

Aeterna Zentaris Inc.
Form 6-K
March 11, 2009

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN ISSUER

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of March 2009

ÆTERNA ZENTARIS INC.

1405, boul. du Parc-Technologique

Québec, Québec

Canada, G1P 4P5

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

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Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

DOCUMENTS INDEX

Documents Description

Exhibit 1 2008 Audited Consolidated Financial Statements

Exhibit 2 Management's Discussion and Analysis of Financial Condition and Results of Operations for the financial year ended December 31, 2008

Aeterna Zentaris Inc.

Consolidated Financial Statements

December 31, 2008, 2007 and 2006

(expressed in thousands of US dollars)

March 10, 2009

Independent Auditors' Report

To the Shareholders of of

Aeterna Zentaris Inc.

We have completed integrated audits of *Aeterna Zentaris Inc.*'s 2008 and 2007 consolidated financial statements and of its internal control over financial reporting as at December 31, 2008 and an audit of its 2006 consolidated financial statements. Our opinions, based on our audits, are presented below.

Consolidated Financial statements

We have audited the accompanying consolidated balance sheets of *Aeterna Zentaris Inc.* as at December 31, 2008 and December 31, 2007, and the related consolidated statements of earnings (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and December 31, 2007 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting

We have also audited *Aeterna Zentaris Inc.*'s internal control over financial reporting as at December 31, 2008, based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial

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Reporting . Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2008 based on criteria established in Internal Control – Integrated Framework issued by the COSO.

(1)

Quebec City, Quebec, Canada

(1) Chartered accountant auditor permit No. 11070

Aeterna Zentaris Inc.

Consolidated Balance Sheets

(expressed in thousands of US dollars)

	As at December 31,	
	2008	2007
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	49,226	10,272
Short-term investments (note 24)	493	31,115
Accounts receivable		
Trade	3,425	6,170
Other (note 8)	1,100	3,044
Income taxes	48	
Inventory (note 9)	3,385	5,406
Prepaid expenses and other current assets	4,047	3,573
	61,724	59,580
Property, plant and equipment (note 11)	6,682	7,460
Long-lived assets held for sale (note 6)		13,999
Deferred charges and other long-term assets (note 10)	5,959	1,441
Intangible assets (note 12)	23,894	30,391
Goodwill (note 13)	10,083	10,492
	108,342	123,363
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	13,690	16,084
Income taxes	800	23
Deferred revenues (note 7)	7,631	5,373
Current portion of long-term debt and payable	49	775
	22,170	22,255
Deferred revenues (note 7)	54,433	3,333
Long-term debt and payable (notes 6 and 15)	172	
Employee future benefits (note 16)	10,092	9,184
	86,867	34,772
Commitments and contingencies (note 25)		
Subsequent event (note 26)		
SHAREHOLDERS' EQUITY		
Share capital (note 17)	30,566	30,566
Other capital	79,669	79,306
Deficit	(102,814)	(42,997)
Accumulated other comprehensive income	14,054	21,716
	21,475	88,591
	108,342	123,363

Evaluation of going concern (note 2)

Approved by the Board of Directors

Juergen Ernst, MBA
Director

Gérard Limoges, FCA
Director

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

Aeterna Zentaris Inc.**Consolidated Statements of Changes in Shareholders' Equity****For the years ended December 31, 2008, 2007 and 2006**

(tabular amounts in thousands of US dollars, except common share data)

	Common shares (number of)	Share capital \$	Other capital \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
Balance December 31, 2005	46,139,814	130,344	10,474	(43,224)	11,937	109,531
Net earnings for the year				33,390		33,390
Conversion of convertible term loans (note 17b)	6,955,088	37,786	(6,339)	(280)		31,167
Foreign currency translation adjustment					4,007	4,007
Foreign currency translation adjustment related to disposal of Atrium					(1,643)	(1,643)
Issued pursuant to the stock option plan						
For cash (note 17d)	22,000	81				81
Ascribed value from Other capital		29	(29)			
Issued pursuant to acquisition of Echelon (note 5)	23,789	163				163
Issued pursuant to acquisition of a patent from a senior officer (note 22)	28,779	175				175
Share issue expenses		(112)				(112)
Stock-based compensation costs			2,120			2,120
Balance December 31, 2006	53,169,470	168,466	6,226	(10,114)	14,301	178,879
Effect of the application of new accounting standards				(587)	(41)	(628)
Distribution of Atrium (note 4)		(137,959)	71,122		(5,624)	(72,461)
Net loss for the year				(32,296)		(32,296)
Foreign currency translation adjustment					13,783	13,783
Variation in the fair value of short-term investments, net of income taxes					51	51
Issued pursuant to the stock option plan						
For cash (note 17d)	18,000	33				33
Ascribed value from Other capital		26	(26)			
Disposal of Shares of Echelon (note 5)					(754)	(754)
Stock-based compensation costs			1,984			1,984
Balance December 31, 2007	53,187,470	30,566	79,306	(42,997)	21,716	88,591

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

Aeterna Zentaris Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2008, 2007 and 2006

(tabular amounts in thousands of US dollars, except common share data)

	Common shares (number of)	Share capital \$	Other capital \$	Deficit \$	Accumulated other comprehensive income \$	Total \$
Balance December 31, 2007	53,187,470	30,566	79,306	(42,997)	21,716	88,591
Net loss for the year				(59,817)		(59,817)
Foreign currency translation adjustment					(7,655)	(7,655)
Variation in the fair value of short-term investments, net of income taxes					(7)	(7)
Stock based compensation costs			363			363
Balance December 31, 2008	53,187,470	30,566	79,669	(102,814)	14,054	21,475

	2008 \$	As at December 31, 2007 \$	2006 \$
Accumulated Other Comprehensive Income			
Consisting of the following:			
Foreign currency translation adjustments	14,051	21,706	14,301
Variation in fair market value of short-term investments, net of income taxes	3	10	
Accumulated Other Comprehensive income	14,054	21,716	14,301
Deficit	(102,814)	(42,997)	(10,114)
Total Accumulated Other Comprehensive Income and Deficit	(88,760)	(21,281)	4,187

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

Aeterna Zentaris Inc.**Consolidated Statements of Earnings (Loss)****For the years ended December 31,**

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

	2008 \$	2007 \$	2006 \$
Revenues	38,478	42,068	38,799
Operating expenses			
Cost of sales (note 9)	19,278	12,930	11,270
Selling, general and administrative expenses	17,325	20,403	16,478
Research and development costs	57,448	39,248	27,422
Research and development tax credits and grants	(343)	(2,060)	(1,564)
Depreciation and amortization			
Property, plant and equipment	1,515	1,562	2,816
Intangible assets (note 12)	5,639	4,004	6,148
Impairment of long-lived asset held for sale (note 6)		735	
	100,862	76,822	62,570
Loss from operations	(62,384)	(34,754)	(23,771)
Other income (expenses)			
Interest income	868	1,904	1,441
Interest expense			
Long-term debt and convertible term loans		(85)	(1,270)
Other	(118)		(163)
Foreign exchange (loss) gain	3,071	(1,035)	319
Loss on disposal of long-lived assets held for sale (note 6)	(35)		
Loss on disposal of equipment	(44)	(28)	
Gain on disposal of a long-term investment			409
	3,742	756	736
Share in the results of an affiliated company			1,575
Loss before income taxes from continuing operations	(58,642)	(33,998)	(21,460)
Income tax (expense) recovery (note 19)	(1,175)	1,961	29,037
Net (loss) earnings from continuing operations	(59,817)	(32,037)	7,577
Net (loss) earnings from discontinued operations (notes 4 and 5)		(259)	25,813
Net (loss) earnings for the year	(59,817)	(32,296)	33,390
Net (loss) earnings per share from continuing operations			
Basic	(1.12)	(0.61)	0.14
Diluted	(1.12)	(0.61)	0.14
Net (loss) earnings per share from discontinued operations			
Basic			0.50
Diluted			0.48
Net (loss) earnings per share			
Basic	(1.12)	(0.61)	0.64
Diluted	(1.12)	(0.61)	0.62
Weighted average number of shares (note 21)			
Basic	53,187,470	53,182,803	52,099,290
Diluted	53,187,470	53,182,803	52,549,260

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

Aeterna Zentaris Inc.**Consolidated Statements of Comprehensive Income (Loss)****For the years ended December 31,**

(expressed in thousands of US dollars)

	2008 \$	2007 \$	2006 \$
Net earnings (loss) for the year	(59,817)	(32,296)	33,390
Other comprehensive income (loss):			
Foreign currency translation adjustments	(7,655)	13,783	4,007
Reclassification adjustment related to disposal of Atrium			(1,643)
Reclassification adjustment related to disposal of Echelon		(754)	
Variation in fair market value of short-term investments, net of income taxes	(7)	51	
Comprehensive income (loss)	(67,479)	(19,216)	35,754

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

Aeterna Zentaris Inc.**Consolidated Statements of Cash Flows****For the years ended December 31,**

(expressed in thousands of US dollars)

	2008	2007	2006
	\$	\$	\$
Cash flows from operating activities			
Net earnings (loss) for the year	(59,817)	(32,296)	33,390
Net (earnings) loss from discontinued operations		259	(25,813)
Net earnings (loss) from continuing operations	(59,817)	(32,037)	7,577
Items not affecting cash and cash equivalents			
Depreciation and amortization	7,154	5,566	8,964
Stock-based compensation costs	363	1,984	2,120
Future income taxes		(1,868)	(29,160)
Gain on disposal of a long-term investment			(409)
Share in the results of an affiliated company			(1,575)
Inventory write-down (note 9)	726		
Employee future benefits	984	164	(115)
Amortization of deferred charges and other long term assets	729	510	150
Amortization of deferred revenues	(6,213)	(7,012)	(5,141)
Accretion on long term borrowings			