

Management's Discussion and Analysis of Financial Condition and Results of Operations ► Q1-2007

Message to Shareholders

Atrium Biotechnologies had an excellent 2007 first quarter with revenues of US\$94.7 million, an increase of 24.6% when compared to the same quarter a year earlier. EBITDA increased to US\$15.0 million, up 31.8% from last year. Net earnings reached US\$8.6 million for the quarter, an increase of 25.0% compared to the same quarter last year. We continue to generate significant operating cash flows with US\$9.7 million generated during the first quarter of 2007.

These increases are mainly due to organic growth in both divisions and to the acquisition of AquaCap in January 2007. This company, which is the leader in the development and manufacturing of liquid filled capsules within the nutritional supplement industry in the United States, will allow us, with this cutting edge technology, to offer even more innovative products to our clients.

On the corporate front, Æterna Zentaris, our former parent company, which sold a portion of its Atrium Biotechnologies shares in October 2006, completed its distribution of our shares to its shareholders in early January 2007. This expanded Atrium Biotechnologies' shareholder base from 1,500 to nearly 20,000 shareholders. In addition to increasing the liquidity of our shares, this decision gave the Company full control as there no longer is a majority shareholder and, going forward, only one class of shares outstanding.

To conclude, more than ever before, Atrium Biotechnologies has everything it needs to pursue its development plan: a healthy financial situation to sustain organic growth and growth by acquisitions, efficient structure, innovative products with high added value and market niches with aggressive growth.



Luc Dupont
President and Chief Executive Office

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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, 2007 compared with the quarter ended March 31, 2006 and the financial conditions as at March 31, 2007 compared to December 31, 2006. In this Management's Discussion and Analysis ("MD&A"), "Atrium Biotechnologies", the "Company", "we", "us", and "our" mean Atrium Biotechnologies Inc. and its subsidiaries. This discussion should be read in conjunction with the information contained in our annual consolidated financial statements and related notes for the years ended on December 31, 2006, 2005 and 2004.

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, interest income and foreign exchange gain; and add (ii) financial expenses and income tax expense. 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 is a recognized leading developer, manufacturer and marketer of science-based products for the cosmetics, pharmaceutical, chemical and nutrition industries. The Company focuses 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 50 countries, primarily in North America, Europe and Asia. Atrium Biotechnologies has over 560 employees and operates four manufacturing facilities.

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

1. HEALTH & NUTRITION

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 like medical doctors, chiropractors and nutritionists. In addition, some of our products are offered in more than 25 countries through a network of more than 45 distributors targeting niche markets.

2. ACTIVE INGREDIENTS & SPECIALTY CHEMICALS

This division develops, manufactures and markets over 2,000 value-added active ingredients and specialty chemicals for the cosmetic, pharmaceutical, industrial 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 42 specialized distributors in 48 other countries.

FINANCIAL SUMMARY FOR THE FIRST QUARTER OF 2007:

- Revenues were \$94.7 million for the quarter ended March 31, 2007 in comparison with \$76.0 million for the same period in 2006, an increase of 24.6%;
- EBITDA increased by 31.8% to \$15.0 million in the first quarter of 2007 compared to \$11.4 million for the same period in 2006;
- Net earnings reached \$8.6 million for the quarter ended March 31, 2007 compared to \$6.9 million for the same period in 2006, an increase of 25.0%;
- Cash flow from operating activities before changes in non-cash operating working capital items were \$9.7 million for the first quarter of 2007 compared to \$8.1 million for the same period in 2006, an increase of 20.8%.

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IMPORTANT EVENT DURING THE FIRST QUARTER OF 2007:

Acquisition of AquaCap Pharmaceutical, Inc.

On January 19, 2007, the Company, through one of its U.S. subsidiaries, completed the acquisition of all the shares of AquaCap Pharmaceutical, Inc. ("AquaCap") for a total consideration of \$19.3 million. The payment was settled through the Company's revolving credit facility. This company is the leading developer and manufacturer of liquid filled capsules within the nutritional supplement industry in the United States. This acquisition is in the Health & Nutrition Division.

Consolidated Statement of Earnings Summary

(in thousands of US dollars)	Quarters ended March 31	
	2007	2006
	\$	\$
Revenues	94,686	76,009
Earnings from operations (EBIT)	13,930	10,537
Depreciation and amortization	1,029	817
EBITDA	14,959	11,354
Net earnings	8,618	6,892
Net earnings per share (EPS)		
Basic	0.28	0.23
Diluted	0.26	0.21
Cash flow from operating activities before changes in non-cash operating working capital items	9,728	8,051

Consolidated Balance Sheet Data

(in thousands of US dollars)	As of March 31,	As of December 31,
	2007	2006
	\$	\$
Total assets	346,189	322,272
Long-term liabilities	125,687	111,657

Revenues for the quarter ended March 31, 2007, were \$94.7 million compared to \$76.0 million for the same period in 2006, an increase of \$18.7 million or 24.6%. The increase came from the acquisitions of AquaCap in January 2007, Amisol in May 2006 and DL Canada in September 2006 and from the organic growth in our two divisions. We expect continued growth in revenues during the next quarters of 2007 due to the consolidation of the results of newly-acquired AquaCap in January 2007 and from organic growth in both divisions.

Gross margin amounted to \$28.4 million for the quarter ended March 31, 2007, compared to \$21.5 million in the same period of 2006, an increase of \$6.9 million or 32.5%. This variation is primarily attributable to: (i) the gross

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margin from the acquisition of AquaCap in January 2007 and from the acquisitions of Amisol and DL Canada during 2006; (ii) organic growth in both divisions; and (iii) the synergies realized from the acquisitions of AquaCap, Douglas Laboratories and Amisol. The gross margin rate for the first quarter increased from 28.2% in 2006 to 30.0% in 2007. This improvement came primarily from synergies, from the integration of AquaCap's gross margin and from the higher margin products from the newly-acquired Amisol and DL Canada during 2006.

Selling and administrative expenses were \$13.3 million for the quarter ended March 31, 2007, an increase of \$3.3 million over the \$10.0 million incurred during the same period in 2006. The increase primarily comes from the increase in operations and revenues and from the acquisitions of AquaCap, Amisol and DL Canada.

EBITDA for the quarter ended March 31, 2007 was \$15.0 million compared to \$11.4 million during the same period in 2006, an increase of \$3.6 million or 31.8%. Most of the EBITDA increase in 2007 came from organic growth, from the acquisition of AquaCap in January 2007 and from the acquisitions of Amisol and DL Canada during 2006. The EBITDA margin increased from 14.9% for the three-month period ended March 31, 2006 to 15.8% for the same period in 2007. The EBITDA margin increase came essentially from the acquisitions of AquaCap, Amisol and DL Canada which have higher margin products and from synergies generated from the integration of these acquisitions.

Depreciation and amortization expenses for the quarter ended March 31, 2007 were \$1.0 million, an increase of \$0.2 million compared to \$0.8 million for the same period in 2006. This increase is primarily due to the amortization of the property, plant and equipment resulting from the new purchase of 2006 and 2007.

Dividend income and Interest income for the quarter ended March 31, 2007 totaled \$0.3 million compared to \$2.5 million for the same period in 2006. This decrease is almost entirely due to the dividend income decrease totaling \$2.3 million from the termination of the tax loss monetization program with Æterna Zentaris, our former parent company (refer to Related Party Transactions section of our 2006 Annual Report). This program is no longer in effect after the closing of the secondary offering of October 18, 2006. We therefore expect to have a decrease in dividend income for the year of 2007 of \$7.4 million equivalent to the decrease we expect to have in financial expenses related to the termination of the same program.

Financial expenses for the quarter ended March 31, 2007 were \$2.1 million compared to \$4.2 million for the same period in 2006. The decrease is due directly from the termination, in October 2006, of the tax loss monetization program (refer to Related Party Transactions section of our 2006 Annual Report) for which we accounted \$2.3 million of interest expense in the first quarter of 2006. The decrease was offset by the debt levels increase related to the latest acquisitions, particularly AquaCap in January 2007. We expect to have a decrease during the year of 2007 of \$7.4 million in financial expenses due to the termination of the tax loss monetization program in 2006. This decrease will be offset by the increase of interest on long-term debt related to the debt level increase of \$21.5 million in January 2007 for the acquisition of AquaCap.

Income tax expense amounted to \$3.6 million (or 29.2% of earnings before taxes) for the quarter ended March 31, 2007 compared to \$2.1 million (or 23.1% of earnings before taxes) during the same period of 2006. This increase in tax rate is primarily attributable to the termination, in October 2006, of the tax loss monetization program with Æterna Zentaris, our former parent company (refer to Related Party Transactions section of our 2006 Annual Report).

Net earnings for the quarter ended March 31, 2007 were \$8.6 million or \$0.28 per share (\$0.26 per share on diluted basis) compared to \$6.9 million or \$0.23 per share (\$0.21 per share on a diluted basis) for the same period in 2006, an increase of \$1.7 million or 25.0%. This increase in net earnings is primarily attributable to the accretive acquisitions of AquaCap in January 2007, Amisol in May 2006 and DL Canada in September 2006 and to organic growth but offset by a higher tax rate.

TOTAL CONSOLIDATED ASSETS AND LONG-TERM LIABILITIES

Total consolidated assets, which were \$322.3 million on December 31, 2006, amount to \$346.2 million as of March 31, 2007. This increase reflects the acquisition of AquaCap in 2007 and the general increase in other operations. Long-term liabilities total \$125.7 million as of March 31, 2007 compared to \$111.7 million as of December 31, 2006. This increase is mainly due to the acquisition of AquaCap in January 2007, which generate an increase of \$21.4 million offset by the reimbursement of a portion of the long term debt during the quarter of \$10.2 million.

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Health & Nutrition Division Results (H&N)

(in thousands of US dollars)	Quarters ended March 31,	
	2007	2006
	\$	\$
Revenues	35,896	27,879
Earnings from operations	9,286	6,670
Depreciation and amortization	774	595
EBITDA	10,060	7,265

Revenues from the Health & Nutrition Division were \$35.9 million for the quarter ended March 31, 2007, representing an increase of \$8.0 million or 28.8% over revenues of \$27.9 million for the same period in 2006. This increase came primarily from organic growth in all of our subsidiaries as well as from the acquisitions of AquaCap in January 2007 and DL Canada in September 2006.

EBITDA was \$10.1 million (or 28.0% of revenues) for the quarter ended March 31, 2007 representing an increase of \$2.8 million or 38.5% over the same period in 2006 where the EBITDA was \$7.3 million (or 26.1% of revenues). Most of this increase came from organic growth, the acquisitions of AquaCap in January 2007 and from synergies realized from this acquisition and from the acquisition of Douglas Laboratories in December 2005. The EBITDA margin increase reflects the new EBITDA mix after the acquisition of AquaCap and the additional synergies realized during the first quarter of 2007 compared to the same period of 2006 following the acquisition of Douglas Laboratories in December 2005.

Active Ingredients & Specialty Chemicals Division Results (AI&SC)

(in thousands of US dollars)	Quarters ended March 31,	
	2007	2006
	\$	\$
Revenues	58,790	48,130
Earnings from operations	4,644	3,867
Depreciation and amortization	255	222
EBITDA	4,899	4,089

Revenues from the Active Ingredients & Specialty Chemicals Division were \$58.8 million for the quarter ended March 31, 2007, representing an increase of \$10.7 million or 22.1% over revenues of \$48.1 million for the same period in 2006. This increase is attributable essentially to the organic growth in all of our subsidiaries, to the western Canadian market development, to the acquisition of Amisol during the second quarter of 2006 and to the positive impact of the Euro against the US dollar for our European operations.

EBITDA was \$4.9 million (or 8.3% of revenues) for the quarter ended March 31, 2007, representing an increase of \$0.8 million or 19.8% over EBITDA of \$4.1 million (or 8.5% of revenues) for the same period in 2006. This EBITDA increase is attributable essentially to organic growth, to the acquisition of Amisol and to the positive impact of the Euro against the US dollar for our European operations.

LIQUIDITY, CASH FLOW AND CAPITAL RESOURCES

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

The authorized limit of our credit facility is \$108.3 million (CAN\$125 million) and we have the possibility to increase this amount up to \$173.2 million (CAN\$200 million) under certain conditions. This credit facility is a three-year term loan and is renewable annually. The facility is bearing interest at variable rates and is secured by a first hypothec on

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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, 2007, our consolidated cash and cash equivalents position was \$24.4 million and our long-term debt amounted to \$105.4 million. This long-term debt includes \$94.5 million from our revolving credit facility, leaving approximately \$13.8 million available from the current authorized amount of \$108.3 million. The other portion of our long-term debt represents a subordinated debt of \$11.6 million bearing interest at a rate of 7% and payable in June 2008 and 2009. 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 the revolving credit facility and the cash flow from operations, will be adequate to meet operating cash requirements in the foreseeable future. However, possible additional acquisitions of complementary businesses or products may require additional financing.

OPERATING ACTIVITIES

Cash flows generated by our operations were \$9.8 million for the quarter ended March 31, 2007 compared to \$0.2 million for the same period in 2006. These cash flow increases are primarily due to the increase of cash flows generated from existing operations and from newly-acquired companies. Cash flows generated by our operations during the first quarter of 2006 were negatively impacted by \$7.8 million from the change in non-cash operating working capital items while this change in 2007 was almost nil.

FINANCING ACTIVITIES

For the quarter ended March 31, 2007, cash flows generated from financing activities were \$11.4 million compared to cash flows used of \$1.2 million during the same period in 2006. During 2006, the use of cash for financing activities reflects the repayment of long-term debt for \$1.3 million. In 2007, the cash flows from financing activities came from the increase of \$21.4 million in long-term debt for the acquisition of AquaCap in January 2007 offset by a repayment of long term debt during the first quarter of 2007 of \$10.2 million.

INVESTING ACTIVITIES

Cash flows used in investing activities (excluding changes in short-term investments) were \$19.5 million for the quarter ended March 31, 2007. These cash flows were almost completely used for the acquisition of AquaCap. For the first quarter of 2006, cash flows used in investing activities (excluding changes in short-term investments) amounted to \$1.3 million and were used mainly to finalize the acquisition fees payment related to the Douglas Laboratories acquisition during December 2005.

OUTSTANDING SHARE DATA

As of May 8, 2007, there were 30,697,447 subordinate voting shares issued and outstanding and no more multiple voting shares. The multiple voting shares that were 100% owned by Æterna Zentaris, our former parent company, were converted into subordinate voting shares on a one-for-one basis at the closing of the secondary offering of October 18, 2006. As of May 8, 2007, there were 2,476,500 stock options outstanding.

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Quarterly Summary Financial Information (unaudited)

(Tabular amounts in thousands of US dollars, except per share data)

	Quarters ended			
	March 31, 2007 \$	December 31, 2006 \$	September 30, 2006 \$	June 30, 2006 \$
Revenues	94,686	82,532	73,282	74,283
H&N	35,896	28,861	28,290	29,684
AI&SC	58,790	53,671	44,992	44,599
EBITDA	14,959	10,727	10,993	11,673
H&N	10,060	6,913	7,287	7,685
AI&SC	4,899	3,814	3,706	3,988
Net Earnings	8,618	7,035	6,409	6,319
EPS basic (1)	0.28	0.23	0.21	0.21
EPS diluted (1)	0.26	0.22	0.20	0.19

	Quarters ended			
	March 31, 2006 \$	December 31, 2005 \$	September 31, 2005 \$	June 30, 2005 \$
Revenues	76,009	58,358	44,009	50,345
H&N	27,879	10,973	7,002	7,475
AI&SC	48,130	47,385	37,007	42,870
EBITDA	11,354	5,836	5,626	7,129
H&N	7,265	3,187	2,793	3,236
AI&SC	4,089	2,649	2,833	3,893
Net Earnings	6,892	3,999	3,083	3,968
EPS basic (1)	0.23	0.14	0.11	0.14
EPS diluted (1)	0.21	0.13	0.10	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.

The significant items explaining the important variation of the above quarterly results were primarily related to the important acquisitions made during the last 8 quarters. In the H&N Division, the acquisitions of AquaCap in January 2007, DL Canada in September 2006 and Douglas Laboratories in December 2005 are the significant items of the variations. For the AI&SC Division, the Amisol acquisition in May 2006 and the western Canadian market development starting in the fourth quarter of 2006 are the important elements of the variations.

RELATED PARTY TRANSACTIONS

.Aeterna Zentaris, formerly our parent company, completed the distribution of all its Atrium Biotechnologies shares to its shareholders on January 2, 2007. Since January 3, 2007, .Aeterna Zentaris is no longer a shareholder of Atrium Biotechnologies and no more related party transactions should occur in the future. The last related party transaction

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we had with Æterna Zentaris, were presented in our 2006 Annual Report (refer to note 18 of our annual consolidated financial statements).

As of March 31, 2007, we were not the primary beneficiary of any variable interest entities.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2007, there was no other off-balance sheet arrangement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no significant change in Atrium Biotechnologies' accounting policies and estimates since December 31, 2006, except for the new accounting standards as disclosed below. Please refer to the corresponding section in our 2006 Annual Report for a complete description of our critical accounting policies and estimates.

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 were adopted by the Company on January 1, 2007. The Company has applied these changes prospectively, except for the foreign currency translation of self-sustaining foreign operations that has been applied retroactively.

The adjustment related to the implementation of these new accounting standards, disclosed in the Statement of Accumulated other comprehensive income, represents the fair value, as of January 1, 2007, of the interest rate swap designated as a cash flow hedge. As from January 1, 2007, the fair value variation of the interest rate swap designated as a cash flow hedge is recorded in the Other comprehensive income. Moreover, the deferred financing fees are presented against the long-term debt.

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, 2007, there were no significant risks related to operations using forward exchange contracts. Also, there were no significant risks related to forward exchange contracts outstanding as at March 31, 2007.

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 new revolving credit facility. To mitigate this risk, \$50.0 million of these borrowings were swapped to a three-year fixed rate maturing in December 2008. As at March 31, 2007, we have only \$44.5 million of long-term debt which bears interest at floating rates.

RISK FACTORS

There has been no significant change in the risk factors and uncertainties facing Atrium Biotechnologies as described in the Company's 2006 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.

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INTERNAL CONTROL OVER FINANCIAL REPORTING

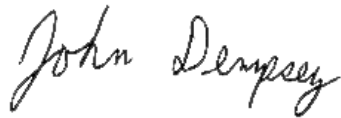
Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the year ended March 31, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

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 8, 2007, 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 8, 2007

Atrium Biotechnologies Inc.

Interim Consolidated Financial Statements

(expressed in thousands of **US DOLLARS**)

For the periods ended March 31, 2007 and 2006

Atrium Biotechnologies Inc.

Interim Consolidated Balance Sheets

(expressed in thousands of US DOLLARS)

<i>Unaudited</i>	As at March 31, 2007	As at December 31, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	24 384	22 316
Accounts receivable	65 235	59 719
Income tax recoverable	2 668	3 090
Inventory	29 309	33 226
Prepaid expenses	1 921	1 687
Future income tax assets	455	477
	123 972	120 515
Long-term investment, at cost	1 581	1 566
Property, plant and equipment	8 504	6 202
Intangible assets	75 331	73 700
Goodwill (note 4)	132 476	116 165
Future income tax assets	4 325	4 124
	346 189	322 272
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	49 235	51 254
Income taxes	1 851	173
Deferred revenues	121	160
Current portion of long-term debt	265	-
	51 472	51 587
Long-term debt	105 086	91 158
Employee future benefits	256	253
Future income tax liabilities	20 345	20 246
	177 159	163 244
Shareholders' Equity		
Share capital (note 5)	80 917	80 640
Contributed surplus	1 726	1 749
Retained earnings	73 869	65 251
Accumulated other comprehensive income	12 518	11 388
	169 030	159 028
	346 189	322 272

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,	
	2007	2006
	\$	\$
Balance - Beginning of period	65,251	38,596
Net earnings for the period	8,618	6,892
Balance - End of period	73,869	45,488

Interim Consolidated Statements of Contributed Surplus

(expressed in thousands of US DOLLARS)

<i>Unaudited</i>	Quarters ended March 31,	
	2007	2006
	\$	\$
Balance - Beginning of period	1,749	1,497
Stock-based compensation costs	31	65
Exercise of stock options	(54)	-
Balance - End of period	1,726	1,562

Interim Consolidated Statements of Other Comprehensive Income

(expressed in thousands of US DOLLARS)

<i>Unaudited</i>	Quarters ended March 31,	
	2007	2006
	\$	\$
Net earnings for the period	8,618	6,892
Other comprehensive income, net of tax:		
Translation adjustment	1,032	674
Fair value variation of a derivative designated as cash flow hedge	(118)	-
Other comprehensive income	914	674
Comprehensive income for the period	9,532	7,566

Interim Consolidated Statements of Accumulated Other Comprehensive Income

(expressed in thousands of US DOLLARS)

<i>Unaudited</i>	Quarters ended March 31,	
	2007	2006
	\$	\$
Balance - Beginning of period	11,388	5,333
Adjustment related to the implementation of a new accounting standard (note 2)	216	-
Other comprehensive income	914	674
Balance - End of period	12,518	6,007

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,	
	2007	2006
	\$	\$
Revenues	94,686	76,009
Operating expenses		
Cost of sales	66,269	54,556
Selling and administrative expenses	13,319	9,993
Research and development costs	146	132
Research and development tax credits, grants and other revenues	(7)	(26)
Depreciation and amortization		
Property, plant and equipment	558	379
Intangible assets	471	438
	80,756	65,472
Earnings from operations	13,930	10,537
Other revenues (expenses)		
Dividend income	-	2,258
Interest income	263	192
Financial expenses		
Interest on long term-debt	(1,965)	(3,941)
Other	(137)	(255)
Foreign exchange gain	79	171
	(1,760)	(1,575)
Earnings before income tax	12,170	8,962
Income tax expense		
Current income tax expense	3,596	1,986
Future income tax expense (benefit)	(44)	84
	3,552	2,070
Net earnings for the period	8,618	6,892
Net earnings per share		
Basic	0.28	0.23
Diluted	0.26	0.21
Weighted average number of shares outstanding (000's)		
Basic	30,669	30,040
Diluted	32,594	32,403

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,	
	2007	2006
	\$	\$
Cash flows from operating activities		
Net earnings for the period	8,618	6,892
Items not affecting cash and cash equivalents		
Depreciation and amortization	1,029	817
Deferred charges	111	140
Deferred revenues	(40)	344
Gain on derivative financial instruments	(1)	-
Stock-based compensation costs	31	65
Future income taxes	(44)	84
Foreign exchange loss (gain) on long-term items denominated in foreign currency	24	(291)
Change in non-cash operating working capital items		
Accounts receivable	(2,896)	(3,878)
Inventory	4,900	3,352
Prepaid expenses	(223)	(474)
Accounts payable and accrued liabilities	(3,475)	(6,971)
Income taxes	1,730	142
	9,764	222
Cash flows from financing activities		
Increase in long-term debt	21,385	16
Payments on long-term debt	(10,188)	(1,327)
Issuance of shares, net of share issue expenses and related income tax	223	145
	11,420	(1,166)
Cash flows from investing activities		
Proceeds from the sale of short-term investments	-	1,736
Business acquisitions, net of cash and cash equivalents acquired	(19,138)	(1,125)
Purchase of property, plant and equipment	(332)	(176)
Acquisition of amortizable intangible assets	(3)	(13)
	(19,473)	422
Net change in cash and cash equivalent	1,711	(522)
Effect of exchange rate changes on cash and cash equivalents	357	101
Cash and cash equivalents - Beginning of period	22,316	14,886
Cash and cash equivalents - End of period	24,384	14,465
Additional information		
Interest paid	1,932	6,206
Income taxes paid	1,826	1,810

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

Atrium Biotechnologies Inc.

Notes to Interim Consolidated Financial Statements

For the periods ended March 31, 2007 and 2006

(tabular amounts in thousands of US DOLLARS, except share and per share data and as otherwise noted)

Unaudited

1 Basis of presentation

These interim financial statements as at March 31, 2007 and for the periods ended March 31, 2007 and 2006, 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, except for the new accounting standards as disclosed in note 2. 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 were adopted by the Company on January 1, 2007. The Company has applied these changes prospectively, except for the foreign currency translation of self-sustaining foreign operations that has been applied retroactively.

The adjustment related to the implementation of these new accounting standards, disclosed in the Statement of Accumulated other comprehensive income, represents the fair value, as of January 1, 2007, of the interest rate swap designated as a cash flow hedge. As from January 1, 2007, the fair value variation of the interest rate swap designated as a cash flow hedge is recorded in the Other comprehensive income. Moreover, the deferred financing fees are presented against the long-term debt.

3 Business acquisition

On January 19, 2007, the Company acquired, through one of its U.S. subsidiaries, all of the outstanding shares of AquaCap Pharmaceutical, Inc. ("AquaCap") for a total consideration of \$19,336,000, including all acquisition-related costs, of which an amount of \$19,029,000 was paid cash, net of cash and cash equivalents acquired of \$126,000 and \$181,000 was accrued as acquisition-related costs. AquaCap is a leading developer and manufacturer of liquid filled capsules within the nutritional supplement industry in the United States.

This acquisition has been accounted for using the purchase method and the results of operations have been included in the statement of earnings from the date of acquisition. The total consideration was allocated based on management's preliminary assessment as to the estimated fair value at the acquisition date. This preliminary assessment is subject to change upon receipt of an independent valuation report and the final determination of the fair value of the assets acquired and liabilities assumed.

The allocated values of the net assets acquired are as follows:

	AquaCap \$
Assets	
Current assets	3,183
Property, plant and equipment	2,509
Intangible assets	2,000
	<hr/> 7,692
Liabilities	
Current liabilities	1,470
Long-term debt	2,781
	<hr/> 3,441
Net identifiable assets acquired	3,441
Goodwill	15,895
Purchase price	<hr/> 19,336

Goodwill and intangible assets from AquaCap are included in the Health & Nutrition segment and are not deductible for income tax purposes.

Atrium Biotechnologies Inc.

Notes to Interim Consolidated Financial Statements

For the periods ended March 31, 2007 and 2006

(tabular amounts in thousands of US DOLLARS, except share and per share data and as otherwise noted)

Unaudited

4 Goodwill

The change in the carrying value is as follows :

	Active Ingredients & Specialty Chemicals \$	Health & Nutrition \$	Total \$
Balance as at December 31, 2005	45,503	63,532	109,035
Acquisitions	2,384	3,001	5,385
Adjustments (a)	1,232	(3,328)	(2,096)
Impact of foreign exchange rate	3,986	(145)	3,841
Balance as at December 31, 2006	53,105	63,060	116,165
Acquisition (note 3)	-	15,895	15,895
Adjustments (a)	-	95	95
Impact of foreign exchange rate	606	(285)	321
Balance as at March 31, 2007	53,711	78,765	132,476

(a) Adjustments consist of changes to the estimated fair value of assets acquired and liabilities assumed, contingent payments, additional acquisition-related costs and reversal of accounts payable and accrued liabilities related to acquisitions.

5 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

Preferred non-voting shares, preferred dividend, whose emission can be carried out in one or more series

Issued

	As at March 31, 2007		As at December 31, 2006	
	Number	Amount \$	Number	Amount \$
Subordinate voting shares				
Balance - Beginning of period	30,624,947	80,640	15,997,447	71,329
Issued pursuant to the stock option plan	72,500	223	627,500	1,605
Stock-based compensation costs	-	54	-	50
Conversion of multiple voting shares into subordinate voting shares	-	-	14,000,000	7,656
Balance - End of period	30,697,447	80,917	30,624,947	80,640

Atrium Biotechnologies Inc.

Notes to Interim Consolidated Financial Statements

For the periods ended March 31, 2007 and 2006

(tabular amounts in thousands of US DOLLARS, except share and per share data and as otherwise noted)

Unaudited

6 Segment information

The following tables present information by segment :

	Quarters ended March 31,					
	2007			2006		
	Active Ingredients & Specialty Chemicals	Health & Nutrition	Total	Active Ingredients & Specialty Chemicals	Health & Nutrition	Total
\$	\$	\$	\$	\$	\$	
Revenues	58,790	35,896	94,686	48,130	27,879	76,009
Earnings from operations	4,644	9,286	13,930	3,867	6,670	10,537
Depreciation and amortization	255	774	1,029	222	595	817
Capital expenditures	95	240	335	40	149	189
	As at March 31, 2007			As at December 31, 2006		
Segment assets	138,127	198,237	346,189	143,439	164,962	308,401

Unallocated assets amount to \$9,825,000 as at March 31, 2007 and \$14,917,000 as at December 31, 2006 and consist mainly of cash and cash equivalents, accounts receivables, income taxes recoverable, investment, at cost and future income tax assets.

7 Earnings per share

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted net earnings per share calculation:

	As at March 31,	
	2007	2006
Basic weighted average number of shares outstanding (000's)	30,669	30,040
Dilutive effect of stock options (000's)	1,925	2,363
Diluted weighted average number of shares outstanding (000's)	32,594	32,403

8 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.