

CV Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Interim Report
December 31, 2007



CV Technologies Inc.

First Quarter Interim Report for the Period Ended

December 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The interim consolidated financial statements of CV Technologies Inc. (the Company) are prepared in accordance with Canadian generally accepted accounting principles (GAAP). All references to GAAP refer to Canadian generally accepted accounting principles. These accounting principles require the Company to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions, which it relies upon, are reasonably based on information available at the time that these estimates and assumptions were made. These estimates and assumptions have been discussed with the Audit Committee of the Board of Directors of CV Technologies Inc. Actual results may differ under different assumptions and conditions. The following information should be read in conjunction with the unaudited consolidated financial statements for the period ended December 31, 2007 and accompanying notes. All expressed amounts are in Canadian dollars, unless specified otherwise. Additional information on the Company, including the Company's most recently filed Annual Information Form, is available at www.sedar.com.

This discussion and analysis for the three-month period ended December 31, 2007 is prepared and has been updated to reflect information occurring up to and including February 12, 2008.

Forward-looking Statements

Management's discussion and analysis (MD&A) contains certain forward-looking information within the meaning of applicable securities laws. The forward-looking information included in this MD&A does not guarantee future performance and should not be unduly relied upon. Such information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information including, without limitation: those comments predicting the timing and/or initiation of clinical trials, clinical trial results, and associated regulatory clearances, financing and acceptance of COLD-FX[®] in the marketplace. The use of any of the words "aims", "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "would", "project", "could", "should", "believe", "plans", "targets", "intends" and similar expressions are intended to identify forward-looking information. In addition to the risks outlined in the Risks and Uncertainties section, this MD&A contains forward-looking information pertaining to the following: the impact of competition; incidence of cold and flu; consumer confidence and spending levels; general economic conditions; interest and currency exchange rates; unseasonable weather patterns; the cost and availability of capital; the cost and availability of grants/funding; and product development. The Company believes that the expectations and assumptions reflected in the forward-looking information contained herein are reasonable but no assurance can be given that these expectations and assumptions are correct and that the results, performance or achievements expressed in, or implied by, forward-looking information within this disclosure will occur, or if they do, that any benefits may be derived from them. All forward-looking information is expressly qualified in its entirety by this cautionary statement.

The forward-looking information contained in this MD&A speak only as at the date of this MD&A, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

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Company Overview

CV Technologies Inc. (TSX:CVQ) is a life sciences and technology company, founded in 1992 and headquartered in Edmonton, Alberta, Canada. The Company has developed, commercialized and patented a proprietary technology, known as ChemBioPrint[®], which is used in the discovery and biological standardization of natural products in order to deliver consistent, verifiable and provable health benefits. In 2003, the Company shifted from research and development to product commercialization. Using the ChemBioPrint discovery and standardization platform, the Company's scientists are able to identify precisely the chemical profile and biological activity of certain natural products. The process involves a combination of chemical and biological fingerprinting ensuring the creation and scientific substantiation of its natural health products in a safe, effective and consistent manner. The Company is committed to using a pharmaceutical model (rigorous drug discovery and testing methods) to develop natural therapeutics for health maintenance and disease prevention. Its efforts in scientific research and product innovation are key factors enabling the Company to secure the trust of consumers, trade professionals, healthcare practitioners and government.

The Company's lead product, COLD-fx[®], is designed to aid in the prevention and relief of colds and flu by strengthening the immune system. In February 2007, Health Canada issued a Natural Product Number (NPN) for COLD-fx[®] with the claim it "helps reduce the frequency, severity and duration of cold and flu symptoms by boosting the immune system". A U.S. Food and Drug Administration (FDA) regulated Phase II Clinical Trial showed COLD-fx[®] reduces the risk of getting an influenza or respiratory syncytial virus (RSV) infection (confirmed by both laboratory testing and symptoms) in a nursing home senior population by 89%. A Canadian trial in the general population, which was reported in the Canadian Medical Association Journal October 2005, showed COLD-fx[®] reduced the average number of upper respiratory infections per person by 25% and reduced the number of recurrent infections by 56%. Symptom severity was reduced by 31% and duration was reduced by 35%. All the Company's products are designed to support normal physiological/body functions with a user-friendly, natural formulation. Utilizing its patented ChemBioPrint technology, the Company has developed and commercialized a selection of premium quality natural health products for health maintenance and disease prevention.

COLD-fx[®] continues to be the number one selling cold and flu remedy in Canada (ACNielsen MarketTrack service National all Channel dollar sales for the categories of Cold Remedies (including antihistamines) and Supplements & Products, 52 weeks ending December 22, 2007).

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Executive Summary

During the first quarter of fiscal 2008, CV Technologies refocused its attention on achieving growth in the Canadian market, through streamlining, implementation of cost-efficiencies in the organization, and a marketing team restructured to maximize domestic performance.

Revenues

For reasons the Company believes unrelated to the underlying strengths of the Company's products and business strategies, revenues fell 5.9% to \$21.3 million in the fiscal 2008 first quarter from \$22.6 million for the same period last year. The incidence of cold and flu was well below average early in October and November and increased in December, not fully recovering to the levels of last year. Advertising, marketing and TV campaigns started only when the cold and flu season actually began in December.

Consolidated net earnings before taxes

Earnings before taxes rose to \$10.4 million in the fiscal 2008 first quarter, or 48.9% of revenues, from a loss of \$0.7 million during the same period last year. The substantial improvement reflected management decisions to scale back its U.S. business, implement cost controls, and delay advertising and marketing expenditures until the cold and flu season actually began in December.

United States

U.S. retail sales were \$0.4 million in the fiscal 2008 first quarter, while earnings before tax were a loss of \$254 thousand. These results are consistent with the Company's strategy of taking a cautious and targeted approach to doing business in the United States, concentrating primarily on existing customers, and ensuring that its U.S. expenditures are approximately in line with revenues generated.

New office headquarters and research and development facility

In December 2007, the Company was near the completion of the construction of the building and transitioned into its new corporate headquarters and research and development facility in Edmonton.

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Liquidity and Capital Resources

Cash and working capital

At December 31, 2007, the Company had \$10.0 million (December 31, 2006 - \$19.9 million) in cash and cash equivalents and had \$9.6 million in working capital (September 30, 2007 - \$5.8 million working capital deficit) (See Non-GAAP Financial Measures and Reconciliations). The increase in working capital resulted from strong consolidated first quarter net earnings, borrowings on the credit facility for the construction of its new headquarters and research centre and reduction in excess inventory classified as long-term inventory. The Company reduced inventories, improving working capital, through production curtailments, product shipments and repackaging of U.S. inventories. The Company reduced accounts payable and issued refunds on returned product. The Company continued its focus on the Canadian market, controlled U.S. marketing investment and reduction of excess inventory.

Managed spending in the U.S. and solid Canadian sales revenue in the first quarter of fiscal 2008 contributed to the \$10.4 million improvement in consolidated net earnings from the prior year. The first quarter consolidated net earnings after tax was \$6.8 million (2007 - \$3.6 million loss).

Comparative liquidity and capital structure (in thousands)	Quarter 1 Dec 31, 2007	Quarter 1 Dec 31, 2006	Fiscal Year Sep 30, 2007	Fiscal Year Sep 30, 2006 Restated
Cash and cash equivalents	\$10,049	\$19,885	\$2,703	\$7,913
Demand loan	0	0	2,039	0
Working capital ¹	9,650	12,234	(5,757)	16,384
Mortgage	4,992	0	2,645	0
Long-term liabilities	5,433	764	896	744
Shareholders' Equity	22,653	20,743	15,506	23,525
Year to date EBITDA ¹	10,548	(608)	(4,428)	4,464

¹ See Non-GAAP Financial Measures and Reconciliations

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Cash flow from operations

Investments in U.S. marketing and inventory, and payment of 2006 Canadian income taxes used significant amounts of cash in the first quarter of the prior year. Customer deposits on products shipped with a right of return increased cash by \$15.7 million during the first quarter of the prior year. Cash generated in the first quarter of the current year rose from strong consolidated net earnings, a reduction of inventories by \$3.9 million without income taxes related to these earnings paid in the quarter. Payments to vendors consumed approximately \$2.5 million and refunds to some U.S. customers on return product from the U.S. used \$3.5 million in cash. A deposit (deferred revenue) from a customer was received during the first quarter for future inventory and services. This commitment is expected to be fulfilled by the end of the fiscal year.

Usually, the Company manages supply risk by establishing and maintaining a scheduling program to ensure a one-year supply of bulk ingredients and finished goods inventory to meet seasonal demand. Product sales of \$50 million require approximately \$8 to \$9 million in finished goods and bulk ingredients. Inventory levels vary with the introduction of products or entry into markets. In the prior year, initial U.S. retailer interest with subsequent slow U.S. consumer sales growth resulted in large quantities of inventory on hand. A portion of that inventory (\$2.6 million) was classified as a long-term asset. The Company continues to reduce excess inventory in fiscal 2008.

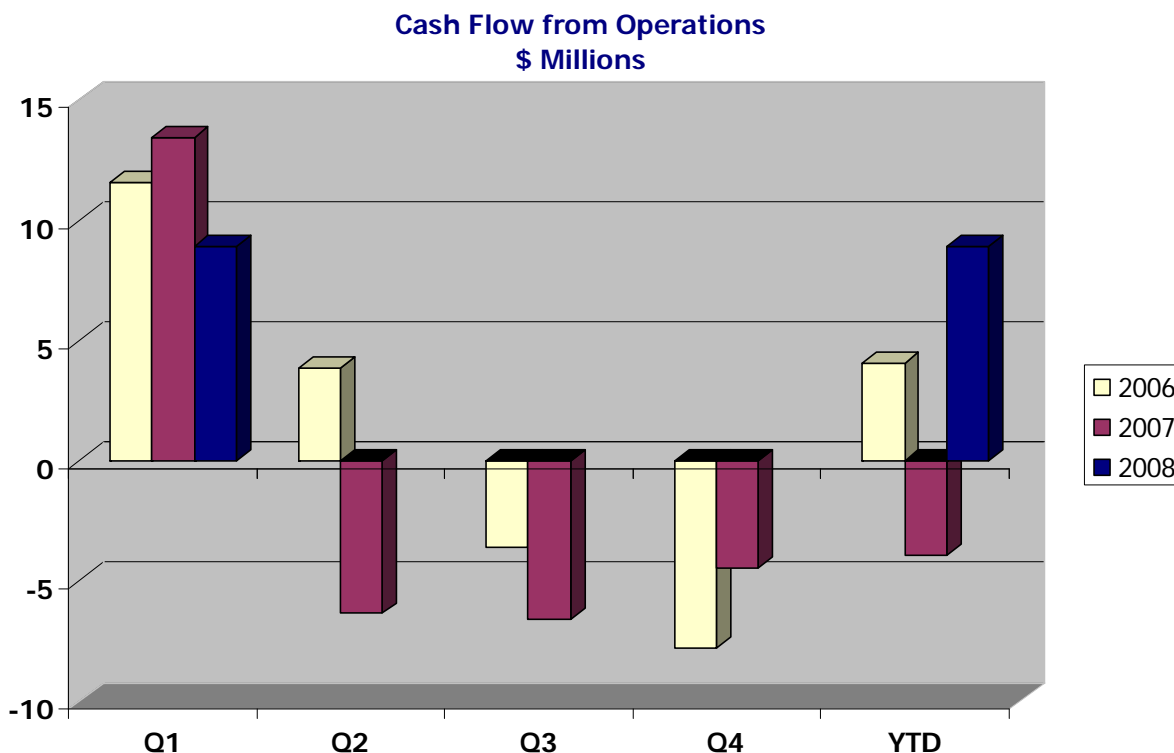
Major cash flow components (in thousands)	Quarter 1 Dec 31, 2007	Quarter 1 Dec 31, 2006	Year to Date Dec 31, 2007	Fiscal Year Sep 30, 2007	Fiscal Year Sep 30, 2006 Restated
Operating activities	\$8,932	\$13,035	\$8,932	(\$3,934)	\$3,658
Financing activities	403	169	403	4,952	296
Investing activities	(1,990)	(1,232)	(1,990)	(6,228)	(1,873)

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The following chart compares quarterly cash flows from operations in fiscal years 2006 through 2008.



2008 year to date (YTD) amount is for partial year.

Cash flow from financing activities

The Company's first quarter financing activities provided \$0.4 million in cash (2007- \$0.2 million). In the first quarter, the Company made further draws on its mortgage of \$2.3 million and repaid \$2.0 million in advances on its operating facility. Other financing activities in fiscal 2007 included \$98 thousand received through the issuance of capital stock from the exercise of stock options (650,000 common shares at an average of \$0.15 per share) compared to \$185 thousand in the prior year. Repayment of leases was \$2 thousand (2007 - \$16 thousand). The mortgage financing was incurred to fund the construction of the Company's new headquarters and research centre.

Cash flow used in investing activities

The Company's investing activities in the first quarter 2008 used \$2.0 million (2007 - \$1.2 million). Investing activities primarily involved the construction of the Company's new corporate headquarters and research centre. The forecasted cost of the building construction is approximately \$11.5 million. At the end of the first quarter, construction was approximately 95% physically complete. The Company began

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relocating into the building during December and received its occupancy permit in January 2008. Expenditures for patents and registered trademarks involved the protection and development of the Company's investment in patents and trademarks.

Liquidity

The liquidity of the Company improved significantly in the first quarter with strong Canadian earnings, reduced inventories and mortgage financing.

At the end of December 31, 2007, customer deposits decreased to \$6.9 million (September 30, 2007 - \$10.4 million). This decrease was the result of refunds to customers for returned U.S. shipments. The Company had approximately \$0.6 million outstanding on authorizations to return product at the end of the quarter and received \$2.7 million in inventory returns during the quarter. The amount and timing of the authorized returns and the effect of cash refunds on the Company's cash position are difficult to predict and is subject to negotiations with the customers.

Management decided that it was appropriate to bring excess U.S. product into Canada for repackaging and sale this season. At the end of December 31, 2007, inventories decreased to \$12.4 million. Cycling of U.S. inventory into Canada commenced in the fourth quarter of fiscal year 2007, and is expected to continue through fiscal 2008.

The Company's working capital and capital expenditure requirements depend upon numerous other factors including, but not limited to, the success and timing of the introduction of new products and extensions, entry into new markets, cold and flu activity, consumer demand, right of returns held by customers, timing of market development programs, facilities construction costs and long-term focus on product research and development activities. The Company anticipates that cash generated from operations, financing on the building, and availability of its bank operating line will be sufficient to meet its seasonal cash requirements for the upcoming year, subject to market and other risks. The Company continues to explore options to diversify its capital structure and may consider raising further debt or equity in support of its long term strategic plan.

Deferred revenue

Deferred revenue represents deposits of \$674 thousand from two customers in exchange for a guaranteed volume of inventory to be available at any time and a deposit (deferred revenue) from a customer for future inventory and services during the first quarter (this commitment is expected to be fulfilled by the end of the fiscal year).

Related party transactions

On July 16, 2007, a shareholder who is also a director provided the Company with a guarantee of \$5,000,000, at a fee of 0.5% per month, to be used as collateral for the bank loan. During the three month period ended December 31, 2007, the Company expensed as interest \$75,000 (December 31, 2006 - \$nil) in fees related to this guarantee.

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The Company has as part of its management team, a VP Business Development for fX Life Sciences who is also President of a vendor. During the first quarter, \$135 thousand was expensed as advertising and marketing costs billed by this vendor related primarily to the promotion of COLD-fX[®]. As at December 31, 2007, there was approximately \$323 thousand payable to the related vendor.

Outstanding shares and stock options

As at February 12, 2008:

- Number of issued and outstanding common Class A shares 105,576,006
- Number of outstanding, unexercised stock options 10,767,935
- Options available for grants 4,075,007

(Exercise price ranges from \$0.15 to \$4.32 per share with expiration dates ranging from 2008 to 2013.)

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Results of Operations

Profitability

Summary of Interim Geographic Results (in thousands)		First Quarter Dec 31, 2007	First Quarter Dec 31, 2006
Canada	Revenues	\$20,912	\$22,191
	Earnings before tax	10,663	11,149
United States	Revenues	363	424
	Loss before tax	(254)	(11,890)
Consolidated	Revenues	21,275	22,615
	Earnings (loss) before tax	10,409	(741)

Consolidated net earnings after taxes for the quarter was \$6.8 million compared to consolidated loss of \$3.6 million for the same period last year, an improvement of \$10.4 million. This improvement was primarily the result of earnings from Canadian operations and significant reduction of U.S. expenditures to align with sales revenues. Consolidated net earnings before taxes were \$10.4 million compared to a loss before taxes of \$0.7 million, an increase of \$11.1 million from the prior year.

Income tax expense was primarily incurred from Canadian operations. While Canadian earnings attracted income tax, activity in the U.S. market resulted in a loss to its foreign operations. Since income of a subsidiary is taxable in the country in which it operates, the application of tax losses from one country against the taxable income of another country is not possible. Therefore, the foreign taxable loss was not recognized as a future tax asset. The Company took a valuation allowance, as recovery of those losses in a foreign jurisdiction would not be likely in the foreseeable future.

Revenue

The Company recorded net product sales of \$21.3 million (2007 - \$22.6 million) in the first quarter of fiscal 2008 representing a decrease of 5.9% compared to the first quarter of 2007. The incidence of cold and flu was well below average early in October and November and increased in December, not fully recovering to the levels of last year for the quarter. The Company continued its opportunistic approach to develop U.S. sales. The Company also introduced COLD-fx[®] Extra Strength in November and was still developing its distribution at the end of the quarter.

Management continued to refocus on Canada during the first quarter and ran its first Canadian television advertising campaign, now that it has a Natural Product Number for COLD-fx[®].

COLD-fx[®] is the Company's lead product line and represents the majority of its sales. COLD-fx[®] aids in the strengthening of the immune system to help prevent and treat colds and flu. As a result, COLD-fx[®]

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sales exhibit a seasonal pattern. The spring and summer months are periods of slow sales, while late summer, fall and winter experience significantly greater sales volume with the increase in the frequency and severity of colds and flu. Consumer purchases are typically strongest in the first quarter and are affected by factors that include weather and cold and flu activity. Retailers usually commence purchasing in late August through to November to prepare for the season and replenish stock as required for the remainder of the cold and flu season.

First quarter U.S. net sales decreased modestly as the Company continued efforts in developing and maintaining distribution channels, and managed its investment in that market. Management reduced its U.S. marketing and professional fees from the same quarter last year. This market continues to take time to develop consumer awareness, permit consumers to try COLD-fX[®] and generate the positive word of mouth experiences already achieved in Canada.

The Company increased its Canadian list price of its lead product, COLD-fX[®], by approximately 6% effective September 1, 2007. Additional promotional sales programs were initiated for customers to offset this price increase, to varying degrees, as the increase was phased in with customers.

Cost of goods sold and gross profit

The first quarter gross margin for fiscal 2008 improved to 74.3% from 73.9% for the same period last year, and increased from the 2007 fourth quarter gross margin of 55.4%.

The increase in first quarter gross margin from the fourth quarter of 2007 resulted primarily from an inventory revaluation taken on packaging, excess, outdated and slow moving inventories in that fourth quarter. The improvement in margin from the same quarter last year resulted from reductions in variable and fixed costs of distribution, manufacturing, quality control and logistical costs, and lower sales discounts and allowances relative to sales and costs associated with entry into the U.S.

The Company continued its strategy to reduce excess inventories. Manufacturing activities were reduced in Canada and the U.S. following the first quarter of last year, with the exception to manufacture COLD-fX[®] Extra Strength, a new product line extension. This curtailment of manufacturing activity is anticipated to continue until on-hand inventory is restored to more normalized inventory levels.

Operating expenses

The operating expenses as a percentage of sales reduced from 77.5% to 25.6% as compared to the first quarter of the prior year. In the first quarter of fiscal 2007, the Company invested heavily in its U.S. launch resulting in a significant increase in advertising and marketing expenses and the costs of consultants and professional services. Operating expenses for the first quarter of fiscal 2008 were \$5.4 million (2007 - \$17.5 million). Cost management programs in all departments continued into the first quarter aimed at improving cash flows and earnings.

This \$12.1 million (69.0%) decrease in operating expenses over the prior year was comprised of the following:

- Advertising and marketing expenses decreased by \$9.2 million (84.5%) following reductions in U.S. spending following last year's cold and flu season and to bring costs more into alignment

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with sales, and to improve earnings and cash flows. In the first quarter, Canadian spending also decreased and represented the majority of activity. The first television advertising campaign for COLD-FX[®] was launched late in the quarter as cold and flu activity was low in October and November and increased in December. In the first quarter, consolidated spending was \$1.7 million (7.9% of net sales) compared to \$10.9 million (48.0% of net sales) of the prior year. This improvement was the result of significant reductions in U.S. media and marketing from last year's levels. Canadian marketing activities are expected to increase in the second quarter with anticipated above average cold and flu activity.

- Expenses related to contracted, consulting and professional services decreased by \$1.6 million (68.5%). In the first quarter of 2007, the Company hired services in sales, marketing, brand building, and regulatory affairs to support its U.S. entry. These were significantly reduced in the current quarter. In the first quarter, expenditures were 3.4% of net sales (2007 - 10.0%).
- Salaries and stock-based compensation decreased by \$0.4 million (21.5%). This improvement reflected reduced stock-based compensation expense and managed staffing. In 2007, additional staff was hired to handle anticipated U.S. sales growth. During 2007, there were decreases in this staff. First quarter salaries and stock-based compensation in fiscal year 2008 was 7.5% (2007 - 9.0%) of net sales. First quarter total expenses were \$1.6 million compared to \$2.0 million for the prior year.

Between November 23, 2007 and December 11, 2007, the Company authorized and committed to the issuance of 1,310,000 options from treasury. The options vest over a period not to exceed five years from the date of grant and/or upon the achievement of specified performance targets.

- Research and development expenditures for the year decreased by \$0.2 million (26.1%). This decrease related to the timing in contracted work and managed spending. Spending is expected to increase in the second quarter as the clinical studies and research activities progress. Advancement continued with the Company's clinical trials in collaboration with Capital Health of Edmonton and the University of Alberta, involving senior citizens in Vancouver, Edmonton, Toronto and Halifax and the Hackensack University Medical Center clinical trial in the U.S. These expenditures were 2.6% (2007 - 3.3%) of net sales for the quarter.
- A decrease in foreign exchange loss of \$0.6 million from the prior year resulted from a weakening of the Canadian dollar against the U.S. dollar since the end of the prior fiscal year. The Company carried a large net liability in U.S. dollars that increased from that weakening. This foreign exchange loss was 0.4% (2007 - 3.2%) of net sales for last year. In the first quarter, this loss was \$0.1 million (2007 - \$0.7 million).
- Interest and bank charges increased by \$60 thousand. Mortgage and operating interest, amortized fees related to establishing and using its credit facilities and guarantee fees accrued to a related party increased interest expense (See Related Party Transactions).
- Income tax expense for the quarter was \$3.6 million compared to \$2.8 million for the same period last year. In 2007, profitability in Canada and non-deductible losses in foreign operations resulted in tax expenses where a tax expense recovery may have been expected.

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Summary of Quarterly Results					
<small>(In thousands)</small>					
2008	1st Quarter Dec 31, 2007	2nd Quarter Mar 31, 2008	3rd Quarter Jun 30, 2008	4th Quarter Sep 30, 2008	Year to date 2008
Product sales	\$21,275				\$21,275
Gross profit	15,817				15,817
Gross margin %	74.3%				74.3%
Earnings before tax	10,409				10,409
Earnings after tax	6,799				6,799
EPS – Basic	\$0.07				\$0.07
EPS – Diluted	\$0.06				\$0.06
Total assets	45,489				45,489
Total liabilities	22,837				22,837
2007	1st Quarter Dec 31, 2006 Restated	2nd Quarter Mar 31, 2007	3rd Quarter Jun 30, 2007	4th Quarter Sep 30, 2007	Fiscal Year 2007
Product sales	22,615	7,849	3,215	8,356	42,035
Gross profit	16,710	5,569	1,915	4,627	28,821
Gross margin %	73.9%	70.9%	59.6%	55.4%	68.6%
Loss before tax	(741)	(2,123)	(1,808)	(438)	(5,110)
Loss after tax	(3,584)	(3,296)	(1,871)	(1,080)	(9,831)
EPS – Basic	\$(0.03)	\$(0.03)	\$(0.02)	\$(0.01)	\$(0.09)
EPS – Diluted	\$(0.03)	\$(0.03)	\$(0.02)	\$(0.01)	\$(0.09)
Total assets	60,078	49,254	37,106	41,308	41,308
Total liabilities	39,335	31,162	20,804	25,802	25,802
2006	1st Quarter Dec 31, 2005	2nd Quarter Mar 31, 2006	3rd Quarter Jun 30, 2006	4th Quarter Sep 30, 2006 Restated	Fiscal Year 2006 Restated
Product sales	18,940	10,915	3,242	8,290	41,387
Gross profit	13,414	8,253	2,220	4,213	28,100
Gross margin %	70.8%	75.6%	68.5%	50.8%	67.9%
Earnings (loss) before tax	7,463	2,087	(2,428)	(2,982)	4,140
Earnings (loss) after tax	4,416	987	(1,772)	(2,992)	639
EPS – Basic	\$0.04	\$0.01	\$(0.02)	\$(0.02)	\$0.01
EPS – Diluted	\$0.04	\$0.01	\$(0.02)	\$(0.02)	\$0.01
Total assets	32,319	34,277	33,545	43,132	43,132
Total liabilities	7,458	7,331	7,737	19,607	19,607

There was no income or loss caused by discontinued operations and/or extraordinary items.

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U.S. activity

The result of cost management of marketing efforts was a significant decrease in expenditures for marketing, contracted and professional services. Net product sales in the first quarter of fiscal 2008 were \$363 thousand (2007 - \$424 thousand). U.S. activities have been stabilized and are expected to move forward on a controlled basis with marketing investment aligned with revenues generated.

Segmented Geographic Revenue					
<small>(In thousands)</small>					
2008	1st Quarter Dec 31, 2007	2nd Quarter Mar 31, 2008	3rd Quarter Jun 30, 2008	4th Quarter Sep 30, 2008	Fiscal Year 2008
Canada	\$20,912				\$20,912
U.S.	363				363
Other	-				-
Total	21,275				21,275
2007	1st Quarter Dec 31, 2006 Restated	2nd Quarter Mar 31, 2007	3rd Quarter Jun 30, 2007	4th Quarter Sep 30, 2007	Fiscal Year 2007
Canada	22,191	7,483	3,045	8,236	40,955
U.S.	424	366	170	120	1,080
Other	-	-	-	-	-
Total	22,615	7,849	3,215	8,356	42,035
2006	1st Quarter Dec 31, 2005	2nd Quarter Mar 31, 2006	3rd Quarter Jun 30, 2006	4th Quarter Sep 30, 2006 Restated	Fiscal Year 2006 Restated
Canada	18,939	10,873	3,242	8,282	41,336
U.S.	-	2	-	6	8
Other	1	40	-	2	43
Total	18,940	10,915	3,242	8,290	41,387

Research and development activity

In the first quarter of fiscal 2008, a COLD-fX[®] patent was issued in Korea covering the composition of CVT-E002 and similar extracts.

Overall, quarterly spending in research and development was lower than the prior year due to completion of the treatment phase of the multi-centre and Hackensack clinical studies.

The study is now in the analysis phase, which is proceeding according to a normal schedule and standard industry practice for a trial of this size and complexity. Analysis includes data collection, organization, entry, and verification, all under blinded conditions. Performing analysis under blinded conditions ensures the study integrity is maintained because it is not known which subjects received COLD-fX[®] and which received a placebo. Once this is complete, the data will undergo independent numerical and statistical analysis and preparation for the scientific peer review and presentation process.

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The Company recently agreed to collaborate with an internationally recognized flu expert, Dr. Albert Osterhaus, in the laboratory viral analysis component of the study. Based in the Netherlands, Dr. Osterhaus is one of the world's leading virologists and amongst the scientific achievements of his group of 100 scientists are the identification of the first human infection with avian flu H5N1 in 1997, and the identity of the SARS virus during the first outbreak in Hong Kong in 2003. The study quality is expected to be further enhanced by this collaboration with the analysis and results expected to be completed in summer 2008.

Subsequent Events and Developments

Option grant

On January 1, 2008, the Board of Directors granted 1,310,000 options from treasury. The options granted have an exercise price of \$0.68. The options vest over a period not to exceed five years from the date of grant and/or upon the achievement of specified performance targets as measured at year end.

In January 2008, 825,000 options were exercised to purchase shares for \$0.15 per share. The fair value of these options exercised was \$68 thousand.

Commissioning of new building

In January 2008, the Company completed its relocation into its new premises and deemed the building under construction available for use. Amortization will be provided for using the following methods and rates:

Building and site improvements	15-25 years straight line
Building equipment	5-10 years straight line

Additions to Board of Directors

On February 1, 2008, the Board of Directors appointed two new members to the Board, bringing the complement to 10 Directors.

J. Douglas Gilpin is a Chartered Accountant with more than 30 years of business advisory and consultancy experience. He was a partner with KPMG LLP from 1981 until his retirement from the firm in 1999. His practice focused on business advisory and assurance matters and involved work with numerous companies in the biotechnology field. Mr. Gilpin is a Director of Canada Health Infoway Inc./Inforoute Sante du Canada, Chairman of its Governance Committee and a member of its Finance, Investment & Audit Committees. He is also a public member of the Finance Investment & Audit Committees for each of Search Canada Inc. and the College of Physicians & Surgeons of Alberta. Mr. Gilpin serves on the Board of Directors of ViRexx Medical Corp. (TSX:VIR) as Chairman of both the Audit Committee and the Governance and Nominating Committee. He will serve as Chair of CV Technologies' Audit Committee.

David T. Weyant, QC is Vice President and General Counsel for the Calgary Health Region, one of the largest fully-integrated, publicly-funded health care systems in Canada. He has been practicing law for over 17 years, both as a litigator and as a corporate/commercial lawyer negotiating transactions including securities, outsourcing, private/public partnerships, financing and other corporate commercial transactions. His expertise is frequently sought on various aspects of risk management, corporate/commercial law, health

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law, and corporate governance. He has served on various boards, chaired committees, and served as a member of a provincial commission, the executive of the Association of General Counsel of Alberta, as well as local and national Canadian Bar Association sections. Mr. Weyant is a member of the Institute of Corporate Directors, and is currently enrolled in its Directors Education Program. He will join CV Technologies' Corporate Governance and Nominating Committee.

Outlook

During the first quarter of fiscal 2008, the Company concentrated on finalizing its strategic five-year business plan and implementing its fundamental strategies:

- The restructuring of the Canadian sales force is very advanced. The Company is engaged in developing a comprehensive national sales force to not only effectively service existing customers but also to drive incremental business by attracting new ones. Efforts are underway to establish additional revenue sources by pursuing further distribution channels. Management plans to open an office in Montreal – its first in Quebec – during the current fiscal year.
- COLD-FX[®] Extra Strength has been launched in the Canadian marketplace, with the first shipments to customers in November 2007. Acceptance by existing customers has been positive, and initial consumer response looks very encouraging. By the end of the first quarter, Extra Strength was on the shelves in approximately half of target stores. Management has filed a Natural Product Number (NPN) application for COLD-FX[®] Extra Strength with Health Canada.
- The Company has revamped its marketing approach in Canada, and its cold and flu season advertising activities have been significantly enhanced compared to historical efforts. Current activities include a national television-advertising program, since COLD-FX[®] received a product license and NPN number from Health Canada a year ago.
- Management is focusing on its core business in Canada, with the goal of creating national distribution and a leading position in its product categories, with expectations to return to double digit revenue growth.
- Steady progress is being made in developing branding and packaging strategies aimed at propelling growth. The Company expects to use these approaches in its planning for the next cold and flu season and to launch new products.
- A national law firm, Stikeman Elliott LLP, has been retained to represent the Company and certain officers and directors in two concurrent and coordinated class action lawsuits. These actions contain unproven allegations that will be vigorously defended.
- Discussions are ongoing with potential strategic partners for the development and expansion of the Company's science to create new product opportunities worldwide.
- During fiscal 2008, the Company intends to direct its resources to building its core Canadian market, to ensure a strong brand franchise, and work towards developing new products for future growth.

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Risks and Uncertainties

The following risks and uncertainties are those that Management currently believes may materially affect its operations. Additional risks and uncertainties that the Company is unaware of or currently deems immaterial may subsequently become important factors, which may materially affect the business. A discussion on risk factors is available in the Company's Annual Information Form available on SEDAR.

Market and Product

Management considers the Company to be in its growth stage with its lead products, COLD-fX[®], REMEMBER-fX[®] and CELL-fX[®]. To achieve a successful market share, the Company anticipates significant and ongoing expenditures for marketing, advertising and public awareness programs. Future success of product revenues is dependent on those activities, regulatory review and approval for its products, the degree of patent protection afforded to particular products.

Prospects for the Company's new technologies and future products are uncertain and should be regarded as highly speculative. It is not possible to predict the results of studies or regulatory approvals. If products are approved for sale, there can be no assurance that they will result in significant sales.

Expectations about the Company's financial and scientific results could have a significant effect on the trading price of the Company's shares. Certain risks exist in the timing of scientific and regulatory reviews, filings and approvals, and the Company's ability to commercialize products in its pipeline and sell current products.

The Company is reliant on relatively few customers for the majority of its revenue. A loss of one of these customers could adversely affect revenues and business operations. In Canada, three (2007 - four) major customers accounted for \$14.9 million or 71% of first quarter net product sales (2007 - \$12.8 million or 58%).

Seasonality of demand

COLD-fX[®] sales exhibit a seasonal pattern tied to the frequency and severity of colds and flu. Consumer purchases are affected by factors that also include weather. This affects the volume and timing of sales. The Company aims to time marketing expenditures with increases in cold and flu activity, and as such, expenditures and results may vary.

Liquidity

Liquidity risk could arise from the Company's inability to meet obligations when due in a timely manner, including, but not limited to, an inability to fulfill its contractual arrangements with suppliers and customers. The Company's liquidity objective is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner under adverse market conditions and unforeseen events. This capacity primarily derives from the Company's earnings, ability to issue debt and equity instruments as well as its ability to generate liquidity from its balance sheet (convert assets, for example inventory, to cash).

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The Company's operations are seasonal in nature. Typically, sales are lowest in the third quarter and incoming cash flows are lowest in the fourth quarter. Customers with the right to return product may request the return of significant quantities of product shipments resulting in the requirement to refund customer payments/deposits. The Company may receive requests to return product that could result in unscheduled payments. In particular, further returns by U.S. customers would reduce cash from operations.

The Company's short-term cash requirements may exceed cash balances at times during the year. The availability of cash is dependent upon the earnings, availability of existing or alternate financing facilities, contractual commitments, timing and extent of product returns and repayment terms. The outcome of these activities and events are difficult to predict.

Foreign currencies

As of December 31, 2007, the Company had not entered into any currency contracts (forwards, futures or options) or other financial derivatives to hedge foreign exchange risk. The Company is subject to foreign currency transaction and translation gains and losses. Over the past year, the Canadian dollar has significantly strengthened relative to the U.S. dollar and had resulted in significant foreign currency gains. The relative strength of the currencies and proportions of assets, obligations, revenues and expenses continuously change and expose the Company to future foreign currency gains and losses.

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Critical Accounting Policies, Changes and Estimates

Critical accounting policies and estimates are those policies, assumptions and estimates most important in the preparation of the Company's consolidated financial statements. Selection of policies requires Management's subjective and complex judgment from many alternatives and estimates involving matters that are inherently uncertain. Those policies, assumptions and estimates affect the reported amounts, assets and liabilities, and revenues and expenses during the period represented and at the date of the financial statements. Actual results could differ from these estimates.

Significant estimates made by management include provisions for customer discounts and incentives, allowances for uncollectible accounts, right of returns, the realizable portion of inventory during the Company's normal business cycle, inventory provisions, the realizability of future income taxes, useful lives of long-lived assets, future expected cash flows used in evaluating long-lived assets for impairment, percentage completion of contracted service expenditures and stock-based compensation fair values. On an ongoing basis, management reviews its estimates to ensure that these values appropriately reflect changes in the Company's business and new information as it becomes available.

Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Critical accounting policies and estimates relate to the following:

- Revenue recognition;
- Accrued liabilities;
- Contingencies;
- Income taxes;
- Inventory valuation; and
- Stock-based compensation.

Adoption of Accounting Changes

Inventory

The Company is adopting the following Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the valuation, presentation and disclosure of inventory:

- CICA Handbook Section 3031 "Inventory"

This section prescribes the measurement of inventory at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Company currently values inventory at the lower of direct cost or net realizable value and will transition to full cost methodology. This change will involve allocations of overheads to products. Implementation will be completed by the end of the fiscal year.

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Accounting changes

On October 1, 2007, the Company adopted Section 1506 Accounting Changes of the CICA standards. This Section allows an entity to change an accounting policy only if the change is required by a primary source of GAAP or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Capital Disclosures

On October 1, 2007, the Company adopted Section 1535, Capital Disclosures, of the CICA Handbook. This Section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Non-GAAP Financial Measures and Reconciliations

Generally, a non-generally accepted accounting principles (non-GAAP) financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts, not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. EBITDA and cash flow prior to working capital changes are not measures of financial performance (nor do they have standardized meanings) under Canadian GAAP. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts.

The Company uses both GAAP and certain non-GAAP measures to assess performance. Management believes these non-GAAP measures provide useful supplemental information to investors in order that they may evaluate CV Technologies Inc.'s financial performance using the same measures as management. The Company's management believes that, as a result, information provided to the investor is more transparent in assessing the financial performance of the Company. Investors should not consider these non-GAAP financial measures as a substitute or superior to the measures of financial performance prepared in accordance with GAAP.

Working capital

The definition of working capital is current assets less current liabilities. The Company uses working capital as a supplemental financial measure of its liquidity and operational performance.

Working Capital (in thousands)	as at Dec 31, 2007	as at Dec 31, 2006	as at Sep 30, 2007	as at Sep 30, 2006
Current assets	\$27,053	\$50,804	\$19,149	\$35,247
Current liabilities	17,403	38,570	24,906	18,863
Working capital	9,650	12,234	(5,757)	16,384

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EBITDA

The definition of EBITDA is earnings before interest, income taxes, depreciation and amortization. The Company uses EBITDA as a supplemental financial measure of its operational performance. Management believes EBITDA to be an important measure as it excludes the effects of items, which primarily reflect the impact of long-term investment decisions, rather than the performance of the Company's day-to-day operations. As compared to net earnings according to GAAP, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. Management evaluates such items through other financial measures such as capital expenditures and cash flow provided by operating activities. The Company believes that this measurement is useful to assess a company's ability to service debt and to meet other payment obligations or as a valuation measurement.

The following is a reconciliation of EBITDA to net earnings, the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP.

EBITDA (In thousands)	Quarter 1 Dec 31, 2007	Quarter 1 Dec 31, 2006	Year to Date Dec 31, 2007	Fiscal Year Sep 30, 2007	Fiscal Year Sep 30, 2006
Net earnings (loss)	\$6,799	(\$3,584)	\$6,799	(\$9,831)	\$639
Current income taxes	3,563	4,832	3,563	4,381	3,301
Future income taxes	47	(1,989)	47	339	200
Amortization of deferred costs	-	90	-	362	362
Amortization of patents, registered trademarks, property, plant and equipment	80	109	80	384	312
Interest and bank charges	78	18	78	233	61
Interest revenue	(19)	(84)	(19)	(296)	(411)
EBITDA	10,548	(608)	10,548	(4,428)	4,464

Cash flow prior to working capital changes

Below is a reconciliation of "cash flow prior to working capital changes" to cash provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP.

The Company uses cash flow prior to working capital changes as a supplemental financial measure in its evaluation of liquidity. Management believes that adjusting principally for the swings in non-cash working capital items due to seasonality assists management in making long-term liquidity assessments. The Company also believes that this measurement is useful as a liquidity or valuation measurement.

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Cash Flow Prior To Working Capital Changes (In thousands)	Quarter 1 Dec 31, 2007	Quarter 1 Dec 31, 2006	Year to Date Dec 31, 2007	Fiscal Year Sep 30, 2007	Fiscal Year Sep 30, 2006
Cash flow prior to working capital changes	\$7,228	(\$4,703)	\$7,228	(\$6,152)	\$4,261
Accounts receivable	246	(121)	246	265	(414)
Inventory	3,872	(2,244)	3,872	2,183	(10,789)
Prepaid intra-group tax asset	-	-	-	-	(2,678)
Prepaid expenses	(407)	513	(407)	808	(1,150)
Accounts payable and accruals	(2,511)	5,507	(2,511)	(3,685)	7,300
Income taxes payable	3,514	(1,662)	3,514	(5,954)	5,234
Customer deposits	(3,504)	15,715	(3,504)	8,601	1,774
Deferred revenue	494	30	494	30	120
Changes in non-cash working capital	(1,704)	17,738	(1,704)	2,246	(603)
Cash provided by operating activities	8,932	13,035	8,932	(3,964)	3,658

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Glossary

Term	Definition
ASC	Alberta Securities Commission
BCSC	British Columbia Securities Commission
CBP [®]	See ChemBioPrint [®]
ChemBioPrint	A discovery and standardization platform used by the Company's scientists to identify the chemical profile and biological activity of natural products
CICA	Canadian Institute of Chartered Accountants
Company	CV Technologies Inc., which is the reporting issuer
CMO	Contract Manufacturing Organization
CRO	Clinical Research Organization
CTO	Cease Trade Order
CVT-E002	Active ingredient in COLD-fX [®]
CVQ	Trading symbol for CV Technologies Inc., which is the reporting issuer
DIN	Drug Identification Number
FDA	U.S. Food and Drug Administration; the U.S. government body responsible for food (Dietary Supplements) drugs, medical devices, biologics, animal feed and drugs, cosmetics, radiation-emitting products, and combination products. CDER, the Center for Drug Evaluation and Research, is the division of the FDA responsible for drug approvals and the clinical trials on drugs. CFSAN, Center for Food Safety and Applied Nutrition, is the division of the FDA responsible for dietary supplements.
HT1001	Active ingredient in REMEMBER-fX [®]
HUMC	Hackensack University Medical Centre, New Jersey
ICTO	Interim Cease Trade Order
MD&A	Management's Discussion and Analysis
NHPD	Natural Health Products Directorate

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NIH	National Institutes of Health: The National Institutes of Health, a part of the U.S. Department of Health and Human Services, is the primary Federal agency for conducting and supporting medical research.
NK	Natural Killer (cells)
NPN	Natural Product Number
OSC	Ontario Securities Commission
OTC	OTC drug/product: Over-The-Counter drug; a drug approved for sale by the FDA or Health Canada that does not require a Doctor's prescription to be purchased. It is available for self-care.
PCT	Patent Cooperation Treaty is an international patent law treaty concluded in 1970. It provides a unified procedure for filing patent applications to protect inventions in each of its Contracting States. A majority of the world's countries are signatories to the PCT, including all of the major industrialized countries (with a few exceptions, including Argentina and Taiwan). As of October 5, 2007, there were 138 Contracting States to the PCT. A patent application filed under the PCT is called an international application or PCT application.
Phase I	Phase I of Clinical Development (as defined by the U.S. FDA for use in drug development): Phase I starts with the initial administration of an investigational new drug into humans. Studies in this phase of development usually have non-therapeutic objectives (no efficacy endpoints for the trial) and may be conducted in healthy volunteer subjects. Studies conducted in Phase I typically involve one or a combination of the following aspects: (a) safety and tolerability, (b) pharmacokinetics including absorption, distribution, metabolism and excretion, and (c) early measurement of efficacy if performed in patients.
Phase II	Phase II of Clinical Development (as defined by the U.S. FDA for use in drug development): A therapeutic exploratory phase where efficacy in disease populations is determined. Phase II is usually considered to start with the initiation of studies in which the primary objective is to explore therapeutic efficacy in patients. An important goal for this phase is to determine the dose and regimen for Phase III trials. Additional objectives of clinical trials conducted in Phase II may include evaluation of potential study endpoints, therapeutic regimens (including concomitant medications), and target populations for further study in Phase II or III.

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Phase III	Phase III of Clinical Development (as defined by the U.S. FDA for use in drug development): Studies in Phase III are designed to confirm the preliminary evidence accumulated in Phase II that a drug is safe and effective for use in the intended indication and recipient population. These studies are intended to provide an adequate basis for marketing approval in the U.S. for a drug. Studies in Phase III may also further explore the dose-response relationship, or explore the drug's use in wider populations, in different stages of disease, or in combination with another drug.
PHF	Parathyroid Hypertensive Factor
QA	Quality Assurance: All the planned and systematic activities applied within the quality system to provide adequate confidence that the predetermined standards for quality and safety will be met.
QC	Quality Control: The testing of the product to ensure it meets the standards established by quality assurance.
Sales	Product sales and revenues include reductions for sales discounts and allowances.
SEDAR	System for Electronic Data Access and Retrieval (www.sedar.com)
SEDI	System for Electronic Disclosure by Insiders (www.sedi.ca)
POS	Point of Sale refers to the retail sale of product to consumers or end user.
RSV	Respiratory Syncytial Virus