

Atrium Biotechnologies Inc.



**ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2006**

March 28, 2007

TABLE OF CONTENTS

1.	CORPORATE STRUCTURE.....	5
	1.1 Name and Incorporation.....	5
	1.2 Intercorporate Relationships	5
2.	GENERAL DEVELOPMENT OF THE BUSINESS	6
	2.1 Overview	6
	2.2 History.....	6
	2.3 Fiscal 2003	7
	2.4 Fiscal 2004	7
	2.5 Fiscal 2005	8
	2.6 Fiscal 2006	9
3.	DESCRIPTION OF THE BUSINESS.....	10
	3.1 Corporation overview.....	10
	3.2 Products.....	11
	3.3 Sales and Marketing.....	14
	3.4 New Product Pipeline.....	16
	3.5 Competition.....	18
	3.6 Manufacturing and Supply	19
	3.7 Intellectual Property	20
	3.8 Relationship with Æterna Zentaris.....	20
	3.9 Risk Factors.....	21
4.	DIVIDENDS	21
	4.1 Dividends	21
5.	GENERAL DESCRIPTION OF CAPITAL STRUCTURE	21
	5.1 General Description of Capital Structure	21
6.	MARKET FOR SECURITIES	24
	6.1 Trading Price and Volume	24
7.	ESCROWED SECURITIES	25
	7.1 Escrowed Securities	25
8.	DIRECTORS AND OFFICERS	25
	8.1 Directors	25
	8.2 Executive Officers.....	25
	8.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions.....	26
9.	LEGAL PROCEEDINGS.....	27
	9.1 Legal Proceedings	27
10.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	27
11.	TRANSFER AGENT AND REGISTRAR.....	28
	11.1 Transfer Agent and Registrar	28

12.	MATERIAL CONTRACTS.....	28
	12.1 Material Contracts	28
13.	EXPERTS	28
14.	AUDIT COMMITTEE INFORMATION	29
	14.1 Composition of the Audit Committee	29
	14.2 Education and Relevant Experience.....	29
	14.3 Pre-Approval Policies and Procedures	29
	14.4 External Auditor Service Fees.....	29
15.	ADDITIONAL INFORMATION	30
	15.1 Additional Information.....	30
16.	FORWARD-LOOKING STATEMENTS.....	31
	16.1 Forward-Looking Statements.....	31

As used in this Annual Information Form, unless the context indicates otherwise: (i) all references to “Atrium Biotechnologies”, the “Corporation”, “we”, “us”, “our” or similar terms refer collectively to Atrium Biotechnologies Inc. and, unless the context otherwise requires or indicates, its subsidiaries and (ii) “\$” or “dollars” refer to United States dollars and “CAN\$” refers to Canadian dollars.

1. CORPORATE STRUCTURE

1.1 Name and Incorporation

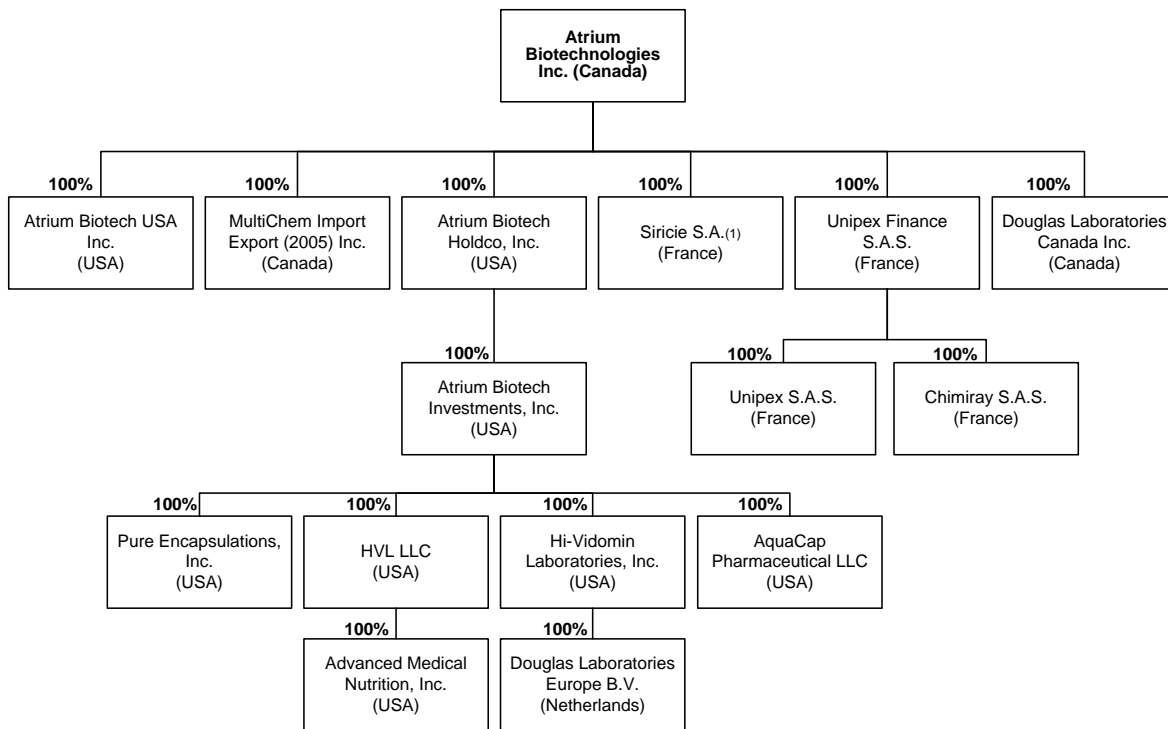
Atrium Biotechnologies Inc. was incorporated on December 10, 1999, pursuant to the *Canada Business Corporations Act*. The articles of incorporation were amended on September 19, 2000 to effect a restructuring of the share capital, re-designate the then issued and outstanding common shares as Subordinate Voting Shares and create a new class of Multiple Voting Shares. On March 10, 2005, we again amended our articles so as to sub-divide the issued and outstanding shares on a four-for-one basis, further reorganize the share capital and remove the private company restrictions contained therein.

Our authorized share capital consists of an unlimited number of Multiple Voting Shares, Subordinate Voting Shares and preferred shares, issuable in series.

Our head office is located at 1405 Parc-Technologique Blvd., Quebec City, Quebec, Canada G1P 4P5. The telephone number is (418) 652-1116 and the facsimile number is (418) 652-0151. Our web site is *www.atrium-bio.com*.

1.2 Intercorporate Relationships

The following chart sets out our corporate structure as of February 28, 2007, including the jurisdictions of incorporation of each of our principal subsidiaries. All of our subsidiaries are wholly owned, either directly or indirectly.



(1) For regulatory purposes, certain of our employees own 0.01% of the shares of Siricie S.A.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Overview

We are a leading developer, manufacturer and marketer of value-added products for the cosmetics, pharmaceutical, chemical and nutrition industries. We focus primarily on growing segments of the health and personal care markets which are benefiting from the trends towards healthy living and the ageing of the population. We market a broad portfolio of active ingredients, specialty chemicals and health and nutrition finished products through a highly specialized sales and marketing network in more than 50 countries, primarily in North America, Europe and Asia.

2.2 History

From 1991 until the end of 1999, we operated as a division of Æterna Zentaris Inc. (“Æterna Zentaris”) (formerly Æterna Laboratories Inc.), a publicly-traded biopharmaceutical company listed on the Toronto Stock Exchange and the NASDAQ Stock Market. During this period, we developed a number of products that were successfully marketed to the cosmetics and nutrition industries. The cash flow generated from these activities helped Æterna Zentaris fund its biopharmaceutical research. In December 1999, Atrium Biotechnologies was established as a separate subsidiary of Æterna Zentaris. In exchange for a 100% equity interest, Æterna Zentaris transferred to us its cosmetics and nutrition division, including the assets and trademarks relating thereto as well as the exclusive right to use Æterna Zentaris’ patents in the cosmetics and nutrition industries.

Prior to establishing Atrium Biotechnologies as a separate subsidiary, Æterna Zentaris carefully analyzed the health and personal care markets and developed a strategic plan designed to enable us to become a leading international developer, manufacturer and marketer of innovative value-added products in our industries. Following the business model of large pharmaceutical companies, we decided to balance our internal product development efforts with acquisition and in-licensing of products in order to expand our product portfolio. To actively market our products, we also quickly recognized the need to establish a direct sales and marketing organization in key geographic markets complemented by a strong international network of distributors.

To fund our growth strategy, we concluded two private placements in 2000 with SGF Soquia Inc. and Fonds de solidarité des travailleurs du Québec (FTQ), for total proceeds of \$13.7 million and in 2005 completed an initial public offering (“IPO”) for an aggregate amount of \$61 million of which we received gross proceeds of \$41 million. These financings, along with internally generated cash flows, the prudent use of leverage and a disciplined acquisition strategy, allowed us to complete eleven strategic acquisitions for a total consideration of \$223 million since September 2000, including that of Biotherapies Inc. (United States) in September 2000, Unipex Finance S.A.S. (France) in July 2001, ADF Chimie S.A. (France) in April 2002, Interchemical S.A. and Chimiray S.A. (France) in August 2003, Siricie S.A. (France) in November 2003, Pure Encapsulations, Inc. (United States) in March 2004, MultiChem (Canada) in January 2005, Douglas Laboratories (HVL Parent Incorporated) (United States) in December 2005, Amisol

Company Ltd. (Canada) in May 2006, DL Canada (Canada) in September 2006 and, more recently AquaCap Pharmaceutical, Inc. (“AquaCap”) (United States) in January 2007.

2.3 Fiscal 2003

In January 2003, and subsequently throughout fiscal 2003, we acquired a total of 23,760 common shares of the outstanding capital stock of our subsidiary Unipex Finance S.A.S. (“Unipex Finance”) acquired in 2001, based in a suburb of Paris, France, for a cash consideration of \$1.8 million. During the same period, we also subscribed an additional 70,400 treasury shares of Unipex Finance, increasing our interest in the latter to 80.65% (70.28% in 2002). Unipex Finance is the parent company and sole shareholder of Unipex S.A.S. (“Unipex”). Unipex was founded in 1968 and specializes in the development and marketing, mostly in France, of value-added products in the cosmetics, pharmaceutical, chemical and nutrition industries.

In August 2003, we acquired Chimiray S.A. (“Chimiray”) and Interchemical S.A. (“Interchemical”), related companies based in a suburb of Paris, France and established in 1974 and 1978, respectively, for an aggregate amount of \$13.3 million. Chimiray and Interchemical’s main business focus is to market value-added active ingredients and specialty chemicals to the cosmetics, pharmaceutical, chemical and nutrition industries. The acquisition of Chimiray and Interchemical reinforced our position in Europe by complementing our product portfolio of specialty chemicals and APIs (active pharmaceutical ingredients). Since then, Interchemical has been merged with Unipex, while Chimiray has been integrated on an operational basis with Unipex.

In November 2003, we acquired Siricie S.A. (“Siricie”), a company based in Paris, France, for \$1.6 million. Siricie specializes in the development of active ingredients from marine and botanical sources using extraction and fermentation biotechnology processes for the cosmetics industry. The acquisition of Siricie almost doubled our portfolio of proprietary cosmetics active ingredients. Siricie’s product line has been integrated with our existing portfolio.

2.4 Fiscal 2004

In March 2004, we acquired through a newly created subsidiary all of the operating assets of Pure Encapsulations, Inc. (“Pure Encapsulations”), a company based in Sudbury, Massachusetts, a suburb of Boston, for \$38.0 million, of which \$2.4 million was paid as a balance of purchase price in August 2005. Founded in 1991, Pure Encapsulations focuses on the development, manufacturing and marketing of high-end health and nutrition finished products. Its more than 350 high quality products are sold through a network of more than 30,000 healthcare practitioners. We acquired Pure Encapsulations because of its leading position in the specialized nutritional market in the United States, reputation for quality, and state-of-the-art customized manufacturing equipment.

In March 2004, we invested \$0.6 million in Les Biotechnologies Océanova Inc. (“Océanova”), a research-based organization, for an 18.75% participating interest. Located in Rimouski, Quebec, Océanova’s primary aim is to develop the potential of the diversified marine biomass. We have a right of first refusal with respect to the commercialization of all active ingredients arising out of Océanova’s research in the cosmetics and nutrition industries. SGF Soquia Inc. has also invested in Océanova.

In July 2004, we acquired an additional 21,380 common shares of the outstanding capital stock of our subsidiary Unipex Finance, based in France, for a cash consideration of \$2.0 million, increasing our interest in the latter to 83.78% (80.65% in 2003).

In December 2004, we signed a licensing agreement with Æterna Zentaris which gave us the exclusive right to use the patents, pending patent applications, trademarks and all intellectual property related to Neovastat and its components for manufacturing and worldwide commercialization as a pharmaceutical product, except for commercialization in Canada and the United States. In consideration for such rights, we issued 537,996 Subordinate Voting Shares to Æterna Zentaris. Neovastat is a drug under development in Canada and the United States by Æterna Zentaris and is an anti-angiogenic product mainly intended for use by cancer patients. In the event that Æterna Zentaris receives product marketing approval from the United States Food and Drug Administration (the “FDA”) for Neovastat, we will be required to pay \$0.9 million to Æterna Zentaris and a royalty on our sales of Neovastat. Æterna Zentaris is required to reimburse us for up to \$1.3 million of fees incurred by us related to the registration, repositioning and marketing of Neovastat. We do not intend to incur any research and development costs with respect to Neovastat. Rather, our intention is to forge strategic alliances in order to ensure the future commercialization of Neovastat. We anticipate that in exchange for marketing rights, strategic partners will incur the additional research and development costs that may be required to obtain regulatory approval in their respective territories.

2.5 Fiscal 2005

In January 2005, we put in place a new \$64.5 million revolving credit facility with a syndicate of banks. The borrowings under this facility were used in part to fund the MultiChem acquisition, described below. This facility can be renewed annually for a period of one year by the syndicate of banks and, if not renewed, is then payable over a two year period.

In January 2005, through the newly created subsidiary, MultiChem Import Export (2005) Inc. (“MultiChem”), we completed the acquisition of the operating assets of MultiChem Import Export Inc. and MultiChem Trading Inc. for a total consideration of \$20.7 million. MultiChem is a Canadian marketer of active ingredients and specialty chemicals and had a portfolio of approximately 400 products, sold to more than 500 customers in Canada and the North Eastern United States. MultiChem started its operations in 1985. With offices in Boucherville, Quebec and Mississauga, Ontario, MultiChem is one of the leading companies in Canada in its field.

In April 2005, we completed an initial public offering and secondary offering of 6,250,000 Subordinate Voting Shares at the offering price of CAN\$12.00 per share for total gross proceeds of \$61 million of which we received \$41 million. Immediately prior to the closing of the aforementioned offering, we completed the acquisition of the non-controlling interest in Unipex Finance for an amount of \$7.3 million. This amount was settled through the issuance of 741,584 Subordinate Voting Shares at the same offering price of CAN\$12.00.

In June 2005, we invested an additional amount of \$0.4 million in Océanova by way of a subscription for convertible debentures. Pursuant to the acquisition agreement entered into between us and Océanova in March 2004, we are committed, under certain conditions, to subscribe for convertible debentures of an additional amount of \$0.4 million in 2006.

In September 2005, we entered into a tax loss monetization program with our then parent company, Æterna Zentaris. At that time, we anticipated that this program would allow us to benefit from a part of Æterna Zentaris' tax losses and this would result in future annual savings of up to \$2.8 million.

In November 2005, we amended our existing \$64.5 million revolving credit facility. The amended credit facility, of an authorized amount of \$107.5 million, has a three-year revolving term, renewable annually for the same period. We may increase the authorized amount up to a maximum of \$172.0 million, under certain conditions, and may also borrow in US dollars, Canadian dollars or euros.

On December 8, 2005, we acquired HVL Parent Incorporated ("Douglas Laboratories") whose main brand is Douglas Laboratories for a total amount of \$86.9 million, of which \$78.3 million was paid in cash while the balance of \$8.6 million was paid by the issuance of Subordinate Voting Shares at a price of CAN\$10.95 per share. Based in Pittsburgh, Pennsylvania, Douglas Laboratories has been marketing health and nutritional products through healthcare practitioners for over 50 years.

Reference is made to the Business Acquisition Report in Form 51-102F4 filed by us on February 22, 2006 with respect to the acquisition of Douglas Laboratories, which is hereby incorporated by reference into this Annual Information Form.

Effective as of the fourth quarter of fiscal 2005, we changed our reporting currency from Canadian dollars to US dollars so that our financial statements will more accurately reflect our true operating results and financial position given that a majority of our business is conducted in US dollars.

2.6 Fiscal 2006

In May 2006, we acquired the assets of Toronto-based Amisol Company Ltd. ("Amisol") for \$7.2 million. Amisol has been marketing mainly personal care products since 1974 in Canada. Amisol's operations were integrated into MultiChem's operations during the year.

In September 2006, we invested an additional amount of \$0.4 million in Océanova by way of a subscription for convertible debentures.

In September 2006, we acquired the assets of London, Ontario based Douglas Laboratories Canada ("DL Canada") for approximately \$4 million. DL Canada has been marketing Douglas Laboratories products in Canada since 2000.

In October 2006, we completed a "bought deal" secondary offering of 3,930,000 Subordinate Voting Shares at a price of CAN\$15.80 per share, for total proceeds to the selling shareholders of CAN\$62 million. Of the 3,930,000 shares, 3,485,000 shares were sold by Æterna Zentaris, our principal shareholder as of this date. The balance of 445,000 Subordinate Voting Shares were sold by six senior officers of the Corporation, following the exercise by them of certain of their stock options, for proceeds to the Corporation of approximately CAN\$1.4 million. Upon the closing of the offering, our 11,052,996 remaining Multiple Voting Shares held by Æterna Zentaris were automatically converted into Subordinate Voting Shares on a one-for-one basis, in

accordance with our articles. After the closing, Æterna Zentaris owned 11,052,996 Subordinate Voting Shares representing approximately 36% of all shares outstanding. Æterna Zentaris completed the distribution of all these shares to its shareholders on January 2, 2007. Since January 3, 2007, Æterna Zentaris is no longer a shareholder of Atrium. All of the Multiple Voting Shares were owned by Æterna Zentaris. We do not have any Multiple Voting Shares outstanding, and we will not issue any in the future.

The decision of Æterna Zentaris to sell and distribute their Atrium interest represents the culmination of a lengthy and detailed review process in which both the management and Board of Directors of Æterna Zentaris examined a number of strategic alternatives for how best to pursue and implement their strategy of becoming a “pure play” biopharmaceutical company.

After the closing, Æterna Zentaris is no longer the controlling shareholder of Atrium and pursuant to the tax-loss monetization program established in September 2005, this program has been terminated just before the closing of the offering. The Corporation will no longer benefit from Æterna Zentaris’ tax losses in the future.

3. DESCRIPTION OF THE BUSINESS

3.1 Corporation overview

We are a leading developer, manufacturer and marketer of value-added products for the cosmetics, pharmaceutical, chemical and nutrition industries. Our head office is located in Quebec City, Quebec. Our offices, facilities and warehouses are strategically located in Canada, the United States, the Netherlands, Spain and France. As of December 31, 2006, we had approximately 500 employees, including 24 involved in business and product development, 267 in production and logistics, and 142 in sales and marketing. Many of our sales and marketing employees have a scientific background in order to support our sophisticated customers.

To better address the needs of our customers, we together with our subsidiaries, are organized in two business divisions: (i) Active Ingredients & Specialty Chemicals Division; and (ii) Health & Nutrition Division. The Active Ingredients & Specialty Chemicals Division offers value-added products that include high-value proprietary active ingredients developed, acquired or in-licensed by us. Through the Health & Nutrition Division, we develop, manufacture and market proprietary health and nutrition finished products.

Active Ingredients & Specialty Chemicals Division

The Active Ingredients & Specialty Chemicals Division offers more than 2,000 value-added products, of which 60 are high-value proprietary active ingredients developed, acquired or in-licensed by us. The balance is sourced from third-party manufacturers, including major multinational companies. We are the sole marketer for a majority of these third-party products in key markets in which we have a direct sales force. Our product portfolio includes active ingredients, specialty lipids, chemical synthesis intermediates, functional chemicals, innovative additives, preservatives and excipients.

Our products enhance customers’ end products by improving performance, providing essential product attributes, lowering costs and simplifying manufacturing processes. In particular, our 60

proprietary active ingredients, mostly derived from biotechnologies, have proven biological activities and are key value drivers of our customers' finished products. Our non-proprietary value-added products complement our product portfolio, help us achieve industry diversification to maximize the potential of our products, and build critical mass with our strategic customers. These non-proprietary products have diverse applications. They are used, among other things, in the manufacturing of drugs and value-added foods and in numerous industrial applications.

To efficiently sell our products, we also offer to customers the scientific, technical and regulatory support needed to better understand the potential uses of our products and to reduce the development time of their finished products. This is essential to the success in marketing scientific value-added products. Our experts share application ideas, help resolve formulation or application challenges and support customers' new product development efforts and regulatory compliance.

We sell to approximately 2,000 manufacturers in the cosmetics, pharmaceutical, chemical and nutrition industries. In North America and Europe, we sell our products through our own sales and marketing organization. The proprietary active ingredients are also marketed through a network of more than 40 specialized distributors in over 50 countries. Our sophisticated logistics systems enable us to service our customers on a timely basis. The proprietary active ingredients are either manufactured in-house or outsourced to reliable contract manufacturers.

Health & Nutrition Division

Through the Health & Nutrition Division, we develop, manufacture and market more than 1,300 proprietary health and nutrition finished products. These products are generated primarily from natural sources and include vitamins, minerals and specialized products. Innovative and high-end, these products are not suited for mass market channels. They are sold primarily through healthcare practitioners, such as physicians, chiropractors and naturopaths, and are based on scientifically supported formulas to deliver the expected health benefits. Some of the products are manufactured using molecular separation biotechnology.

In the United States, we sell our products through more than 40,000 healthcare practitioners. In addition, certain of our products are offered in more than 25 countries through a network of more than 45 distributors targeting niche markets. Virtually all of our health and nutrition products are manufactured in our state-of-the-art facilities in Quebec City, Quebec, Sudbury, Massachusetts, Pittsburgh, Pennsylvania and Philadelphia, Pennsylvania.

3.2 Products

We offer a comprehensive product line consisting of more than 2,000 active ingredients and specialty chemicals and 1,300 health and nutrition finished products. These include 1,428 proprietary products, of which 99 were developed internally, 1,309 were acquired and 20 were licensed from third parties. This broad product portfolio plays an important role in providing the differentiating factors required by our customers to compete in their markets. In order to increase the breadth and innovative character of our product offering, we intend to continue to acquire, license and develop new proprietary products.

We have built a solid reputation as a reliable provider of quality products, which contributes to long-term repeat business. The efficacy and safety of our proprietary products have been thoroughly documented. Quality control of all of our proprietary products includes testing by independent laboratories.

Active Ingredients & Specialty Chemicals Division

We commercialize active ingredients and specialty chemicals in the cosmetics, pharmaceutical, nutrition and chemical industries, as described below.

Cosmetics Industry

In the cosmetics industry, the product portfolio is comprised of active ingredients, specialty additives, excipients, surfactants, preservatives, sunscreens, pigments and lacquers. They include performance enhancers for skin care, hair care and makeup products, designed to improve the safety, efficacy, texture and stability of the customers' finished products.

The main proprietary products consist of cosmetic active ingredients targeting primarily the fast growing anti-ageing and skin care market segments. Certain of these products were developed in-house, while the majority were acquired or in-licensed by us. Most of our key proprietary active ingredients are subject to clinical studies, some of which are conducted in collaboration with industry leaders.

Pharmaceutical Industry

In the pharmaceutical industry, we commercialize excipients, preservatives, flavouring agents and active pharmaceutical ingredients ("APIs") such as peptides, nucleotides, amino acids, antibiotics and sulfamides. APIs are marketed to both ethical and generic drug manufacturers. For generic drugs, we often provide clients with both the ingredients and their complete registration file which we may adapt to comply with regulatory requirements.

Some of the APIs which we commercialize are: (i) articaine, an anesthetic used in dentistry; (ii) progesterone, used in menopause-discomfort drugs; (iii) quinine, an anti-paludic used in the treatment and prevention of malaria; and (iv) polyvinylpyrrolidone iodine, an antiseptic used in applications such as operating field disinfection.

The following are certain of our formulation additives: (i) amino acids used in parenteral nutrition; (ii) vitamin E-TPGS, an exclusive form of vitamin E used to facilitate the oral absorption of anti-cancer drugs; and (iii) sodium benzoate, an excipient used as a key component in various drugs.

Nutrition Industry

In the nutrition industry, we commercialize processing aids, antioxidants, vitamins, minerals, preservatives and flavouring and texturing agents for manufacturers of dietary supplements, food and animal feed. These ingredients are used to enhance product formulation, nutritional value and taste, for better acceptance by consumers.

The following are certain of the products: (i) inuline, known for its bifidogenic prebiotic action, used in transformed nutrition products for diabetics, newborns and children, and in healthy

foodstuffs; and (ii) lactoserum protein hydrolyzates, used in hypoallergenic nutrition for athletes and children, and in geriatric and hospital nutrition.

Chemical Industry

In the chemical industry, we market specialty chemicals which are used in a wide variety of industries such as coatings, construction, plastics, rubber, textile, ink, automotive, photography, paint, electronics and adhesives. We also commercialize chemical synthesis intermediates and building blocks which are primarily used in the manufacturing of pharmaceutical products.

Some of the products that we market to the chemical industry include: (i) L-Norvaline, a chemical synthesis intermediate used to produce a drug for the treatment of hypertension and heart failure; (ii) Benzoflex 9-88SG, a safe plasticizer used in polyurethane ink roll coatings as a substitute for phthalates, some of which are considered carcinogenic by the FDA; (iii) Ajicure MY-24, an innovative additive incorporated in a product which is used in the automotive industry as a replacement for bitumen-based protection in a car's lower body, as a sound insulator and anti-vibration component; and (iv) interferential pigments, which are the most technically advanced pigments today, and are used in bank notes for protection against counterfeiting and in other security applications.

Health & Nutrition Division

The following describes our main health and nutrition product lines, all of which are proprietary:

Pure Encapsulations Product Line

The Pure Encapsulations product line is comprised of more than 350 products offered in various formats to satisfy the needs of healthcare practitioners. Pure Encapsulations' products have been offered to healthcare practitioners since 1991. All products contain quantities of vitamins, minerals, nutrients, amino acids or herbal extracts with scientifically-proven health benefits. Pure Encapsulations uses premium, natural source, hypoallergenic products in the manufacturing of its supplements. All capsules are vegetable-based. Key products include highly potent and natural multi-vitamins for adults and children, specialized nutrition products such as UltraNutrient, Nutrient 950 and PureBears, high-end antioxidants such as CoQ10, and condition-specific products such as the Macular Support Formula, designed to protect and support the central area of the retina, responsible for sharp vision.

Douglas Laboratories Product Line

Douglas Laboratories offers a broad selection of approximately 960 branded products offered in various formats to satisfy the needs of healthcare practitioners. Many products are unique formulations that are only available at Douglas Laboratories, including the Ultra Preventive and Basic Preventive lines—two widely recommended professional grade multiple vitamin and mineral formulas in the marketplace. Douglas Laboratories also offers an extensive array of herbal supplements including Ayurvedic herbs, herbal combinations and the Max-V exclusive line of standardized herbs in vegetarian capsules. In addition to these and our other fine supplements, Douglas Laboratories is continually developing new products based upon the latest scientific and clinical research. Douglas Laboratories relies on a solid team of sales representatives that covers the entire United States and covers Canada through DL Canada. Douglas Laboratories has sales offices in the Netherlands and in Spain to better serve the needs

of its European customers. Douglas Laboratories has been marketing health and nutritional products through healthcare practitioners for over 50 years and is recognized across the industry for its quality and innovation.

CarTCell / Comitris Product Line

CarTCell is a complex of natural molecules obtained from marine biomass using molecular separation biotechnology. The product line is comprised of eight different products. Comitris, a more potent version of the initial product, was launched in North America and Europe in January 2005 and helps maintain healthy angiogenic balance and blood parameters. It is typically used by people having critical or debilitating conditions, to help improve their quality of life. The CarTCell / Comitris product line has been successfully commercialized internationally since 1992.

NatCell / Xtra-Cell Product Line

The NatCell line of products is obtained from various biomasses using molecular separation biotechnology. It consists of more than 10 different products, the most popular being NatCell, Thymus, Cytofactors, Zepatix and CF Support. They have different functions depending on the mix of peptides and molecules. Some help maintain a healthy immune function while others help maintain energy levels or contribute to healthy ageing. The NatCell / Xtra-Cell product line has also been successfully commercialized internationally since 1992.

3.3 Sales and Marketing

Our customers' purchasing decisions are based on product safety, efficacy, innovative content and quality, breadth of product offering and reliability of delivery. We have achieved leadership positions in our markets by meeting these criteria, thereby becoming a partner of choice for our customers. Our comprehensive product lines of high quality science-based products are fully supported by our skilled professionals and distributors in more than 50 countries. For fiscal 2006, 59% of our revenues were generated in North America, 39% in Europe and 2% in Asia and elsewhere. No single customer represented more than 10% of our revenues in fiscal 2006.

We have a sales and marketing team of 133 professionals, 85 of whom are in North America and 48 in Europe. They are qualified to promote the scientific and technical characteristics as well as the various applications of our products. Their mandate is to market existing products and identify new product development opportunities arising out of our privileged customer relationships.

In territories where we do not have a direct sales force, we collaborate with an international network of distributors. These distributors have been carefully selected for their established relationships with leading customers and their recognized ability to sell value-added products. The distributors are trained by our scientific and sales staff. Together with our distributors, we visit key customers in these territories on a regular basis.

We believe that personalized visits with strategic customers are the most effective way of assessing our customers' specific needs and directing our new product development efforts.

Technical articles in trade or peer-reviewed scientific journals reinforce the value-added positioning of our products. These papers are written by our scientific and technical staff or industry experts. We also provide web-based seminars and produce commercial leaflets, educational sales sheets and CD-ROMs. Six web sites (including *www.atrium-bio.com*) broaden our reach and better serve our customers' needs for quick and easy access to information. We also participate in selected trade events.

Active Ingredients & Specialty Chemicals Division

In North America and Europe, we sell our active ingredients and specialty chemicals through our direct sales force based in Canada and France. In addition, our proprietary active ingredients are marketed in approximately 50 countries through a network of more than 40 specialized distributors.

To increase the use of our products by our customers in their end products, we assist our customers in the development of innovative products by supporting them with scientific, technical and regulatory expertise. In addition, we supply our products on a reliable and competitive basis. In our view, these factors have allowed us to develop preferred supply arrangements with industry leaders.

By commercializing products in the cosmetics, pharmaceutical, chemical and nutrition industries, we have built critical mass, gained industry diversification and maximized the commercial opportunities for our products. We sell to approximately 2,000 manufacturers in the cosmetics, pharmaceutical, chemical and nutrition industries.

Health & Nutrition Division

We sell our health and nutrition finished products primarily to healthcare practitioners such as physicians, chiropractors and naturopaths. In the United States and Canada, our sales are mainly made directly; in more than 25 other countries, we sell through a network of more than 45 distributors. The main responsibility of our sales teams is to maintain solid relationships with key healthcare practitioners and to coordinate the marketing efforts of our distributors. Our sales force is organized in three geographic regions (North America, Europe, and Asia and elsewhere) in order to better address local needs and optimize our market presence. A significant part of our sales force's compensation is based on the level of profitable growth.

Pure Encapsulations sells its health and nutrition product portfolio to more than 30,000 healthcare practitioners in the United States, primarily through a detailed catalogue which is mailed five times a year to more than 50,000 healthcare practitioners. In addition, we periodically send targeted mailings, include selected product specification sales sheets with orders, and participate in selected industry trade shows and scientific conferences. Our highly trained nutritionists assist healthcare practitioners in selecting the appropriate products needed to address specific health conditions. Pure Encapsulations is recognized by industry sources as having superior quality products and an outstanding fulfillment record; most orders are received by healthcare practitioners within 48 hours.

Douglas Laboratories offers a broad selection of approximately 960 branded products offered in various formats to satisfy the needs of healthcare practitioners. Douglas Laboratories sells its health and nutrition product portfolio to more than 10,000 healthcare practitioners in the United

States by relying on a solid team of sales representatives that covers the entire United States. It also operates a sales and fulfilment branch in the Netherlands and a sales desk in Spain to address the needs of its European customers. Douglas Laboratories has been marketing health and nutritional products through healthcare practitioners for over 50 years and is recognized across the industry for its quality and innovation.

DL Canada sells the Douglas Laboratories and Pure Encapsulation brands to healthcare practitioners in Canada. DL Canada has a team of sales representatives and agents that covers Canada.

3.4 New Product Pipeline

Since 1993, we have developed 99 products internally. Since 2000, to diversify and rapidly expand our product portfolio, we have concentrated our efforts on acquiring and in-licensing proven products and product lines. Since then, we acquired two product lines and signed six in-licensing agreements, bringing 20 new products to our portfolio. We also added 960 products through the acquisition of Douglas Laboratories, 306 products through the acquisition of Pure Encapsulations, 25 through the acquisition of Biotherapies and 18 through the acquisition of Siricie.

It generally takes more than three years to complete safety evaluation, pre-clinical and clinical studies, production scale-up and regulatory filings in order to bring a product from concept to market. To expand our proprietary product portfolio in the short-term, leverage our international commercialization network and lower the risks and expenses related to in-house research and development, we primarily focus on: (i) acquiring or in-licensing new products which are commercialized or close to being marketed; and (ii) adapting and improving existing proprietary products to meet specific market or customer needs. This allows us to introduce new products generally within one year. To further complement our product offering, we also seek to market products from third parties. Moreover, to maintain our position as an innovator, we seek to enter into strategic partnerships with research-based organizations in order to assure medium to long-term introduction of new proprietary products. Finally, leveraging our involvement in four industry sectors often allows us to develop products not only for their initially intended use but also for applications in other sectors, thereby maximizing commercial opportunities for our products.

To maximize the success of new proprietary products, we systematically start from a specific market need or customer request. We favour projects for which a strategic customer is interested in sharing development costs with us. This commitment is generally a good indicator of potential commercial success. It not only confirms the potential value of the project but also reduces time-to-market and increases the product penetration rate thereafter, as we typically conduct these co-development projects with industry-leading customers.

These projects range from the development of new active ingredients to chemical synthesis process optimization. Generally, for the development of new active ingredients, we share the costs of safety evaluation, clinical studies, manufacturing scale-up and regulatory filings with our co-development partners. In exchange for their contribution, we typically offer them a first-to-market opportunity which is generally limited to less than a year. We also collaborate with our

customers in designing new ways of synthesizing chemical entities. Our objective is to help them reduce their production costs while using raw materials that are commercialized exclusively by us. Our business and product development team, composed of 24 employees based in North America and Europe, gains crucial competitive information through these collaborations. This allows us to better understand our customers' needs, develop tailored solutions and focus our acquisition and in-licensing efforts.

The following outlines our new product pipeline strategy:

Acquisition and In-Licensing of Products

Our business and product development team focuses primarily on acquiring and in-licensing products. As described above, we find this to be an efficient and safe approach to rapidly expand our new product pipeline. We work closely with our customers' research and development teams to identify specific market opportunities. Supported by an international network of consultants, our development team seeks technologies which complement our existing portfolio, answer unmet customer needs and help us establish relationships with new customers in new territories. Our knowledge of industry needs and regulatory requirements enables us to focus only on those scientific protocols needed to obtain regulatory approval and market acceptance. This allows us to reduce development costs and generally introduce acquired or in-licensed products in less than a year.

Internal Product Development

Our internal product development concentrates on product adaptation and improvement. Our business and product development team works with existing active ingredients to find new applications and make formulation improvements, in order to create new and improved products. For example, in our Health & Nutrition Division, we developed CF Support, Cytofactors and Zepatix, three condition-specific products based on our NatCell product line. As another example, in January 2005 we introduced Comitris, a new and more effective version of CarTCell. This was the eighth product derived from CarTCell and was made possible using molecular separation biotechnology. Our development team continuously studies new extraction procedures to isolate or enrich active fractions with the desired biological activities. In our Active Ingredients & Specialty Chemicals Division, this led to the development of a number of products derived from AE-957, a proprietary product, including MDI Complex, MRT², MMI and MAI Complex.

Collaboration with Research-Based Organizations

Our long-term product pipeline strategy is to partner with, and on occasion invest in, research and development organizations. These collaboration projects will allow us to leverage the work of independent research and development organizations at reduced risk to us. In addition to acquisitions and in-licensing, we expect these collaborations to provide us with a solid pipeline of innovative products in the long term. We believe that we are an attractive partner for these research and development organizations in that we provide them with development guidance and access to our international commercialization network.

For example, in 2004, we invested in Océanova, an independent research organization dedicated to screening marine biomass. Collaborating with a number of scientists and laboratories, Océanova's objective is to identify potential technologies and products and complete preliminary

efficacy and safety studies on them. We have a right of first refusal on all technologies and products developed by Océanova for applications in the cosmetics and nutrition industries. Océanova's main research fields include immunology, inflammation, oxidation and bacteriology.

We launched in 2005, the new active ingredient Aldavine, which was developed in collaboration with Océanova. This active ingredient is for the skin care and anti-aging segments of the cosmetic market.

In 2006, we launched the Homeosta-SEA™ line of marine cosmetic ingredients. This line consists of four active ingredients derived from algae found in the Atlantic Ocean developed after several months of research in cooperation with Océanova and is intended for cosmetic manufacturers. Among other things, this line helps fight the adverse effects of modern living on the skin's natural equilibrium for a healthy and younger looking skin. All four ingredients have their own well-defined biological profile and, when used in combination, they help protect the skin against damage caused by sun exposure, pollution, aging and inflammation. It has been shown that these clinically tested cosmetic actives can fight the signs of aging by reducing the appearance of wrinkles, soothing sensitive skin and making the skin more resistant to daily aggressions

3.5 Competition

The competition faced by these two divisions is as follows:

Active Ingredients & Specialty Chemicals Division

The markets for active ingredients are highly fragmented. The majority of our competitors in this segment are privately owned while others are part of larger specialty chemicals or commodity groups such as Arch Chemicals, Cognis, Croda, DSM, Engelhard, Lonza and Symrise. Smaller competitors include Codif, Pentapharm, Secma and Silab. While some of our competitors offer active ingredients coming strictly from botanical or marine sources, we offer a comprehensive portfolio derived from diverse sources and using various biotechnologies.

There are numerous specialty chemicals producers around the world, resulting in a very fragmented market. Certain segments of the specialty chemicals industry are dominated by large multinational groups such as BASF, Clariant, Degussa, Dow Chemical, DSM and Lonza. For specialty chemicals developed by companies such as Ajinomoto, Ciba and Dow Chemical, we act as a channel partner, commercializing selected products on an exclusive basis to our wide base of customers in Europe. The competition in this industry consists primarily of manufacturers of specialty chemicals similar to those which we markets for third parties.

Health & Nutrition Division

The health and nutrition industry is vast and competitive. Product quality and distribution channels vary widely; the latter include retail chains, multi-level marketing organizations and web-based retailers. In retail and mass market channels, there are a great number of brands and price points are generally low. To avoid competing on such grounds, we market primarily to healthcare practitioners, who in turn sell our products to their patients.

There are a multitude of competitors in the United States, which is our primary market. The most important competition in sales to healthcare practitioners comes from privately-owned businesses such as Metagenics, Thorne Research and Standard Process. The European and Asian markets are even more fragmented. They are characterized by a much greater number of smaller privately-owned businesses, often operating as part or a spin-off of treatment clinics. We believe that we distinguish ourselves from competitors with the consistency and quality of our products, which are all supported by scientific literature or evidence. We are also among the very few companies to provide full disclosure of all ingredients in our formulations and to offer an open plant policy to healthcare practitioners who want to inspect our facilities.

3.6 Manufacturing and Supply

We operate four state-of-the-art manufacturing facilities, where we manufacture virtually all of our proprietary products. The first is in Quebec City, Quebec, where we produce health and nutrition finished products and cosmetic active ingredients using molecular separation biotechnology equipment. The second and third are respectively in Sudbury, Massachusetts and Pittsburgh, Pennsylvania, where we blend, encapsulate and bottle health and nutrition finished products. The fourth facility based in Philadelphia, Pennsylvania produces liquid filled capsules. Based on our expected growth rate, we believe that our manufacturing capacity will be sufficient to meet our requirements for at least the next three years without having to incur significant capital expenditures. The policy is to limit investment in manufacturing assets, except when deemed strategic in terms of know-how or consistency of supply.

For the limited number of proprietary products that we do not manufacture in-house, we rely on a solid network of contract manufacturers located in North America and Europe. All production is rigorously controlled by our scientific and technical team. Production outsourcing minimizes investment in capital equipment. In order to meet our volume requirements over the next several years, we have developed relationships with selected contract manufacturers. We are not dependent on any such contract manufacturer. We are of the view that, if necessary, our current selected contract manufacturers could be replaced with minimal disruption to our operations.

Many of our value-added products in the Active Ingredients & Specialty Chemicals Division are secured from third parties, including major multinational companies. We have long-term relationships with many of these companies and believe that they constitute a secure source of supply. We do not manufacture any of our non-proprietary products.

We currently purchase raw materials for the manufacturing of our proprietary products from suppliers recognized for their quality and consistency. Our quality control staff requires full disclosure on the part of our suppliers and we periodically conduct on-site audits of their facilities. For strategic reasons, certain of our key raw materials are sourced from single suppliers. However, in the event that we were unable to source an ingredient from a current supplier, we believe that we could either produce it ourselves or obtain it from an alternative supplier, with minimal disruption to our operations.

To supply products to customers in a timely manner, we have developed an expertise in international logistics. We use advanced information technology (IT) systems and detailed procedures to optimize the logistics operations. Relying on a network of warehouses strategically

located in North America and Europe, we are able to supply all of our customers within very short delays. In France, the main warehouse for the Active Ingredients & Specialty Chemicals Division is fully computerized with a wireless network linking fork-lifts with computer systems for on-time and accurate control of inventory and shipping. In Sudbury, Massachusetts and Pittsburgh, Pennsylvania, the sophisticated computer systems support the customer service and shipping teams, enabling them to meet our 48-hour delivery policy for all health and nutrition products.

3.7 Intellectual Property

We believe that our success and ability to compete are linked to the solid intellectual property behind the proprietary and non-proprietary products that we commercialize. The intellectual property relating to a majority of the non-proprietary products which we commercialize is held by third parties. Our proprietary products, whether owned by us or in-licensed, are protected by either patents, trademarks, registered names, licenses, trade secrets or know-how. Specifically, there are over 25 patents covering 60 of our proprietary products in strategic geographical markets. We also hold over 100 registered trademarks, one of which (Pure Encapsulations, Inc.) covers over 350 Pure Encapsulations products. The others are used in connection with certain of our Siricie, Atrium Biotechnologies and Douglas Laboratories products. When appropriate, we will take all necessary action to prevent and stop any infringement of our intellectual property rights.

A number of our proprietary products (such as CarTCell and MDI Complex) are manufactured according to a patented process to produce marine extract. Æterna Zentaris holds the proprietary rights to the patents covering this extraction and purification process. We have licence agreements with Æterna Zentaris which grant us the exclusive right to use these patent rights as well as other patent rights for the development, manufacturing and marketing of cosmetic ingredients, and nutraceutical and pharmaceutical products. The duration of the licence agreements is equivalent to the registration period of the underlying patents.

When we acquire new products or enter into in-licensing agreements with third parties, we make every effort to obtain the necessary rights with respect to the vendor's or licensor's intellectual property. Generally, we obtain exclusive worldwide rights to use the intellectual property related to the products. New active ingredients or specialty products are selected for their innovative character and the science supporting them. Consequently, the science and intellectual property related to each acquired or in-licensed product is thoroughly analyzed to determine its value as well as its marketing potential.

Confidentiality and non-competition agreements have been signed by all members of our management and by our key employees.

3.8 Relationship with Æterna Zentaris

Æterna Zentaris is our former principal shareholder and as of January 2, 2007, no longer owns any of our shares. The Multiple Voting Shares that were previously owned by Æterna Zentaris were automatically converted into Subordinate Voting Shares upon the closing of the secondary offering in October 2006.

Pierre Laurin and Gérard Limoges, two of our directors, are also directors of Æterna Zentaris.

In January 2000, we entered into a licensing agreement with Æterna Zentaris, pursuant to which we acquired the exclusive right to use a patented process for the production of marine extract, used in cosmetic ingredients and nutraceutical products. In December 2004, we entered into a licensing agreement with Æterna Zentaris, giving us certain rights related to Neovastat and its components for worldwide commercialization, except in Canada and the United States. See section 2.4 entitled “Fiscal 2004” above. In consideration for the rights to Neovastat, we issued 537,996 Subordinate Voting Shares to Æterna Zentaris. The duration of the license agreements is equivalent to the registration period of the underlying patents.

We lease our facilities in Quebec City, Quebec, from Æterna Zentaris, whose head office is located in the same building. Accordingly, we share certain support services with Æterna Zentaris, primarily information technology systems. In addition, we lease virtually all of our manufacturing equipment in Quebec City from Æterna Zentaris. For strategic reasons, Æterna Zentaris was also the sole supplier of glycosaminoglycans, a raw material used in certain of our products.

In March 2004, we entered into an unsecured loan agreement with Æterna Zentaris in the amount of approximately \$6.7 million. The proceeds of the loan were used by us in connection with the acquisition of Pure Encapsulations. The loan bore interest at a rate of 9% per annum and was repaid by us in full in January 2005.

3.9 Risk Factors

Our business entails significant risks. In this regard, reference is made to pages 12 and 13 of our Management’s Discussion and Analysis (“MD&A”) for the financial year ended December 31, 2006, dated February 26, 2007, which sets out certain significant risk factors which are applicable to our business and which pages are hereby incorporated by reference into this Annual Information Form. The MD&A is available on SEDAR at www.sedar.com.

4. DIVIDENDS

4.1 Dividends

We have not paid any dividends since our incorporation. Our current intention is to reinvest all future earnings in order to finance the growth of our business. As a result, we do not intend to pay dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will depend on our financial condition, operating results, capital requirements and such other factors that the Board of Directors deems relevant.

5. GENERAL DESCRIPTION OF CAPITAL STRUCTURE

5.1 General Description of Capital Structure

Our authorized share capital consists of an unlimited number of Multiple Voting Shares, Subordinate Voting Shares and preferred shares, issuable in series.

5.1.1 Multiple Voting Shares and Subordinate Voting Shares

Voting Rights

The Multiple Voting Shares entitle the holders thereof to two votes per share and the Subordinate Voting Shares entitle the holders thereof to one vote per share at meetings of our shareholders, subject to the condition that the Subordinate Voting Shares entitle the holders thereof to two votes per share on any vote in respect of our liquidation, dissolution or winding-up or the sale, lease or exchange of all or substantially all of our property.

Payment of Dividends

Subject to the prior rights of any other shares ranking senior thereto, the holders of Multiple Voting Shares and Subordinate Voting Shares participate equally with each other in respect of payment of dividends, including the amount per share of the dividend.

Distribution of Assets Upon Winding-Up

Subject to the prior rights of any other shares ranking senior thereto, the Multiple Voting Shares and Subordinate Voting Shares rank equally with each other in respect of return of capital in the event of our liquidation, dissolution or other distribution of assets for the purpose of winding-up our affairs.

Preservation of Rights

In the event that either the Multiple Voting Shares or Subordinate Voting Shares are subdivided, consolidated, reclassified or otherwise changed, appropriate adjustments will be made at the same time to the rights attaching to the shares of the other class to ensure the preservation of the rights of each class in relation to those of the other.

Conversion Rights

Each Multiple Voting Share is convertible at any time at the holder's option into one fully paid and non-assessable Subordinate Voting Share.

Automatic Conversion of Multiple Voting Shares

The following describes the circumstances in which Multiple Voting Shares will be automatically converted into Subordinate Voting Shares, in each case on a one-for-one basis:

- (i) all outstanding Multiple Voting Shares will be converted into Subordinate Voting Shares five years from the initial closing date of the IPO;
- (ii) all outstanding Multiple Voting Shares will be converted into Subordinate Voting Shares if at any time the number of outstanding Multiple Voting Shares represents less than 5% of the aggregate number of outstanding Multiple Voting Shares and Subordinate Voting Shares;
- (iii) any Multiple Voting Shares transferred from time-to-time by Æterna Zentaris or by an affiliate thereof will be converted into Subordinate Voting Shares, except where the transfer is to an "affiliate" of Æterna Zentaris;

- (iv) subject to (iii) above, all Multiple Voting Shares held by Æterna Zentaris and by any affiliate thereof will be converted into Subordinate Voting Shares upon one or more transfers by Æterna Zentaris and its affiliates of, on a cumulative basis, more than 1,400,000 Multiple Voting Shares, representing 10% of the number of Multiple Voting Shares held by Æterna Zentaris upon the closing of the IPO;
- (v) all Multiple Voting Shares held by Æterna Zentaris and by affiliates thereof will be converted into Subordinate Voting Shares upon a “change of control” of Æterna Zentaris, whether pursuant to a Reorganization (as defined below), or otherwise;
- (vi) all Multiple Voting Shares held by an affiliate of Æterna Zentaris will be converted into Subordinate Voting Shares if the affiliate ceases to be an affiliate of Æterna Zentaris; and
- (vii) all Multiple Voting Shares held by Æterna Zentaris or by an affiliate thereof will be converted into Subordinate Voting Shares if Æterna Zentaris or its affiliate, as the case may be, ceases to have the right in all cases to exercise the votes attached to, or to direct the voting of, such Multiple Voting Shares.

For these purposes:

- (a) “Æterna Zentaris” includes any successor corporation resulting from an amalgamation, merger, arrangement, sale of all or substantially all of its assets, or other business combination or reorganization involving Æterna Zentaris (each, a “Reorganization”), provided that such successor corporation beneficially owns directly or indirectly all Multiple Voting Shares beneficially owned directly or indirectly by Æterna Zentaris immediately prior to such transaction;
- (b) the terms “affiliate” shall have the meaning set out in the *Canada Business Corporations Act*, as amended from time-to-time; and
- (c) “change of control” means: (i) the acquisition by a person or group of persons acting in concert of a number of shares sufficient to ensure the election of a majority of the Board of Directors of Æterna Zentaris; or (ii) a Reorganization following which either: (A) the shareholders of Æterna Zentaris immediately prior to such Reorganization hold in the aggregate shares to which there are attached less than 50% of the votes attached to the issued and outstanding shares of the successor corporation; or (B) less than 50% of the Board of Directors of the successor corporation is comprised of persons who were directors of Æterna Zentaris immediately before the Reorganization.

Coattail Agreement

In addition to the foregoing, we have entered into an agreement (the “Coattail Agreement”) with Æterna Zentaris and National Bank Trust Inc., as trustee for the holders of the Subordinate Voting Shares. The Coattail Agreement provides, among other things, that Æterna Zentaris will not sell any Multiple Voting Shares in circumstances which would have required, under

applicable securities legislation, the same offer to be made to the holders of the Subordinate Voting Shares, had the sale been of Subordinate Voting Shares rather than Multiple Voting Shares. Any sale of Multiple Voting Shares pursuant to the Coattail Agreement is subject to our Articles.

5.1.2 Preferred Shares

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by the Board of Directors. There are no voting rights attached to the preferred shares except as prescribed by law. The preferred shares will rank ahead of the Multiple Voting Shares and Subordinate Voting Shares with respect to the payment of dividends and return of capital in the event of our liquidation, dissolution or other distribution of our assets for the purpose of winding-up our affairs.

All classes are without nominal or par value. As at February 28, 2007, there were 30,657,447 Subordinate Voting Shares, no Multiple Voting Shares, and no Preferred Shares issued and outstanding.

6. MARKET FOR SECURITIES

6.1 Trading Price and Volume

Our Subordinate Voting Shares are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the quote symbol ATB.

The following table sets forth, for the periods indicated, the reported high, low, and closing sale prices (in Canadian dollars) and the volume of our Subordinate Voting Shares traded on the TSX.

CAN\$	TSX (monthly)			Traded Volume
	High Price	Low Price	Close Price	
January 2006	15.00	12.50	14.50	1,359,375
February 2006	16.50	14.18	15.50	510,875
March 2006	16.43	15.55	15.85	531,033
April 2006	16.60	15.60	16.60	443,660
May 2006	18.20	16.00	16.50	344,075
June 2006	18.00	15.00	15.70	628,152
July 2006	16.95	15.50	15.66	78,090
August 2006	16.80	15.50	16.24	133,064
September 2006	16.35	14.25	14.90	737,607
October 2006	15.25	13.90	14.40	187,568
November 2006	15.50	14.25	14.85	488,345
December 2006	15.25	14.00	15.10	578,482

7. ESCROWED SECURITIES

7.1 Escrowed Securities

There are no shares in escrow.

8. DIRECTORS AND OFFICERS

8.1 Directors

The information regarding our directors, including the name, place of residence, principal occupation, security holdings in the Corporation and the period during which each such director has so served as well as the members of each committee of the Board of Directors, is set out at pages 6 to 8 of the Management Proxy Circular of the Corporation, dated March 16, 2007, which is hereby incorporated by reference into this Annual Information Form. The Management Information Circular is available on SEDAR at www.sedar.com.

8.2 Executive Officers

The following table sets out the name, province or state and country of residence and position held with us for of each of our executive officers as of the date hereof:

Name and Place of Residence	Position Held	With the Company since
Luc Dupont Quebec City, Quebec Canada	President and Chief Executive Officer	1999
Richard Bordeleau Quebec City, Quebec Canada	President, Health & Nutrition Division	1999
Charles Boulanger Quebec City, Quebec Canada	President, Active Ingredients & Specialty Chemicals Division	2004
John Dempsey Kirkland, Quebec Canada	Vice-President, Finance and Chief Financial Officer	2004
Manon Deslauriers Quebec City, Quebec Canada	Vice-President, Legal and Corporate Affairs and Secretary	2001

Name and Place of Residence	Position Held	With the Company since
Jocelyn Harvey Quebec City, Quebec Canada	Vice-President, Mergers and Acquisitions	2000
Dr. Serge Yelle Saint-Nicolas, Quebec Canada	Vice-President, Business Development	2002

During the past five years, each of the executive officers mentioned above has held the position indicated opposite his or her name, except for: Charles Boulanger, who prior to November 2004 was President of Pôle Québec Chaudière-Appalaches (economic development agency), prior to March 2003, an associate with Phénix Capital Inc. (consulting company); and John Dempsey, who prior to November 2004 was President of COFICO Inc. (consulting company). As of February 28, 2007, the Directors and Executive Officers hold as a group 1,350,732 Subordinate Voting Shares representing 4.4% of such class of shares. The Corporation does not have any direct information concerning shares beneficially owned by the Directors and Executive Officers or concerning shares over which such persons exercise control or direction. The Directors and Executive Officers provided this information individually.

8.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To our knowledge and based upon information provided to us by our directors and executive officers, none of such directors or executive officers:

- (a) is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while such person was acting in that capacity:
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or

compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; or

- (c) has, since January 1, 2001, been subject to:
- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision;

except for:

Pierre Laurin, the Chairman of our Board of Directors, was from May 1999 to May 2003 a director of Microcell Telecommunications Inc. Microcell Telecommunications Inc. entered into a Plan of Reorganization and of Compromise and Arrangement with its creditors and shareholders effective May 1, 2003 pursuant to the Companies' Creditors Arrangement Act (Canada). Mr. Laurin was a member of the Special Committee of the Board of Directors of Microcell Telecommunications Inc. created in connection with the foregoing restructuring;

Placide Poulin was a director of Groupe Bikini Village Inc. (formerly Groupe Les Ailes de la Mode Inc.) from 2004 to July 2006. Bikini Village completed a capital reorganisation plan on August 2, 2004 pursuant to the *Companies Creditors Arrangement Act* (Canada) ("CCAA") and the *Canada Business Corporations Act* ("CBCA"); and

Jocelyn Harvey was a minority shareholder and director of a private company controlled by members of his family. In June 1996, the company made an assignment of its assets to its creditors. Following claims against Mr. Harvey by certain creditors of the company, resulting from personal guarantees given by him, Mr. Harvey made a proposal to his creditors in October 1997 pursuant to the *Bankruptcy and Insolvency Act* (Canada). The proposal was accepted and paid in full on January 30, 1998.

9. LEGAL PROCEEDINGS

9.1 Legal Proceedings

The Corporation and its subsidiaries are party to various ongoing, pending litigation arising out of the normal course of business which, we believe, when resolved will not have any material adverse effect on the consolidated financial position or results of operations of the Corporation.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in section 2.4 entitled "Fiscal 2004" and in section 3.8 entitled "Relationship with Aeterna Zentaris" above and as set out below, we have not completed a material transaction within the three most recently completed fiscal years or during the current fiscal year to the date hereof in which any of our directors, executive officers or principal

shareholders, or any of their associates or affiliates, had any material interest, either direct or indirect.

In March 2004, we entered into an unsecured loan agreement with Fonds de solidarité des travailleurs du Québec (FTQ) in the amount of approximately \$11.5 million. The proceeds of the loan were used by us in connection with the acquisition of Pure Encapsulations. The loan currently bears interest at a rate of 7% per annum and matures in June 2009. Fonds de solidarité des travailleurs du Québec (FTQ) is the holder of more than 10% of our outstanding Subordinate Voting Shares.

11. TRANSFER AGENT AND REGISTRAR

11.1 Transfer Agent and Registrar

The transfer agent and registrar for the Subordinate Voting Shares is Computershare Trust Company of Canada at its principal offices in Montreal and Toronto.

12. MATERIAL CONTRACTS

12.1 Material Contracts

Except for contracts entered into in the ordinary course of business and as set out below, the only contracts entered into by us during the most recently completed fiscal year which may be regarded as material to the Corporation are:

- (i) the agreement dated May 1, 2006 with respect to the acquisition of the operating assets of Amisol, referred to in section 2.6 entitled “Fiscal 2006” above; and
- (ii) the agreement dated September 8, 2006 relating to the acquisition of the operating assets of DL Canada, referred to in section 2.6 entitled “Fiscal 2006” above.

Additional information regarding material contracts to which we are a party is set out on page 51 of our prospectus dated March 29, 2005 under the heading “Material Contracts”, which section is hereby incorporated by reference into this Annual Information Form. Our prospectus is available on SEDAR at www.sedar.com.

13. EXPERTS

The Corporation’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors’ report dated February 26, 2007 in respect of the Corporation’s consolidated financial statements with accompanying notes as at December 31, 2006 and 2005 and for each of the years in the three-year period ended December 31, 2006. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Quebec.

14. AUDIT COMMITTEE INFORMATION

Multilateral Instrument 52-110 – *Audit Committees* (“MI 52-110”) requires issuers to disclose in their annual information forms certain information with respect to the existence, charter, composition, and education and experience of the members of their audit committees, as well as all fees paid to external auditors. The charter of our Audit Committee is attached as Schedule C to Management Proxy Circular dated March 16, 2007, available on SEDAR at www.sedar.com and is also accessible on our website at www.atrium-bio.com.

14.1 Composition of the Audit Committee

Yvon Bolduc, Gérard Limoges, FCA, who is the chair of the Committee, and Jacques Gauthier are the members of the Corporation’s Audit Committee, each of whom is independent and financially literate within the meaning of MI 52-110.

14.2 Education and Relevant Experience

The education and related experience of each of the members of the Audit Committee is described below.

Yvon Bolduc – Mr. Bolduc, who prior to his appointment as President and Chief Executive Officer was Executive Vice-President, Investments at Fonds de solidarité des travailleurs du Québec (FTQ) from December 2002 to February 2006, and prior to December 2002 was Vice-President, Corporate Development of Canada Post Corporation.

Gérard Limoges – Mr. Limoges served as the Deputy Chairman of Ernst & Young LLP Canada until his retirement in September 1999. After a career of 37 years with Ernst & Young, Mr. Limoges has been devoting his time as a director of a number of companies. Mr. Limoges began his career with Ernst & Young in Montreal in 1962. He graduated from the Management School of *Université de Montréal (HEC Montréal)*.

Jacques Gauthier – Mr. Gauthier is currently Senior Vice-President and Chief Operating Officer of Kruger Energy Inc., a division of Kruger Inc. Before September 2003, he was Chief Operating Officer and Executive Vice-President and then Chief Executive Officer at Boralex Inc., a company involved in the energy sector.

14.3 Pre-Approval Policies and Procedures

The mandate of the Audit Committee provides that it is such committee’s responsibility to approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditors and, when required, the framework for the pre-approval of such services. The audit committee mandate also provides for the approval by such committee of non-audit fees.

14.4 External Auditor Service Fees

In addition to performing the audit of the Corporation’s consolidated financial statements and its subsidiaries, PricewaterhouseCoopers LLP provided other services to the Corporation and its

subsidiaries and they billed the Corporation and its subsidiaries the following fees for each of the Corporation's two most recently completed financial years:

FEES	FINANCIAL YEAR ENDED DECEMBER 31, 2006 (CAN\$)	FINANCIAL YEAR ENDED DECEMBER 31, 2005 (CAN\$)
Audit Fees ⁽¹⁾	402,571	267,397
Audit-Related Fees ⁽²⁾	94,793	–
Tax Fees ⁽³⁾	92,474	25,110
All Other Fees ⁽⁴⁾	–	191,213
TOTAL FEES:	589,838	483,720

- (1) Refers to the aggregate fees billed by our external auditor for audit services.
- (2) Refers to the aggregate fees billed for assurance and related services by our external auditor that are reasonably related to the performance of the audit or review of our financial statements and are not reported under (1) above, including professional services rendered by our external auditor for accounting consultations on proposed transactions, and consultations related to accounting and reporting standards.
- (3) Refers to the aggregate fees billed for professional services rendered by our external auditor for tax compliance, tax advice, and tax planning.
- (4) Refers to the aggregate fees billed for products and services provided by our external auditor, other than the services reported under (1), (2) and (3) above. These fees were primarily incurred in connection with the preparation of a prospectus filed by us as part of our initial public offering, which was filed in April 2005.

15. ADDITIONAL INFORMATION

15.1 Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, the principal securityholders of the Corporation, securities authorized for issuance under equity compensation plans is contained in our Management Proxy Circular dated March 16, 2007, available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's consolidated financial statements and MD&A for the financial year ended December 31, 2006. All are available on SEDAR.

All information incorporated by reference into this Annual Information Form is contained or included in one of our continuous disclosure documents filed with the Canadian securities regulatory authorities which may be viewed on SEDAR at www.sedar.com. Where a section of this Annual Information Form incorporates by reference information from one of our other continuous disclosure documents, such section makes specific reference to the document in which such information is originally contained or included, as well as to the relevant page and/or section.

16. FORWARD-LOOKING STATEMENTS

16.1 Forward-Looking Statements

Certain statements in this document are forward-looking and prospective. Such statements reflect management's expectations regarding future growth, operating results, performance and business prospects and opportunities. Wherever possible, words such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms or variations of them or similar terminology have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. A number of factors could cause our actual results, performance or achievements in future periods to differ materially from the results discussed or implied in the forward-looking statements. These risks include, among others, business conditions in the pharmaceutical and related industries, as well as the general economy, changes in governmental regulation, changes in the healthcare industry, competitive factors such as those influencing expenditures for research and development, or the availability of markets for the Corporation's products. Although the forward-looking statements contained in this Annual Information Form are based upon what management believes to be reasonable assumptions, we can provide no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this Annual Information Form are made as of the date hereof and the Corporation disclaims any intention, and assumes no obligation, to update or revise these forward-looking statements to reflect new events or circumstances.