

Aeterna Zentaris Inc.
Form 20-F
March 30, 2009
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

- Registration Statement Pursuant to Section 12(b) or 12(g) of The Securities Exchange Act of 1934**
- OR**
- Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2008**
- OR**
- Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
- OR**
- Shell Company Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

Commission file number 0-30752

ÆTERNA ZENTARIS INC.

(Exact Name of Registrant as Specified in its Charter)

Not Applicable
(Translation of Registrant's Name into English)

Canada
(Jurisdiction of Incorporation)

1405 du Parc-Technologique Blvd.
Québec, Quebec
Canada, G1P 4P5

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares	NASDAQ Global Market Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **NONE**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the ACT: **NONE**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 53,187,470 common shares as of December 31, 2008.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form 20-F or any amendment to this Form 20-F.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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Basis of Presentation

General

Except where the context otherwise requires, all references in this annual report on Form 20-F (Form 20-F) to the Company , Aeterna Zentaris Inc. , we , us , our or similar words or phrases are to Aeterna Zentaris Inc. and its subsidiaries, taken together. In this annual report, references to and US\$ are to United States dollars and references to CAN\$ are to Canadian dollars. Unless otherwise indicated, the statistical and financial data contained in this annual report are presented as at December 31, 2008.

Forward-Looking Statements

This annual report contains forward-looking statements 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 business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. Investors should consult the Company's 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 and we disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except if we are requested to do so by a governmental authority or applicable law.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

A. Directors and senior management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

A. Offer statistics

Not applicable.

B. Method and expected timetable

Not applicable.

Item 3. Key Information

A. Selected financial data

The selected financial data should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report, and Item 5. Operating and Financial Review and Prospects of this annual report.

Table of Contents**Consolidated Statements of Earnings Data:***Amounts under Canadian GAAP**(in thousands of US dollars, except share and per share data)*

	Years Ended December 31,				
	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$
Revenues	38,478	42,068	38,799	44,813	42,972
Operating expenses					
Cost of sales	19,278	12,930	11,270	8,250	7,992
Selling, general and administrative	17,325	20,403	16,478	14,403	13,137
Research and development costs	57,448	39,248	27,422	25,544	23,431
Research and development tax credits and grants	(343)	(2,060)	(1,564)	(317)	(845)
Depreciation and amortization					
Property, plant and equipment	1,515	1,562	2,816	1,665	1,958
Intangible assets	5,639	4,004	6,148	4,279	4,178
Impairment of long-lived asset held for sale		735			
	100,862	76,822	62,570	53,824	49,851
Loss from operations	(62,384)	(34,754)	(23,771)	(9,011)	(6,879)
Other income (expenses)					
Interest income	868	1,904	1,441	1,235	1,286
Interest expense					
Long-term debt and convertible term loans		(85)	(1,270)	(6,979)	(4,150)
Other	(118)		(163)	(31)	(69)
Foreign exchange (loss) gain	3,071	(1,035)	319	(87)	(491)
Loss on disposal of long-lived assets held for sale	(35)				
Loss on disposal of equipment	(44)	(28)			
Gain on disposal of a long-term investment			409		
	3,742	756	736	(5,862)	(3,424)
Share in the results of an affiliated company			1,575		
Loss before income taxes from continuing operations	(58,642)	(33,998)	(21,460)	(14,873)	(10,303)
Income tax (expense) recovery	(1,175)	1,961	29,037	(609)	(273)
Net (loss) earnings from continuing operations	(59,817)	(32,037)	7,577	(15,482)	(10,576)
		(259)	25,813	26,053	6,151

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Net (loss) earnings from discontinued operations

Net (loss) earnings for the year	(59,817)	(32,296)	33,390	10,571	(4,425)
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Net (loss) earnings per share from continuing operations

Basic	(1.12)	(0.61)	0.14	(0.34)	(0.23)
Diluted	(1.12)	(0.61)	0.14	(0.34)	(0.23)

Net (loss) earnings per share from discontinued operations

Basic			0.50	0.57	0.13
Diluted			0.48	0.57	0.13

Net (loss) earnings per share

Basic	(1.12)	(0.61)	0.64	0.23	(0.10)
Diluted	(1.12)	(0.61)	0.62	0.23	(0.10)

Weighted average number of shares

Basic	53,187,470	53,182,803	52,099,290	46,139,814	45,569,176
Diluted	53,187,470	53,182,803	52,549,260	46,139,814	45,569,176

Table of Contents*Amounts under U.S. GAAP*

	Years ended December 31,				
	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$
Net (loss) earnings for the year	(56,070)	(37,428)	34,262	15,970	(2,082)
Out of which:					
Net (loss) earnings from:					
continuing operations	(56,070)	(36,415)	8,449	(10,083)	(8,158)
discontinued operations		(1,013)	25,813	26,053	6,076
Net (loss) earnings per share from continuing operations					
Basic	(1.05)	(0.68)	0.16	(0.22)	(0.18)
Diluted	(1.05)	(0.68)	0.16	(0.22)	(0.18)
Net (loss) earnings per share from discontinued operations					
Basic		(0.02)	0.50	0.56	0.13
Diluted		(0.02)	0.49	0.56	0.13
Net (loss) earnings per share					
Basic	(1.05)	(0.70)	0.66	0.34	(0.05)
Diluted	(1.05)	(0.70)	0.65	0.34	(0.05)
Weighted average number of shares					
Basic	53,187,470	53,182,803	52,099,290	46,139,814	45,569,176
Diluted	53,187,470	53,182,803	52,549,260	46,139,814	45,569,176

Consolidated Balance Sheet Data:*Amounts under Canadian GAAP*

	As at December 31,				
	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$