

Aeterna Zentaris Inc.
Form 20-F
March 28, 2012
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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
- x **Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011**
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

AETERNA 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.

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Quebec City, Quebec

Canada, G1P 4P5

(Address of Principal Executive Offices)

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1405 du Parc-Technologique Blvd.

Quebec City, Quebec

Canada, G1P 4P5

(Name, Telephone, E-mail and Address of Company Contact Person)

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 at the close of the period covered by the annual report: 104,762,096 common shares as at December 31, 2011.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Other

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Standards Board

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, references to CAN\$ are to Canadian dollars and references to EUR are to euros. Unless otherwise indicated, the statistical and financial data contained in this annual report are presented as at December 31, 2011.

This annual report on Form 20-F also contains certain information regarding products or product candidates that may potentially compete with our products and product candidates, and such information has been primarily derived from information made publicly available by the companies developing such potentially competing products and product candidates and has not been independently verified by Aeterna Zentaris Inc.

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 our research and development (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 disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forwards-looking statements contained herein to reflect future results, events or developments except if required 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. *Advisors*

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 consolidated statement of comprehensive loss data set forth in this Item 3.A with respect to the years ended December 31, 2011 and 2010, and the consolidated statement of financial position data as at December 31, 2011 and 2010, have been derived from the audited consolidated financial statements listed in Item 18, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The consolidated statement of operations data set forth in this Item 3.A with respect to the years ended December 31, 2009, 2008 and 2007, and the consolidated balance sheet data as at December 31, 2009, 2008 and 2007, have been derived from our previous consolidated financial statements not included herein, which were prepared in accordance with Canadian GAAP, except as otherwise described therein. 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 Comprehensive Loss***(in thousands of US dollars, except share and per share data)**Derived from financial statements prepared in accordance with IFRS*

	Years ended December 31,	
	2011	2010
	\$	\$
Revenues		
Sales and royalties	31,306	24,857
License fees and other	4,747	2,846
	36,053	27,703
Operating expenses		
Cost of sales	27,560	18,700
Research and development costs, net of refundable tax credits and grants	24,517	21,257
Selling, general and administrative expenses	16,170	12,552
	68,247	52,509
Loss from operations	(32,194)	(24,806)
Finance income	6,239	1,800
Finance costs	(8)	(5,445)
Net finance income (costs)	6,231	(3,645)
Loss before income taxes	(25,963)	(28,451)
Income tax expense	(1,104)	-
Net loss	(27,067)	(28,451)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(789)	1,001
Actuarial gain (loss) on defined benefit plans	(1,335)	191
Comprehensive loss	(29,191)	(27,259)
Net loss per share		
Basic and diluted	(0.29)	(0.38)
Weighted average number of shares outstanding		
Basic and diluted	94,507,988	75,659,410

Table of Contents**Consolidated Statements of Operations Data***(in thousands of US dollars, except share and per share data)**Derived from financial statements prepared in accordance with Canadian GAAP*

	Years Ended December 31,		
	2009	2008	2007
	\$	\$	\$
Revenues	63,237	38,478	42,068
Operating expenses			
Cost of sales, excluding depreciation and amortization	16,501	19,278	12,930
Research and development costs	44,217	57,448	39,248
Research and development tax credits and grants	(403)	(343)	(2,060)
Selling, general and administrative expenses	16,040	17,325	20,403
Depreciation and amortization			
Property, plant and equipment	3,285	1,515	1,562
Intangible assets	7,555	5,639	4,004
Impairment of long-lived assets held for sale			735
	87,195	100,862	76,822
Loss from operations	(23,958)	(62,384)	(34,754)
Other income (expenses)			
Interest income	349	868	1,904
Interest expense	(5)	(118)	(85)
Foreign exchange gain (loss)	(1,110)	3,071	(1,035)
Loss on disposal of long-lived assets held for sale		(35)	