

Management's Discussion and Analysis of Financial Condition and Results of Operations

Message to Shareholders

Atrium Biotechnologies had an excellent first quarter with revenues of US\$76.0 million, an increase of 58% when compared to the same quarter a year earlier. Net earnings reached US\$6.9 million for the quarter, an increase of 112% compared to the same quarter last year.

This increase is mainly due to the acquisition of Douglas Laboratories in December 2005 and to organic growth in both of our divisions. The Company obtained excellent results and was able to continue its growth because of the better penetration of existing customers, the penetration of new markets and new product launches.

During the quarter, our main focus was on the integration of the recently acquired Douglas Laboratories and focusing on organic growth. The quarter ended March 31, 2006, was the first time that all the operating entities were included for a full quarter and therefore the results of the first quarter 2006 reflect the full financial picture of Atrium Biotechnologies. All of the operating units, as well as Douglas Laboratories acquired in December 2005, contributed positively to the first quarter 2006 results. The integration of Douglas Laboratories progressed as per the plan and it is anticipated that the synergies associated with the acquisition will continue to be materialized during the next quarters. Also, the growth from both divisions is expected to continue. The efforts to increase profitability are reflected in the increased gross margin and EBITDA margin.

Also, during the first quarter, we continued our efforts to realize our strategic acquisition plan which will reinforce our leadership position and will enable us to support the organic growth with the implementation of commercial and operational synergies. Our revolving credit facility has an authorized amount to US\$107 million with the flexibility to increase it up to US\$171 million. This additional capacity will allow Atrium to pursue its acquisition strategy. As of March 31, 2006, only US\$93 million was drawn under the existing facility.

As a result, Atrium currently has sufficient flexibility to implement an important part of its growth strategy, which is the reinforcement of its position in the North American and European markets.



Luc Dupont
President and Chief Executive Officer

The following analysis provides a review of Atrium Biotechnologies Inc.'s ("Atrium Biotechnologies") results of operations and cash flows for the quarter ended March 31, 2006 compared with the quarter ended March 31, 2005 and the financial condition as at March 31, 2006 compared to December 31, 2005. In this Management's Discussion and Analysis ("MD&A"), the "Company", "we", "us", and "our" mean Atrium Biotechnologies and its subsidiaries. This discussion should be read in conjunction with the unaudited interim consolidated financial statements for the quarter ended March 31, 2006 and with Atrium Biotechnologies's 2005 Annual Report. Additional information relating to Atrium Biotechnologies, including the latest Annual Information Form, is available on SEDAR at www.sedar.com.

The Company is reporting its financial results and financial position in US dollars since fiscal 2005. All amounts are in US dollars unless otherwise indicated.

Our consolidated financial statements are reported in thousands of US dollars and have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, or Canadian GAAP. We occasionally refer to non-GAAP financial measures in this MD&A. These non-GAAP financial measures do not have any meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures are presented in a consistent manner. These measures consist of earnings before interest and taxes ("EBIT" or "earnings from operations"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and gross margin. EBIT means net earnings less (i) dividend income and interest income; and add (ii) interest expense, income tax expense, foreign exchange loss, non-controlling interest and loss on dilution of investment. EBITDA means the addition of EBIT and depreciation and amortization. Gross margin means sales less cost of goods sold; cost of goods sold does not include depreciation of production equipment. They are disclosed to provide additional information and should not be considered as a substitute for measures of performance prepared in accordance with GAAP.

COMPANY OVERVIEW

Atrium Biotechnologies Inc. is a leading developer, manufacturer and marketer of science-based 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. Atrium Biotechnologies markets a broad portfolio of active ingredients, specialty chemicals and health and nutrition finished products through its highly specialized sales and marketing network in more than 40 countries, primarily in North America, Europe and Asia.

The Company is organized in two divisions which are: (i) Active Ingredients & Specialty Chemicals; and (ii) Health & Nutrition:

1. ACTIVE INGREDIENTS & SPECIALTY CHEMICALS

This division develops, manufactures and markets over 1,500 value-added active ingredients and specialty chemicals for the cosmetic, pharmaceutical, chemical and nutrition sectors. Our portfolio includes active ingredients, specialty lipids, chemical synthesis intermediates, functional chemicals, innovative additives, preservatives and excipients. Our proprietary active ingredients are commercialized through our own sales force in France and Canada and through a network of more than 35 specialized distributors in approximately 40 other countries.

2. HEALTH & NUTRITION FINISHED PRODUCTS

This division develops, manufactures and markets more than 1,300 proprietary health and nutrition finished products, vitamins, minerals and specialized products through a network of more than 40,000 healthcare professionals in the United States. In addition, some of our products are offered in more than 25 countries through a network of more than 45 distributors targeting niche markets.

FINANCIAL SUMMARY – FIRST QUARTER OF 2006:

- Revenues were \$76.0 million for the first quarter of 2006 in comparison with \$48.2 million in 2005, an increase of 57.9%;
- EBITDA increased by 71.1% to \$11.4 million in the first quarter of 2006 compared to \$6.6 million for the same quarter in 2005;
- Net earnings reached \$6.9 million for the first quarter of 2006 compared to \$3.3 million in 2005, an increase of 111.5%;
- Cash flow from operating activities before changes in non-cash operating working capital items were \$8.1 million for the first quarter of 2006 compared to \$5.1 million in 2005, an increase of 56.4 %.

SUBSEQUENT EVENT TO THE QUARTER

On May 1, 2006, the Company acquired, through its subsidiary MultiChem, the assets of Amisol Company Ltd. for a total consideration of approximately \$6 million. This amount will be paid in cash and will come from Atrium's cash on hand and credit facility. Amisol has been marketing personal care products in Canada since 1974.

INTERIM CONSOLIDATED RESULTS OF OPERATIONS SUMMARY

(in thousands of US dollars) Unaudited

	Quarters ended March 31,	
	2006	2005
	\$	\$
Revenues	76,009	48,151
Earnings from operations (EBIT)	10,537	6,368
Depreciation and amortization	817	268
EBITDA	11,354	6,636
Net earnings	6,892	3,258
Cash flow from operating activities before changes in non-cash operating working capital items	8,051	5,148

INTERIM CONSOLIDATED BALANCE SHEET DATA

(in thousands of US dollars) Unaudited

	As at	
	March 31,	December 31,
	2006	2005
	\$	\$
Total assets	298,235	298,247
Long-term liabilities	123,265	124,514

Revenues for the quarter ended March 31, 2006 reached \$76.0 million compared to \$48.2 million for the same period in 2005, an increase of 57.9%. The increase came primarily from the acquisition of Douglas Laboratories in December 2005 and the contribution from both divisions. We expect continued growth in revenues in 2006 due to the consolidation of the results of newly-acquired Douglas Laboratories and organic growth from both divisions.

Gross margin amounted to \$21.5 million for the quarter ended March 31, 2006, compared to \$13.3 million in the same period in 2005, an increase of 61.1%. This variation is primarily attributable to: (i) the gross margin from the newly-acquired Douglas Laboratories and MultiChem; and (ii) the synergies realized from the Douglas Laboratories acquisition. The gross margin increased from 27.7% in the first quarter of 2005 to 28.2% for the same period in 2006. Also, the gross margin improved from 24.3% in the fourth quarter of 2005 to 28.2% for the first quarter of 2006.

Selling, general and administrative expenses were \$10.0 million for the quarter ended March 31, 2006, an increase of \$3.4 million over the \$6.6 million incurred during the same period in 2005. The increase primarily comes from the selling, general and administrative expenses of the newly-acquired companies Douglas Laboratories and MultiChem. In addition, the increase of these expenses in 2006 also comes from additional expenses associated with public companies.

EBITDA for the quarter ended March 31, 2006 was \$11.4 million compared to \$6.6 million in 2005, an increase of 71.1%. Most of the increase in 2006 came from the acquisition of Douglas Laboratories in December 2005 and from the acquisition of MultiChem at the end of January 2005 for which we accounted for a full quarter in 2006. The EBITDA margin increased from 13.8% in the first quarter of 2005 to 14.9% for the same period in 2006. Also, the EBITDA margin increased significantly from 10.0% in the fourth quarter of 2005 to 14.9% for the first quarter of 2006 due to the contribution of Douglas Laboratories as well as from better margins from both divisions.

Depreciation and amortization expenses for the quarter ended March 31, 2006 were \$0.8 million, an increase of \$0.5 million compared to \$0.3 million in 2005. This increase is primarily due to the amortization of intangible assets resulting from the acquisitions of Douglas Laboratories and MultiChem.

Dividend income and Interest income for the quarter ended March 31, 2006 totalled \$2.5 million compared to \$0.1 million in 2005. This increase is almost entirely due to the dividend income totalling \$2.3 million from the tax loss monetization program set up with Aeterna Zentaris (refer to Related Party Transactions section of our 2005 Annual Report). We expect to have an increase in dividend income in the second and third quarter since this tax loss monetization was set up in September 2005. The dividend income should be accounted for as long as the program remains in place.

Interest expense for the quarter ended March 31, 2006 was \$4.2 million compared to \$1.1 million in 2005. The increase for the quarter ended March 31, 2006 is due directly from the increase in debt levels related to the acquisitions, particularly Douglas Laboratories in December 2005 as well as from the interest expense incurred with the implementation of the tax loss monetization program for which we accounted \$2.3 million of interest expense. The debt level in the first quarter 2005 was off set by the cash received from the IPO at the beginning of April 2005. We expect to have an increase in interest expense in 2006 due to the higher debt level since the acquisition of Douglas Laboratories in December 2005 and also due to the tax loss monetization program.

Foreign exchange gain amounted to \$0.2 million in the first quarter of 2006 and \$0.1 million in 2005.

Income tax expense amounted to \$2.1 million (or 23.1% of earnings before taxes) for the quarter ended March 31, 2006, compared to \$2.0 million (or 36.2% of earnings before taxes) during the same period last year. This decrease in tax rate is primarily attributable to the tax loss monetization program set up with Aeterna Zentaris (refer to Related Party Transactions section of our Annual Report) and from our new debt structure related to the acquisition of Douglas Laboratories. We expect to have a similar income tax rate in the next quarters if the tax loss monetization program and the new debt structure remain in place.

Non-controlling interest of \$0.2 million during the first quarter of 2005 was the last non-controlling interest accounted for since the non-controlling interest in our French subsidiary, Unipex Finance S.A.S., was acquired at the same time as the completion of our IPO at the beginning of April 2005. We now control 100% of all of our subsidiaries and will not have to account for non-controlling interest in the statement of earnings in the future.

Net earnings for the quarter ended March 31, 2006 were \$6.9 million or \$0.23 per share compared to \$3.3 million or \$0.14 per share in 2005, an increase of \$3.6 million or 111.5%. This increase in net earnings is primarily attributable to accretive acquisitions in our two divisions, Douglas Laboratories in December 2005 and MultiChem at the end of January 2005 as well as increased profitability in both of our divisions. On a diluted per share basis, net earnings for the quarter ended March 31, 2006 were \$0.21 per share compared to \$0.12 in 2005.

The significant increase in the net earnings in 2006 allowed the Company to increase net earnings per share and diluted net earnings per share even though the weighted average number of shares outstanding increased to 30.0 million (32.4 million for the diluted) for the quarter ended March 31, 2006 compared to 23.8 million

(26.4 million for the diluted) for the same period in 2005. The increase in shares outstanding is mainly due to the issuance of shares for the IPO completed on April 6, 2005, the acquisition of the minority interest in Unipex, the issuance of shares in relation to the Douglas Laboratories' acquisition and the exercise of options.

TOTAL CONSOLIDATED ASSETS AND LONG-TERM LIABILITIES

Total consolidated assets did not change and were \$298.2 million on December 31, 2005 and March 31, 2006. Long-term liabilities totalled \$123.3 million as of March 31, 2006 compared to \$124.5 million as of December 31, 2005. Additional information on segment assets is provided in the interim consolidated financial statements.

ACTIVE INGREDIENTS & SPECIALTY CHEMICALS DIVISION (“AI&SC”) RESULTS		
(in thousands of US dollars)	Unaudited	
	Quarters ended March 31,	
	2006	2005
	\$	\$
Revenues	48,130	40,744
Earnings from operations (EBIT)	3,867	3,734
Depreciation and amortization	222	170
EBITDA	4,089	3,904

Revenues from the Active Ingredients & Specialty Chemicals Division were \$48.1 million for the quarter ended March 31, 2006, representing an increase of 18.1% over revenues of \$40.7 million for the same period in 2005. This increase is attributable essentially to the acquisition of MultiChem on January 24, 2005 and to organic growth in the division.

EBITDA was \$4.1 million (or 8.5% of revenues) for the quarter ended March 31, 2006, representing an increase of \$0.2 million or 4.7% over 2005 EBITDA of \$3.9 million (or 9.6% of revenues). This increase is attributable essentially to an increased contribution from proprietary products, acquisition of MultiChem, organic growth and greater efficiencies. The EBITDA margin increased from 5.6% in the fourth quarter 2005 to 8.5% for the first quarter 2006.

HEALTH & NUTRITION DIVISION (“H&N”) RESULTS		
(in thousands of US dollars)	Unaudited	
	Quarters ended March 31,	
	2006	2005
	\$	\$
Revenues	27,879	7,407
Earnings from operations (EBIT)	6,670	2,634
Depreciation and amortization	595	98
EBITDA	7,265	2,732

Revenues from the Health & Nutrition Division were \$27.9 million for the quarter ended March 31, 2006, representing an increase of \$20.5 million or 276.4% over revenues of \$7.4 million for the same period last year. This increase came primarily from the acquisition of Douglas Laboratories in December 2005 and from organic growth.

EBITDA was \$7.3 million (or 26.1% of revenues) for the quarter ended March 31, 2006 representing an increase of \$4.6 million or 165.9% over the same period last year where the EBITDA was \$2.7 million (or 36.9% of revenues). Most of this increase came from the acquisition of Douglas Laboratories, synergies and organic growth.

LIQUIDITY, CASH FLOW AND CAPITAL RESOURCES

Our operations and our capital expenditures are mainly financed through cash flows from operating activities, the use of our liquidities, as well as the issuance of debt and common shares.

During the last quarter of 2005, the Company modified its revolving credit facility by increasing the authorized amount from \$64.2 million (CAN\$75 million) to \$107.0 million (CAN\$125 million) with the possibility to increase this amount up to \$171.2 million (CAN\$200 million) under certain conditions. This credit facility is a three-year term loan and is renewable annually. This facility is bearing interest at variable rates and is secured by a first hypothec on all assets of the Company and its North American subsidiaries. Moreover, all the shares held by the Company in its French subsidiaries have been pledged as collateral security.

As of March 31, 2006, our consolidated cash and cash equivalents and short-term investments position was \$15.9 million and our long-term debt amounted to \$104.6 million. This long-term debt includes \$93.0 million from our amended revolving credit facility, leaving approximately \$14.0 million available from the current authorized amount of \$107.0 million. The Company may increase the authorized amount up to a maximum of \$171.2 million under certain conditions. The other portion of our long-term debt represents a subordinated debt of \$11.5 million which is bearing interest at a rate of 7%. Concurrent with the acquisition of Douglas Laboratories in December 2005, \$50.0 million of borrowings were swapped to a three-year fixed rate.

The Company believes that these liquidities, combined with our revolving credit facility and the cash flow from operations, will be adequate to meet operating cash requirements in a foreseeable future. However, possible additional acquisitions of complementary businesses or products may require additional financing.

OPERATING ACTIVITIES

Cash flows generated by our operations were \$0.2 million for the quarter ended March 31, 2006 compared to \$3.9 million in 2005. This cash flows decrease is primarily due to the increase of accounts receivable and decrease of accounts payable related to specific transactions timing. Cash flow from operating activities before changes in non-cash operating working capital items were \$8.1 million for the first quarter of 2006 compared to \$5.1 million in 2005, an increase of 56.4 %. This cash flows increase comes from existing operations and from newly-acquired Douglas Laboratories. Cash flows generated by our operations in 2006 are expected to increase due to the Company's operations and the Douglas Laboratories acquisitions.

FINANCING ACTIVITIES

For the quarter ended March 31, 2006, cash flows used for financing activities were used for a debt reimbursement of \$1.3 million off set by cash received by the exercise of options. During the same quarter of 2005, the increase in cash flows from financing activities mainly came from the net increase of \$17.4 million in long-term debt which was used for the acquisition of MultiChem.

INVESTING ACTIVITIES

The increase of cash flows from investing activities were \$0.4 million for the quarter ended March 31, 2006. This cash flows mainly comes from the proceeds from the sales of short-term investments offset by some payments of acquisition-related costs of Douglas Laboratories. For the same period in 2005, cash flows used in investing activities amounted to \$16.3 million and were used mainly to acquire MultiChem

There has been no significant change in Contractual obligations and commercial commitments facing Atrium Biotechnologies as described in the Company's 2005 annual MD&A.

OUTSTANDING SHARE DATA

As of May 1, 2006, there were 16,105,447 subordinate voting shares issued and outstanding and 14,000,000 multiple voting shares issued and outstanding. These multiple voting shares are 100% owned by Aeterna Zentaris and will be converted into subordinate voting share on a one-for-one basis at the latest 5 years after April 6, 2005, date of the closing of our IPO. As of the same date, there were 3,086,500 stock options outstanding.

QUARTERLY SUMMARY FINANCIAL INFORMATION

(tabular amounts in thousands of US DOLLARS, except per share data)

Unaudited	Quarters ended,			
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
	\$	\$	\$	\$
Revenues	76,009	58,358	44,009	50,345
AI&SC	48,130	47,385	37,007	42,870
H&N	27,879	10,973	7,002	7,475
EBITDA	11,354	5,836	5,626	7,129
AI&SC	4,089	2,649	2,833	3,893
H&N	7,265	3,187	2,793	3,236
Net Earnings	6,892	3,999	3,083	3,968
EPS basic	0.23	0.14	0.11	0.14
EPS diluted	0.21	0.13	0.10	0.13
	Quarters ended,			
	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
	\$	\$	\$	\$
Revenues	48,151	35,473	31,398	34,591
AI&SC	40,744	27,979	24,439	27,597
H&N	7,407	7,494	6,959	6,994
EBITDA	6,636	5,197	5,195	5,706
AI&SC	3,904	2,258	2,502	3,112
H&N	2,732	2,939	2,693	2,594
Net Earnings	3,258	2,251	2,122	3,030
EPS basic	0.14	0.10	0.09	0.13
EPS diluted	0.12	0.09	0.09	0.13

(1) Per share data is calculated independently for each of the quarters presented. Therefore, the sum of this quarterly information may not equal the corresponding annual information.

OFF-BALANCE SHEET ARRANGEMENTS

There were no other off-balance sheet arrangements than the one presented and described in note 18 of the 2005 annual consolidated financial statements and related to the tax loss monetization program. As of March 31, 2006, we did not have interests in any variable interest entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Atrium Biotechnologies' accounting policies and estimates since December 31, 2005. Please refer to the corresponding section in our 2005 Annual Report for a complete description of our critical accounting policies and estimates.

New accounting standard

In January 2005, the CICA issued four new accounting standards in relation with financial instruments: section 3855 "Financial Instruments – Recognition and Measurement", section 3865 "Hedges", section 1530 "Comprehensive Income" and section 3251 "Equity".

Sections 3855, 3865 and 1530 apply to fiscal years beginning on or after October 1, 2006 and we will adopt them on January 1, 2007. The Company is currently assessing the effects of these new standards on its consolidated financial statements.

FINANCIAL AND OTHER INSTRUMENTS

Foreign Currency Risk

Since the Company operates on an international scale, it is exposed to currency risks as a result of potential exchange rate fluctuations. For the quarter ended March 31, 2006, there were no significant operations using forward exchange contracts and no significant forward exchange contract is outstanding as of today.

Credit Risk

Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible.

Interest Rate Risk

We are exposed to market risk from changes in interest rates relating to our revolving credit facility.

To mitigate this risk, in December 2005, \$50.0 million of borrowings were swapped to a three-year fixed rate. As at March 31, 2006, we have only \$43.0 million of long-term debt which bears interest at floating rates.

RISK FACTORS AND UNCERTAINTIES

There has been no significant change in the risk factors and uncertainties facing Atrium Biotechnologies as described in the Company's 2005 annual MD&A.

CONTINUOUS DISCLOSURE

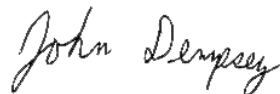
The Company is a reporting issuer under the securities legislation of all of the provinces of Canada and it is, therefore, required to file continuous disclosure documents such as interim and annual financial statements, a proxy circular, an annual information form, material change reports and press releases with such securities regulatory authorities. Copies of these documents may be obtained free of charge on request from the office of the Secretary of the Company or through the Internet at the following addresses: www.atrium-bio.com and www.sedar.com.

Forward-Looking Statements

This report contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to risks and uncertainties that affect us. The information contained herein is dated as of May 1, 2006, date of the Board's approval for the MD&A and the Consolidated Financial Statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

On behalf of management,

Vice President, Finance and Chief Financial Officer



John Dempsey

May 1, 2006

Atrium Biotechnologies Inc.

Interim Consolidated Financial Statements

(expressed in thousands of US dollars)

Quarters ended March 31, 2006 and 2005

Atrium Biotechnologies Inc.

Interim Consolidated Balance Sheets

(expressed in thousands of US dollars)

	As at March 31, 2006	As at December 31, 2005
	\$ <i>Unaudited</i>	\$ <i>Audited</i>
Assets		
Current assets		
Cash and cash equivalents	14 465	14 886
Short-term investments	1 451	2 958
Accounts receivable	60 329	55 831
Income taxes recoverable	2 413	1 952
Inventory	28 537	31 758
Prepaid expenses	1 788	1 313
Future income tax assets	577	555
	109 560	109 253
Long-term investment, at cost	1 134	1 139
Property, plant and equipment	5 622	5 809
Deferred charges	1 538	1 695
Intangible assets	67 576	68 027
Goodwill (note 3)	109 552	109 035
Future income tax assets	3 253	3 289
	298 235	298 247
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	40 722	48 142
Income taxes	1 496	936
Deferred revenues	518	174
Current portion of long-term debt	46	70
	42 782	49 322
Long-term debt	104 542	105 878
Employee future benefits	210	205
Future income tax liabilities	18 513	18 431
	166 047	173 836
Shareholders' Equity		
Share capital (note 4)	79 130	78 985
Contributed surplus	1 562	1 497
Retained earnings	45 489	38 596
Cumulative translation adjustment	6 007	5 333
	132 188	124 411
	298 235	298 247

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors,

Luc Dupont, Director

Gérard Limoges, Director

Atrium Biotechnologies Inc.

Interim Consolidated Statements of Retained Earnings

(expressed in thousands of US dollars)

<i>Unaudited</i>	Quarters ended March 31,	
	2006	2005
	\$	\$
Balance - Beginning of period	38 597	24 288
Net earnings for the period	6 892	3 258
Balance - End of period	45 489	27 546

Interim Consolidated Statements of Contributed Surplus

(expressed in thousands of US dollars)

<i>Unaudited</i>	Quarters ended March 31,	
	2006	2005
	\$	\$
Balance - Beginning of period	1 497	905
Stock-based compensation costs	65	158
Balance - End of period	1 562	1 063

The accompanying notes are an integral part of these interim consolidated financial statements.

Atrium Biotechnologies Inc.

Interim Consolidated Statements of Earnings

(expressed in thousands of US dollars, except share and per share data)

<i>Unaudited</i>	Quarters ended March 31,	
	2006	2005
	\$	\$
Revenues	76 009	48 151
Operating expenses		
Cost of sales	54 556	34 836
Selling and administrative	9 993	6 561
Research and development costs	132	147
Research and development tax credits, grants and other revenues	(26)	(29)
Depreciation and amortization		
Property, plant and equipment	379	129
Intangible assets	438	139
	65 472	41 783
Earnings from operations	10 537	6 368
Other revenues (expenses)		
Financial revenues (note 5)	2 450	79
Financial expenses (note 5)	(4 196)	(1 076)
Foreign exchange gain	171	116
	(1 575)	(881)
Earnings before the following items	8 962	5 487
Income tax expense		
Current	1 986	1 436
Future	84	553
	2 070	1 989
	6 892	3 498
Non-controlling interest	-	240
Net earnings for the period	6 892	3 258
Net earnings per share		
Basic	0,23	0,14
Diluted	0,21	0,12
Weighted average number of shares outstanding (000's)		
Basic	30 040	23 785
Diluted	32 403	26 356

The accompanying notes are an integral part of these interim consolidated financial statements.

Atrium Biotechnologies Inc.

Interim Consolidated Statements of Cash Flows

(expressed in thousands of US dollars)

<i>Unaudited</i>	Quarters ended March 31,	
	2006	2005
	\$	\$
Cash flows from operating activities		
Net earnings for the period	6 892	3 258
Items not affecting cash and cash equivalents		
Depreciation and amortization	817	268
Deferred charges	140	309
Deferred revenues	344	369
Stock-based compensation costs	65	158
Foreign exchange gain on long-term items denominated in foreign currency	(291)	(7)
Future income taxes	84	553
Non-controlling interest	-	240
Change in non-cash operating working capital items		
Accounts receivable	(3 878)	(3 017)
Inventory	3 352	(547)
Prepaid expenses	(474)	(318)
Accounts payable and accrued liabilities	(6 971)	2 845
Income taxes	142	(233)
	222	3 878
Cash flows from financing activities		
Increase in long-term debt	16	51 265
Payments on long-term debt	(1 327)	(33 911)
Payments on balances of purchase price	-	(936)
Issuance of shares, net of share issue expenses and related income taxes	145	-
Initial public offering expenses	-	(566)
	(1 166)	15 852
Cash flows from investing activities		
Proceeds from the sale of short-term investments	1 736	2 072
Business acquisitions, net of cash and cash equivalents acquired	(1 125)	(18 265)
Purchase of property, plant and equipment	(176)	(52)
Acquisition of amortizable intangible assets	(13)	(48)
	422	(16 293)
Increase (decrease) in cash and cash equivalent	(522)	3 437
Effect of exchange rate changes on cash and cash equivalents	101	(529)
Cash and cash equivalents - Beginning of period	14 886	10 170
Cash and cash equivalents - End of period	14 465	13 078
Additional information		
Interest paid	6 206	824
Income taxes paid	1 810	1 639

The accompanying notes are an integral part of these interim consolidated financial statements.

Atrium Biotechnologies Inc.

Notes to Interim Consolidated Financial Statements

Quarters ended March 31, 2006 and 2005

(expressed in thousands of US dollars, except share data)

Unaudited

1 Basis of presentation

These interim financial statements as at March 31, 2006 and for the quarters ended March 31, 2006 and 2005, are unaudited. They have been prepared by the Company in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial information. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows for these periods have been included.

The accounting policies and methods of computation adopted in these financial statements are the same as those used in the preparation of the Company's most recent annual consolidated financial statements. All disclosures required for annual financial statements have not been included in these financial statements. These consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim results of operations are not necessarily indicative of the results for the full year.

2 New accounting standards

In January 2005, the CICA issued four new accounting standards in relation with financial instruments: section 3855 "Financial Instruments - Recognition and Measurement", section 3865 "Hedges", section 1530 "Comprehensive Income" and section 3251 "Equity". Sections 3855, 3865 and 1530 apply to fiscal years beginning on or after October 1, 2006 and we will adopt them on January 1, 2007. The Company is currently assessing the effects of these new standards on its consolidated financial statements.

3 Goodwill

The change in the carrying value is as follows :

	Active Ingredients & Specialty Chemicals	Health & Nutrition	Total
	\$	\$	\$
Balance as at December 31, 2004	40 393	21 285	61 678
Acquisitions	10 074	42 155	52 229
Adjustments (a)	(49)	48	(1)
Impact of foreign exchange rate	(4 915)	44	(4 871)
Balance as at December 31, 2005	45 503	63 532	109 035
Adjustments (a)	1 132	(1 017)	115
Impact of foreign exchange rate	407	(5)	402
Balance as at March 31, 2006	47 042	62 510	109 552

(a) Adjustments consist of contingent payments, additional acquisition-related costs and reversal of accounts payable and accrued liabilities related to acquisitions. A contingent payment for the acquisition of Multichem was accounted for \$1,132 during the first quarter of 2006. This amount was paid after the end of quarter.

Atrium Biotechnologies Inc.

Notes to Interim Consolidated Financial Statements

Quarters ended March 31, 2006 and 2005

(expressed in thousands of US dollars, except share data)

Unaudited

4 Share capital

Authorized

Unlimited number of shares of the following classes :

Multiple voting shares, voting and participating, bearing two votes per share, convertible at the option of the holder into subordinate voting shares on a one-for-one basis

Subordinate voting shares, voting and participating, one vote per share

Issued

	For the quarter ended March 31, 2006	
	Number	Amount \$
Multiple voting shares		
Balance - Beginning and end of period	14 000 000	7 656
Subordinate voting shares		
Balance - Beginning of period	15 997 447	71 329
Issued pursuant to the stock option plan	62 000	145
Balance - End of period	16 059 447	71 474
Total share capital	30 059 447	79 130

5 Related party transactions (see note 18 of 2005 annual financial statements)

	Quarters ended March 31,	
	2006 \$	2005 \$
Purchased of raw materials and subcontracting	46	99
Administration fees	37	35
Dividend income	2 258	-
Interest expenses	2 242	26
Expenses reimbursed related to a technology acquired	271	80
Subcontracting revenues	14	26

Atrium Biotechnologies Inc.

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Quarters ended March 31, 2006 and 2005

(expressed in thousands of US dollars, except share data)

Unaudited

6 Segment information

The following tables present information by segment :

	Quarters ended March 31,					
	2006			2005		
	Active Ingredients & Specialty Chemicals \$	Health & Nutrition \$	Total \$	Active Ingredients & Specialty Chemicals \$	Health & Nutrition \$	Total \$
Revenues	48 130	27 879	76 009	40 744	7 407	48 151
Earnings from operations	3 867	6 670	10 537	3 734	2 634	6 368
Depreciation and amortization	222	595	817	170	98	268
Capital expenditures	40	149	189	86	14	100
	As at March 31, 2006			As at December 31, 2005		
Segment assets	122 398	164 021	286 419	120 789	164 097	284 886

Unallocated assets amount to \$11,816 as at March 31, 2006 and \$13,361 as at December 31, 2005 and consist mainly of cash and cash equivalents, investment, at cost and future income tax assets.

7 Subsequent event

On May 1, 2006, the Company acquired, through its subsidiary MultiChem, the assets of Amisol Company Ltd. for a total consideration of approximately \$6 million. This amount will be paid in cash and will come from Atrium's cash on hand and credit facility. Amisol has been marketing personal care products in Canada since 1974.