, performance, and financial position as of March 31, 2007. This management report compares the operating results and the cash position of the current period ended March 31, 2007, with those of the fiscal year ended December 31, 2006, and the quarter ended March 31, 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 May 24, 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 March 31, 2007 and 2006 <i>(in thousands of dollars, except data per share)</i>	Three-month period	Three-month period
	2007	2006
	\$	\$
Operating		
Revenues	2,356	2,605
Gross earnings	819	892
Earnings before interest, stock-based compensation, taxes, depreciation and amortization	132	87
Net loss	(213)	(234)
Basic and diluted net loss per share	(0.005)	(0.006)

Revenues

During the course of the first quarter of fiscal year 2007, Novik recorded revenues of \$2.4M compared with \$2.6M during the same quarter of the previous fiscal year. This 10% decrease can be attributed to the following factors: the reduced number of shipments to our biggest customer in the amount of nearly \$250,000 during the first quarter of 2007 compared with 2006, greater inventory shipment of around \$400,000 in the first quarter of 2006 to a new American distributor, and the slowdown observed in the American construction market during recent months. However, the first two factors remain temporary and should have no impact our annual sales plan. In fact, during the first quarter of the previous fiscal year, our biggest customer wanted to store more Novik products at a lower cost, in view of the 5% price increase announced on April 1, 2006. As of today, sales made to this customer are at the same levels as last year. In addition, the decrease in sales observed in the American market involved a specific customer and not a large number of customers. Our sales team is now working towards better penetration of the American market by tackling well-targeted territories offering the best short-term potential and with direct representation to our potential customers' contractors. Novik products will therefore have better recognition and should encourage more significant growth than observed during recent months.

As for the international market, it represents a positive sign for Novik's future, as shipments amounted to nearly \$450,000 in the first quarter of 2007 compared with \$60,000 for the same period of the previous fiscal year. These international sales continue to grow significantly and should allow Novik to support its sales growth objectives. Subsequent to the end of the quarter, Novik announced agreements entered into Puerto Rico and Japan and confirms the success of our products on the international scale even more.

Gross earnings

The company's gross earnings for the first quarter of the current fiscal year amounted to \$819,000, or a gross margin of 35% compared with a threshold of 34% for the same period of the previous fiscal year. This improvement in the percentage of gross earnings in relation to sales, despite the observed decrease in sales, is directly linked to the cost reduction program initiated in the second half of the previous fiscal year. Some of the output that benefited from this cost reduction program actually began to be sold to our customers. As indicated in our 2006 annual report, Novik has begun the implementation of projects allowing for the reduction of raw material, labor, and operating costs. The coming quarters should see an increasing trend in Novik's gross margin percentage, given the impending finalization of all of these projects.

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

For the first quarter of fiscal year 2007, adjusted EBITDA is greater than the first quarter of 2006, despite a decrease in the level of sales. As previously explained, these results are directly attributable to the overhaul of Novik's operating costs. This overhaul has led Novik to take actions to eliminate positions and remove expenditures deemed irrelevant to the future of the company. These actions have contributed and will contribute to reducing Novik's fixed cost structure in the future. The items described in the following sections further explain the cause of this improvement observed in the first quarter 2007 in relation to the same period of the previous fiscal year.

Selling expenses

The decrease in selling expenses observed in the first quarter of 2007 on the order of 9% is due mainly to a reduction in exhibition expenses and tighter control over expenditures related to sending samples to our current and potential customers. In addition, the decrease in sales resulted in decreased transport costs.

Administrative expenses

Administrative expenses for the first quarter of 2007 decreased by 14% in relation to the first quarter of the previous fiscal year. This decrease is due mainly to the cutback in administrative personnel as well as the reduction of professional fees.

Financial expenses

Financial expenses for the first quarter of 2007 remained stable compared with the first quarter of 2006. The presence of outstanding foreign currency forward contracts as of March 31 with an average rate on the order of 1.17, compared with an exchange rate of 1.15 in late March 2007, contributed to an unrealized gain on the order of \$19,000 for the first quarter of the current fiscal year. The receipt of new term debts in the first quarter of 2007 to fund the acquisition of molds and painting equipment offset this gain by bringing about an increase in interest expenses on long-term debt.

Net loss

The company's net loss for the first quarter of fiscal year 2007 amounted to \$213,000 compared with \$234,000 for the same quarter of the previous fiscal year. This improvement of nearly \$25,000 is positive, given the observed temporary decrease in sales. These financial results provide confirmation to Novik of the success of its cost reduction program.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars except amounts per share)	Q 1 March 2007	Q 4 Dec. 2006	Q 3 Sept. 2006	Q 2 June 2006	Q 1 March 2006	Q 4 Dec. 2005	Q 3 Sept. 2005	Q 2 June 2005
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	2,356	1,809	4,052	3,704	2,605	2,320	3,159	3,664
Net earnings (net loss)	(213)	(644)	106	(185)	(234)	(762)	(37)	46
Basic and diluted net earnings (net loss) per share	(0.005)	(0.015)	0.003	(0.006)	(0.006)	(0.030)	0.000	0.002

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 loss during the first quarter of the current fiscal year, as explained above, excluding items not affecting cash, had no impact on cash flows from operating activities as the break-even point during the first quarter of the current fiscal year was reached, which is nearly \$65,000 more than the first quarter of the previous fiscal year. This positive variation can be attributed to the various actions taken to improve the company's cost structure.

The variations observed with creditors and tax credits allowed Novik to reduce the use of cash from operating activities by \$160,000 in the first quarter of 2007 compared with the same period of the previous fiscal year.

Financing activities

For the first quarter of the current fiscal year, financing activities decreased by \$390,000 compared with the first quarter of the previous fiscal year. This decrease is explained by a decrease in the use of the bank loan. This decrease was offset by the receipt of new long-term debts to finance molds and painting equipment.

Investing activities

Investing activities used a \$100,000 more in funds during the first quarter of the current fiscal year compared with the previous fiscal year. This increase is explained by increased acquisition of equipment and molds during the first quarter of 2007.

Financial position

NOVIK INC.	March 31	December 31
<i>(in thousands of dollars, except data per share)</i>	2007	2006
Financial position	\$	\$
Total assets	17,068	16,442
Working capital	2,216	2,203
Total debt, net of cash, excluding accounts payable and accrued expenses	6,841	6,055
Total liabilities	8,615	7,793
Shareholders' equity	8,453	8,649
Shareholders' equity per share	0.185	0.189
Number of outstanding shares	45,799,429	45,799,429

Novik's working capital as of March 31, 2007, is noticeably comparable to the figure as of December 31, 2006.

Total assets

Total assets showed a rise for the period ended March 31, 2007, compared with December 31, 2006. This rise is partially attributable to the increased accounts receivable due to higher sales observed in the first 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 March 31, 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 quarter in relation to the previous quarter.

Financial ratios

Novik is required by its financial institutions to meet specific financial ratios. As of March 31, 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.

Capital stock

Shares

No movement occurred in the first quarter of fiscal year 2007 on the company's Class A shares.

DATA ON THE SHARES	
Issued and outstanding as of March 31, 2007	Issued
Class A shares	45,799,429
Outstanding stock options as of March 31, 2007	
Options issued under the stock option plan	1,699,500
CLASS A SHARES	Three-month period ended March 31, 2007
	\$
Volume traded	275,000
Average price	0.32
Closing price	0.25
Price range	0.20 - 0.41

Stock options

During the quarter ended March 31, 2007, the company granted stock options.

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, no change has occurred regarding the unit options and warrants since the end of fiscal year 2006.

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.

As part of introducing a new innovative product, on March 31, 2007, the company made a deposit of nearly \$88,000 for the purchase of this mold. The total associated with the purchase of this mold amounted to \$288,750. This mold will allow Novik to offer an all-new product to its market.

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

Related party transactions

During the first quarter of fiscal year 2007, Novik made no related party transactions. The related party expenses for the first quarter of 2006 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 of 2007, the company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants (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, 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 March 31, 2007, and the fair value of the long-term debt amounted to approximately \$5,929,000 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 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 March 31, 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 March 31, 2007, 54% (33% as of December 31, 2006) of the company's accounts receivable is due from a group of five 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 first quarter of fiscal year 2007, an unrealized gain on foreign currency forward contracts of \$18,819 (\$0 in 2006) was included in the results. As of March 31, 2007, the company had open foreign currency forward contracts for US\$1,200,000 with an average exchange rate of 1.1704. As of December 31, 2006, Novik had committed to a sum of US\$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 March 31, 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 three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, its IFCR. No such changes were identified through their evaluation.

OUTLOOK

The financial results for the first quarter of the current fiscal year are encouraging. Despite decreased sales, Novik's operational loss was reduced during this period, compared with the same period of the previous fiscal year. These financial results confirm the success of our cost reduction programs, which began in the second half of the previous fiscal year. These actions will encourage Novik's improved profitability. In fact, these cost reductions will allow Novik to reach a profitability threshold at a lower level of its sales compared with previous fiscal years. Novik's management will continue to monitor the effectiveness of these programs and will also ensure the establishment of other projects which could contribute to improved productivity, effectiveness, and operating costs.

Sales growth remains a key objective for Novik. This temporary decrease in sales is not desirable, but management remains confident about the upcoming quarters. The growth observed in the international market, the recent discussions with global partners, the introduction of a new cedar board expected for summer 2007, the presence of our new roof coverings on the market, and Novik's stronger representation with its NOVEXPERT network and North American contractors ensure that the coming months will be important for the success of our growth plan. Novik's management is closely watching the actions taken by our sales and marketing team in order to maximize the company's sales growth and its return to profitability in the near future.

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 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

May 24, 2007