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MESSAGE TO SHAREHOLDERS

Dear Shareholders:

With the recent acquisition of our new German subsidiary, Zentaris, we have reached an important crossroad in our corporate development. Zentaris has enabled us to diversify our product portfolio and to welcome qualified scientists and seasoned management personnel to our highly experienced team. With the arrival of Dr. Jurgen Engel as Executive Vice President, R&D, and Chief Operating Officer, we are able to benefit from his vast international experience of more than 25 years in oncology and endocrinology. Dr. Engel has directed numerous research projects in the development of pharmaceutical products, and has succeeded in leading a number of them through the full cycle, obtaining regulatory approval and bringing them to the marketplace.

Our revenues for this quarter rose by more than 60%. This increase comes mainly from our biopharmaceutical segment which reflects our ability to quickly and successfully integrate our new subsidiary Zentaris, acquired last December only. We are benefiting from our expanded portfolio which is generating significant revenues from both new strategic partnerships, as well as sales of Cetrotide(R) for IN VITRO fertilization. At the clinical level, our ongoing Neovastat Phase III trial in kidney cancer will be completed in the months ahead and positive results could translate into a major breakthrough for AETerna as the first company to market an angiogenesis inhibitor for the treatment of cancer.

This first quarter has also allowed us to close convertible term loans of \$25 million with two strategic long-time partners and to settle the \$40 million balance of purchase price of Zentaris with Degussa AG. AETerna has a solid financial position with more than \$52 million in cash.

HIGHLIGHTS

- Consolidated revenues for the first quarter ended March 31, 2003 were \$40.8 million with a net loss of \$4.8 million, or \$0.12 per share, compared to revenues of \$25.3 million, and a net loss of \$5.7 million, or \$0.17 per share, for the same period in 2002. Increased revenues from Zentaris products and continued growth from the other subsidiary, Atrium, contributed to the decrease of loss per share.
- Agreement for marketing Neovastat in Korea with LG Life Sciences. The agreement provides AETerna with upfront and milestone payments, as well as a return on manufacturing and sales of Neovastat. This partnership also extends AETerna's coverage for Neovastat to 50% of the oncology world market and allows the Company to surpass the \$50 million mark in milestone payments.
- Agreement with German Remedies Limited to sell Impavido(R), the first oral treatment for black fever, in India and Bangladesh.

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- Significant milestone payment from Baxter Healthcare S.A. for D-63153 for prostate cancer.

CORPORATE GOVERNANCE

Gilles Gagnon, President and Chief Operating Officer, was promoted President and Chief Executive Officer of the Company, while Dr. Eric Dupont, remains the Company's Executive Chairman of the Board, which now has six external and three internal members.

OUTLOOK

The progress made during the past few months allows us to look towards the remainder of the current year with enthusiasm. Our financial situation is solid, integration of Zentaris is generating significant revenue, and the Phase III clinical trial of Neovastat in kidney cancer, which will be completed in a few months, might enable us to inaugurate a new class of drugs against cancer. Everything appears to be ready to allow AETerna to position itself as an international biopharmaceutical company in the development of innovative therapies in oncology and endocrinology.

[SIGNATURE]

Gilles R. Gagnon, MSc, MBA
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

The following analysis explains the variations in the Company's results of operations, financial condition and cash flow. It provides an update to the discussion and analysis contained in our Annual Report of 2002. This discussion and analysis should be read in conjunction with the information contained in AETerna Laboratories Inc.'s interim consolidated financial statements and related notes for the three-month periods ended March 31, 2003 and 2002. All figures are in Canadian dollars.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and the annual consolidated financial statements contained in our 2002 Annual Report. Our financial statements are prepared in accordance with the Canadian Generally Accepted Accounting Principles (GAAP) and access to a summary of differences between Canadian and US GAAP is possible by consulting note 20 of our annual 2002 financial statements.

RESULTS OF OPERATIONS

REVENUES

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Revenues for the three-month period ended March 31, 2003 were \$40.8 million compared to \$25.3 million for the same period last year. This increase of \$15.5 million or 61% comes mainly from the Biopharmaceutical segment with revenues totalling \$12.5 million. The balance of \$3 million comes from the Cosmetics & Nutrition (C&N) and the Distribution segments, representing an increase of 12% compared to the first quarter of 2002.

The acquisition of Frankfurt-based Zentaris, in December 2002, provided all of the revenues in the Biopharmaceutical segment for this first quarter. Revenues in this segment were generated by marketing of Cetrotide(R), milestone payments, research and development contract fees and the amortization of up-front payments.

OPERATING EXPENSES

The cost of sales during this quarter amounted to \$23.2 million compared to \$19.7 million for the same quarter in 2002. These costs are in direct proportion to corresponding revenues and their percentage does not vary significantly from last year's same quarter.

General, selling and administrative expenses amounted to \$5.5 million during this quarter compared to \$3.9 million in 2002. This increase is attributed to the Biopharmaceutical segment, for an amount of \$1 million, as a result of the acquisition of Zentaris made last December. In addition, the C&N and Distribution segments increased their selling expenses by \$0.6 million as a result of the increase in their sales force.

Research and Development (R&D) investments, net of R&D tax credits and grants, amounted to \$10.9 million during this quarter in comparison with \$5.3 million last year. This increase is attributed to the acquisition of Zentaris, whereby the investment in R&D amounted to \$5.6 million for this quarter. Therefore, the level of the investment for Neovastat, our lead antiangiogenic compound in oncology, was approximately the same as last year since the Phase III program is actively ongoing for renal cell carcinoma and non-small cell lung cancer. The residual amount of investment in R&D mainly relates to Cetrorelix, our lead compound in endocrinology, and to our recently acquired Zentaris drug discovery unit, including a 100,000 proprietary compound library.

Depreciation and amortization amounted to \$2.5 million compared to \$0.4 million for the same period in 2002. This significant increase is mainly related to the additional amortization on Zentaris technologies acquired in December 2002. The purchase price allocation will be completed during the next quarter and may result in being allocated from identified intangible assets, among others, to goodwill. We expect that the amortization expense for 2003 will increase significantly over that of the 2002 fiscal year due to the intangible additions incurred at the end of 2002.

The net loss for this quarter amounted to \$4.8 million or \$0.12 per share in 2003 compared to a net loss of \$5.7 million or \$0.17 per share for the same quarter in 2002. This reduction is the result of new income from Zentaris within our biopharmaceutical segment.

LIQUIDITY AND CAPITAL RESOURCES

The financial position of the Company remains strong with \$52.4 million in cash and short-term investments as at March 31, 2003. During this quarter, a promissory note of \$43 million was reimbursed, and a \$25 million convertible term loan facility was closed with two strategic long-time partners. Furthermore, the Zentaris \$40 million balance of purchase price was settled with

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Degussa AG.

During this quarter, an amount of \$5.9 million was used for operating activities. Regarding the investment activities, the acquisition of a portion of Unipex Finance S.A. and long-lived assets amounted to \$2.6 million.

RISK FACTORS

Economic and sector related risks are the same as those identified in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's 2002 Annual Report.

[SIGNATURE]

Dennis Turpin, CA
Vice President and Chief Financial Officer

This report contains forward-looking statements, which are made pursuant to the safe harbor provisions of the U.S. Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties which could cause the Company's actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, among others, the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of the Company to take advantage of the business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. Investors should consult the Company's ongoing quarterly and annual filings with the Canadian and U.S. securities commissions for additional information on risks and uncertainties relating to the forward-looking statements. Investors are cautioned not to rely on these forward-looking statements. The Company does not undertake to update these forward-looking statements.

AETERNA LABORATORIES INC.

INTERIM CONSOLIDATED BALANCE SHEETS
(expressed in thousands of Canadian dollars)

	AS AT MARCH 31, 2003	AS DECEMBER 20
----- (UNAUDITED)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,757	\$ 12
Short-term investments	13,623	69
Accounts receivable	40,572	74
Inventory	15,627	16
Prepaid expenses and deferred charges	3,099	2
Future income tax assets	320	1

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	111,998	176
PROPERTY, PLANT AND EQUIPMENT	21,035	21
DEFERRED CHARGES	1,253	1
INTANGIBLE ASSETS	88,849	90
GOODWILL	25,258	24
FUTURE INCOME TAX ASSETS	15,930	17
	\$ 264,323	\$ 330
LIABILITIES		
CURRENT LIABILITIES		
Promissory note	\$ -	\$ 43
Accounts payable and accrued liabilities	41,389	42
Income taxes	3,431	3
Balance of purchase price	-	39
Current portion of long-term debt	3,096	3
	47,916	132
DEFERRED REVENUES	11,700	12
CONVERTIBLE TERM LOANS	18,675	
LONG-TERM DEBT	9,743	9
EMPLOYEE FUTURE BENEFITS	6,131	6
FUTURE INCOME TAX LIABILITIES	34,521	35
NON-CONTROLLING INTEREST	24,024	24
	152,710	220
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	153,527	153
CONTRIBUTED SURPLUS	7,179	
DEFICIT	(49,698)	(44)
CUMULATIVE TRANSLATION ADJUSTMENT	605	
	111,613	110
	\$ 264,323	\$ 330

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AETERNA LABORATORIES INC.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002
(expressed in thousands of Canadian dollars, except share and per share data)

QUARTERS ENDED

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UNAUDITED	2003	

REVENUES		
Sales	\$	29,978
License income and research contract fees		10,835

		40,813

OPERATING EXPENSES		
Cost of sales		23,220
General, selling and administrative		5,469
R&D costs, net of tax credits and grants		10,886
Depreciation and amortization		
Property, plant and equipment		860
Intangible assets		1,643

		42,078

OPERATING LOSS		(1,265)
Interest income		937
Interest and financial expenses		(793)
Foreign exchange (loss) gain		(387)

LOSS BEFORE THE FOLLOWING		(1,508)
INCOME TAX EXPENSE		(2,501)
NON-CONTROLLING INTEREST		(825)

NET LOSS FOR THE PERIOD	\$	(4,834)

BASIC AND DILUTED NET LOSS PER SHARE	\$	(0.12)

WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		40,693,527

INTERIM CONSOLIDATED STATEMENTS OF DEFICIT
FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002
(expressed in thousands of Canadian dollars, except share and per share data)

UNAUDITED	QUARTERS ENDED 2003	

BALANCE - BEGINNING OF PERIOD	\$	44,864
Net loss for the period		4,834

BALANCE - END OF PERIOD	\$	49,698

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AETERNA LABORATORIES INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002
(expressed in thousands of Canadian dollars, except share and per share data)

UNAUDITED	QUARTERS ENDED 2003
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the period	\$ (4,834) \$
Items not affecting cash and cash equivalents	
Depreciation and amortization	2,503
Future income taxes	1,869
Deferred charges	95
Deferred revenues	(167)
Employee future benefits	94
Non-controlling interest	825
Change in non-cash operating working capital items	
Accounts receivable	(4,544)
Inventory	446
Prepaid expenses	(1,364)
Accounts payable and accrued liabilities	(534)
Income taxes	(334)
	<hr style="border-top: 1px dashed black;"/> (5,945)
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of promissory note	(43,000)
Convertible term loans	25,000
Payment of balance of purchase price	(2,358)
Repayment of long-term debt	(30)
Issuance of share capital, net of related expenses	(51)
	<hr style="border-top: 1px dashed black;"/> (20,439)
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in short-term investments	55,418
Business acquisition (note 2)	(2,339)
Purchase of property, plant and equipment	(250)
Additions to intangible assets	(52)
	<hr style="border-top: 1px dashed black;"/> 52,777
<hr style="border-top: 1px dashed black;"/>	
NET CHANGE IN CASH AND CASH EQUIVALENTS	26,393

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EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(130)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	12,494

CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 38,757

ADDITIONAL INFORMATION

Interest paid	\$ 121

Income taxes paid	\$ 1,159

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AETERNA LABORATORIES INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002

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

UNAUDITED

1 BASIS OF PRESENTATION

These unaudited interim financial statements as at March 31, 2003 and for the periods ended March 31, 2003 and 2002, are unaudited. They have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows for these periods have been included.

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

2 BUSINESS ACQUISITION

On January 13, 2003, the subsidiary Atrium Biotechnologies Inc. acquired 20,000 common shares of the outstanding capital stock of Unipex Finance S.A., increasing its interest in the latter to 76.11% (70.28% in 2002) for a cash consideration of \$2,338,955. The excess of the purchase price over the net identifiable assets on the date of acquisition is \$1,810,612 and is recorded as goodwill not deductible for income tax purposes.

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3 COMPANY'S STOCK OPTION PLAN

The company has chosen not to use the fair value method to account for stock-based compensation costs arising from awards to employees but discloses the pro-forma information relating to net loss and loss per share as if the fair value method of accounting had been used.

	Three months ended March 31, 2003
Net loss for the period	\$ (4,834)
Pro-forma adjustment for stock-based compensation costs	(564)
Pro-forma net loss for the period	(5,398)
Basic and diluted net loss per share	\$ (0.12)
Pro-forma basic and diluted net loss per share	\$ (0.13)

The pro-forma amounts may not be representation of future disclosure as the estimated fair value of stock options is amortized to expense over the vesting period and additional options may be granted in future periods. Furthermore, these pro-forma amounts include a compensation cost based on a weighted-average grant date fair value of \$2.12 per stock option for 299,251 stock options granted during the period as calculated using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.98 %, dividends of nil, an expected volatility of 57 % and an expected life of 3.8 years.

4 CONVERTIBLE TERM LOANS

The company issued convertible term loans in the aggregate principal amount of \$25 million, bearing interest at an annual rate of 12%, payable annually or at maturity at the option of the company. These term loans are secured by all assets of the company with the exception of equipments and the shares of Atrium Biotechnologie Inc. The term loans mature on March 31, 2006 and are convertible at all time at the option of the holders in subordinate voting shares of the

AETERNA LABORATORIES INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002

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

UNAUDITED

company at a price of \$ 5.05 per share. The equity component, which corresponds

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to the option of the holders to convert term loans into shares of the company, was valued at the date of the loans and is classified as contributed surplus.

AETERNA LABORATORIES INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED MARCH 31, 2003 AND 2002

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

UNAUDITED

5 SEGMENT INFORMATION

The company manages its business and evaluates performance based on three operating segments, which are the biopharmaceutical segment, the cosmetics and nutrition segment and the distribution segment. The accounting principles used for these three segments are consistent with those used in the preparation of these consolidated financial statements.

	QUARTERS	
	2003	
REVENUES		
Biopharmaceutical	\$	12,54
Cosmetics and nutrition		3,68
Distribution		25,19
Consolidated adjustments		(61)
	\$	40,81
NET EARNINGS (LOSS) FOR THE PERIOD		
Biopharmaceutical	\$	(5,83)
Cosmetics and nutrition		74
Distribution		40
Consolidated adjustments		(14)
	\$	(4,83)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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AETERNA LABORATORIES INC.

DATE: APRIL 30, 2003

By: /S/CLAUDE VADBONCOEUR

Claude Vadboncoeur
Vice President, Legal Affairs and
Corporate Secretary