U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 40-F

[Check one] [ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002 Commission File Number 0-30752

AETERNA LABORATORIES INC.

(Exact name of registrant as specified in its charter)

CANADA	2834	NOT APPLICABLE
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer) Identification Number

1405, boul. du Parc-Technologique
Quebec, Quebec
Canada, G1P 4P5
(418) 652-8525
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue
13th Floor
New York, New York 10011
(212) 894-8638
(Name, address and telephone number of agent
for service of process in the United States)

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
Not Applicable	Not Applicable

Securities registered or to be registered
pursuant to Section 12(g) of the Act.

SUBORDINATE VOTING SHARES

(Title of Class)

Securities for which there is a reporting obligation
pursuant to Section 15(d) of the Act.

NOT APPLICABLE

(Title of Class)

For annual reports, indicate by check mark the
information filed with this Form:

[X] Annual information form [X] Audited annual financial statements

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.

35,961,927 Subordinate Voting Shares Outstanding
4,727,100 Multiple Voting Shares Outstanding
0 First Preferred Shares
0 Second Preferred Shares

Indicate by check mark whether the Registrant by filing 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 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes ___ No X

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 X No

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CONTROLS AND PROCEDURES

The Registrant's President and Chief Executive Officer and the Registrant's Vice President and Chief Financial Officer have concluded, based on their evaluation as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures (as defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended) are effective. There have been no significant changes in the internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

DOCUMENTS FILED PURSUANT TO GENERAL INSTRUCTIONS

In accordance with General Instruction D.(9) of Form 40-F, the Registrant hereby files Exhibit 5 as set forth in the Exhibit Index attached hereto.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. CONSENT TO SERVICE OF PROCESS

The Registrant has previously filed with the Commission a written consent to service of process and power of attorney on Form F-X.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

AETERNA LABORATORIES INC.

Date: May 15, 2003

By: /S/ CLAUDE VADBONCOEUR

Name: Claude Vadboncoeur
Title: Vice President, Legal Affairs and Corporate Secretary

CERTIFICATIONS

I, Gilles Gagnon, President and Chief Executive Officer of AEterna Laboratories Inc., certify that:

1. I have reviewed this annual report on Form 40-F of AEterna Laboratories Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (and persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: MAY 15, 2003

/s/ GILLES GAGNON
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Gilles Gagnon
President and Chief Executive Officer

I, Dennis Turpin, Vice President and Chief Financial Officer of AEterna Laboratories Inc., certify that:

1. I have reviewed this annual report on Form 40-F of AEterna Laboratories Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (and persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: MAY 15, 2003

/s/ DENNIS TURPIN

Dennis Turpin
Vice President and Chief Financial Office

EXHIBIT INDEX

EXHIBIT NUMBER	DOCUMENT	PAGE NO.
1	Annual Information Form of Registrant, dated May 9, 2003, for the year ended December 31, 2002	
2	Audited Consolidated Balance Sheets of Registrant, including the Notes thereto, as at December 31, 2002 and 2001 and Audited Consolidated Statements of Deficit, Consolidated Statements of Contributed Surplus, Consolidated Statements of Operations and Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000	
3	Annual Report of the Registrant for the year ended December 31, 2002	
4	Management's Discussion and Analysis of Financial Condition and Results of Operations	
5	Consent of Independent Accountant	
6	CEO and CFO Certifications pursuant to Section 906 of Sarbanes-Oxley Act of 2002	

EXHIBIT 1

[LOGO]

AETERNA LABORATORIES INC.

ANNUAL INFORMATION FORM
2003

MAY 9, 2003

AETERNA LABORATORIES INC.

TABLE OF CONTENTS

ITEM 2. CORPORATE STRUCTURE

2.1 NAME AND INCORPORATION

AEterna Laboratories Inc. ("AEterna" or the "Company") was incorporated on September 12, 1990, pursuant to the CANADA BUSINESS CORPORATIONS ACT under the corporate name of 171162 Canada Inc., which name was changed under Articles of Amendment dated September 26, 1991 to "Les Laboratoires AEterna inc." On December 4, 1995, the capital stock was changed to become what it is today, namely an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. By virtue of a Certificate of Amendment dated June 27, 1997, the Company adopted the English version of its name, "AEterna Laboratories Inc." The articles of AEterna have also been amended to, INTER ALIA, effect a 3-for-2 split and a 2-for-1 split of the Subordinate Voting Shares and Multiple Voting Shares of the Company on December 4, 1995 and August 8, 1996, respectively.

2.2 INTERCORPORATE RELATIONSHIPS

Until December 31, 1999, AEterna carried on its activities under two separate divisions, the Biopharmaceutical Division and the Cosmetics and Nutrition Division and had no subsidiaries. Effective on January 1, 2000, AEterna transferred its Cosmetics and Nutrition Division, including all assets and trademarks relating thereto as well as the exclusive right to use AEterna's patents in the cosmetics and nutritional areas, to a newly created subsidiary incorporated under the CANADA BUSINESS CORPORATIONS ACT, Atrium Biotechnologies Inc. ("Atrium"), in exchange for an equity interest. SGF Soquia Inc. ("SGF Soquia"), a subsidiary of Societe generale de financement du Quebec, Fonds de solidarite des travailleurs du Quebec F.T.Q. ("Fonds FTQ") and Fonds d'investissement bioalimentaire Limited Partnership ("Fonds Bio") (collectively referred to as the "Investors") initially invested an aggregate amount of $10 million in Atrium in exchange for 16.7%, 4.4% and 1.1%, respectively, of the issued and outstanding shares of Atrium. In September 2000, the Investors invested an additional amount of $10 million, bringing their total investment in Atrium to $20 million. At the time of this second investment, the capital structure of Atrium was modified to create two new classes of shares, subordinate voting shares carrying one vote per share ("Atrium Subordinate Voting Shares"), and multiple voting shares carrying two votes per share ("Atrium Multiple Voting Shares"). AEterna is the only shareholder holding Atrium Multiple Voting Shares and they will be automatically converted into Atrium Subordinate Voting Shares if AEterna sells its shares. The common shares held by AEterna have been exchanged for Atrium Multiple Voting Shares, allowing AEterna to maintain voting control with 76.4% of the voting rights and a 61.8% equity participation in Atrium. SGF Soquia, Fonds FTQ and Fonds Bio hold Atrium Subordinate Voting Shares which confer to each of them 24.5%, 10.4%, and 1.4%, respectively, of the participation rights in Atrium.

Pursuant to an agreement among the shareholders of Atrium dated as of January 21, 2000 as amended on September 19, 2000, May 17, 2001 and May 22, 2001 (the "Atrium Shareholders' Agreement"), each party has the right to proportional representation on Atrium's board of directors, with AEterna being entitled to designate at least four board members, and SGF Soquia, on the one hand, and Fonds FTQ and Fonds Bio, on the other hand, each being entitled to designate at least one board member, respectively. The board of directors of Atrium is comprised of seven members, four of whom are designated by AEterna, two by SGF Soquia and one jointly by Fonds FTQ and Fonds Bio. A mechanism for determining the representative character of each of the shareholders is provided to ensure that AEterna will always hold the right to designate a majority of directors for as long as it holds more than 50% of the voting rights attached to shares. The Atrium Shareholders' Agreement also requires the written consent of each of SGF Soquia, Fonds FTQ and Fonds Bio to authorize certain corporate actions by Atrium, such as the declaration of dividends by Atrium, the making of a strategic acquisition or the transfer of Atrium's head office outside the Province of Quebec. In addition, the Atrium Shareholders' Agreement provides for pre-emptive rights to each shareholder, entitling it to maintain its proportionate equity interest in Atrium. This pre-emptive right does not apply, however, with respect to an issuance of shares of Atrium to a strategic partner to which two of the following-named shareholders consent: Fonds FTQ and Fonds Bio acting jointly, SGF Soquia, and AEterna. Moreover, each shareholder has a right of first refusal allowing it to purchase from a selling shareholder a number of shares proportional to the number of shares it already holds divided by the total number of shares held by all shareholders. A piggy-back right is also provided, allowing each shareholder, in the event another shareholder is allowed to transfer its shares to a third party, to transfer its shares to that third party in

totality, if the selling shareholder controls Atrium, or in the same proportion if the selling shareholder does not control Atrium. If AEterna, who must at that moment hold a controlling interest in Atrium, accepts an offer concerning the purchase of at least 90% of Atrium shares issued and outstanding, each of the other shareholders might be obligated to sell its shares to this purchasing third party. However, AEterna shall pay SGF Soquia, Fonds FTQ and Fonds Bio the difference between the acquisition price of these shares and the value thereof that would have provided a return to these Investors equal to an annual compound interest rate of 25% on their investment. Each of the minority shareholders holds the option to sell its shares to Atrium, AEterna or to the other Atrium shareholders at any time after January 21, 2005 at a predetermined price (the "Redemption Price"). Should a minority shareholder exercise its option, Atrium, AEterna and the other shareholders, successively, will have the right to purchase these shares failing which the selling minority shareholder will be entitled to require the sale of all its shares of Atrium to any third party and if such a sale occurs at a price lower than the Redemption Price, AEterna will have to pay to all the minority shareholders, through the issuance of Subordinate Voting Shares , an amount equal to the difference between the Redemption Price and the price paid by the third party plus a premium equal to 10% of the Redemption Price. The Atrium Shareholders' Agreement will become null and void if Atrium proceeds with an initial public offering or its stock becomes publicly traded on any stock exchange.

AEterna and Atrium are bound by management, lease, production and supply agreements pursuant to which, among other things, AEterna is committed to provide management services, supply shark cartilage to Atrium and produce the active ingredients for the production of Atrium's retail goods.

The head office and principal administrative offices of AEterna and Atrium are located at 1405 boulevard du Parc-Technologique, Quebec City, Quebec, Canada G1P 4P5.

ITEM 3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 HISTORY

AEterna was founded in 1991 by Dr. Eric Dupont. While completing his PhD in physiology-endocrinology, Dr. Dupont designed and commercialized products to be marketed by the Company in the field of cosmetics and nutritional supplements. While continuing to develop lines of products, the Company extended its research activities to antiangiogenic agents and, for this purpose, created the biotech division.

AEterna began its research activities in the biotech sector in 1992 with AE-941 (Neovastat(R)), an angiogenesis inhibitor. Clinical trials followed in oncology, dermatology and ophthalmology before the Company decided, in 2000, to focus AE-941 (Neovastat(R))'s clinical development strictly in oncology.

Administered to more than eight hundred patients, for over five years in some cases, AE-941 (Neovastat(R)) has shown an excellent safety profile. Phase I/II clinical trial results demonstrated a significant increase in survival time of patients with a metastatic cancer of the kidney and for others suffering from non-small cell lung cancer. These results lead the Company to pursue the clinical development of AE-941 (Neovastat(R)) which is currently being investigated in Phase III trials in the same two indications. Results of the Phase III trial in renal cell carcinoma are expected by the end of 2003 while those of the Phase III trial in non-small cell lung cancer are expected in late 2006.

On December 30, 2002, AEterna acquired Zentaris AG, a German biopharmaceutical company based in Frankfurt, Germany, and specialized in the development of drugs in oncology and endocrinology. This acquisition has bolstered AEterna's portfolio to 12 drugs at different preclinical and clinical development stages. One is also currently being marketed for IN VITRO fertilization. Zentaris AG has ten agreements with pharmaceutical companies which assume development costs of its drugs and ensure their marketing. Furthermore, Zentaris AG has a discovery platform of more than 100,000 compounds.

In March 2003, AEterna's German subsidiary, AEterna GmbH, merged with Zentaris AG and the company resulting from this merger is called Zentaris GmbH ("Zentaris").

AEterna has now developed into a biopharmaceutical company focused in the development of innovative treatments mainly in oncology and endocrinology. Its strategic partnerships with pharmaceutical companies extend worldwide.

AEterna owns 100% of Zentaris , and 61.8% of Atrium, which specializes in the development and marketing of active ingredients and fine chemical products for the cosmetics, nutrition, fine chemicals and pharmaceutical industries. Atrium sells more than 500 products in 20 countries through its French subsidiary Unipex acquired in July 2001 as well as its own sales network. Atrium owns 76% of Unipex.

3.2 SIGNIFICANT ACQUISITIONS AND SIGNIFICANT DISPOSITIONS

AEterna acquired two companies during the financial year ended December 31, 2002. On May 1, 2002, its subsidiary Atrium Biotechnologies acquired ADF Chimie S.A. (ADF) (described in Section 4.2). On December 30, 2002, AEterna acquired 100% of the issued and outstanding shares of Zentaris AG for a total consideration of $85,449,771 (Euro51,832,385), of which an amount of $45,760,089 was paid cash and $39,689,682 as a balance of purchase price which was actually settled on March 26, 2003. Zentaris AG is an integrated biopharmaceutical and biotechnological company which develops and produces innovative products and technologies for patient-friendly therapies in oncology and endocrinology. The purchase price allocation is preliminary and is based on the company's estimates of fair value. The final allocation is expected to be completed within the second quarter of 2003 and may result in the purchase price being allocated from identified intangible assets, among others, to goodwill. The Company did not complete any significant disposition during the same period.

The following chart illustrates AEterna and its subsidiaries.

[GRAPHIC]

3.3 TRENDS

For an outline of trends, commitments or uncertainties associated with the Company's operations, reference is made to Management's discussion and analysis of the financial condition and results of operations of the Company for the year ended December 31, 2002, which is incorporated herein by reference.

ITEM 4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 BIOPHARMACEUTICAL ACTIVITIES

AEterna's research and development activities in the biopharmaceutical sector started in 1991 on an angiogenesis inhibiting compound, AE-941 (Neovastat(R)). AE-941 (Neovastat(R)) is extracted from cartilage. By 2002, the Company had focused its efforts on the development of treatments for oncology in high-incidence diseases or for which no satisfying therapies currently exist, i.e., for lung and renal cancer.

AEterna's strategy is also based on the establishment of strategic alliances with pharmaceutical companies in order to accelerate the development of its product candidates and optimize commercial opportunities. The Company intends to commercialize AE-941 (Neovastat(R)) directly, favouring such alliances to limit financial risks and benefit from strategic partners' expertise.

In addition, AEterna intends to continue to acquire complementary technologies or companies. The Company believes that this strategy can offer better value-creation prospects while diversifying the risk inherent to the product development process.

In December 2002, the Company completed the acquisition of Zentaris AG from Degussa AG. Zentaris is an integrated biotech company with a strategic area of competence: development of biopharmaceuticals. The Company sees itself on its way to achieving a leading position in research, development and manufacture of innovative therapeutics, especially in the fields of oncology and endocrinology.

These activities are supported by the in-house department of drug discovery which is mainly responsible for research and development of novel active substances. These active substances are either licensed out against a fee to third parties or they are used as reserve supply for the areas of competence of the Company. This enables the Company to present the entire value-added chain from identification and provision of development candidates via research and development of active substances to the development of marketable products, and to generate short-term, medium-term and long-term income on the basis of its own active substances.

Being an integrated biopharmaceutical and biotechnological company, the Company combines all areas which are necessary in the long term to develop innovative forms of therapy, and thus it possesses the expert knowledge required to develop a drug to market maturity. This research competence in all clinical phases enables the Company to decide, on the basis of cost/benefit analyses, whether - possibly in co-operation with a partner - an active substance is developed to market maturity or whether it is licensed out to a third party at an early stage. Licensing of approved products to third parties in order to utilize their marketing strength represents an additional option.

The Company has now a deeply layered portfolio of active substances and product candidates in different phases of development.

The Company endeavors to expand and develop this portfolio still further. The Company believes that it is in a good position for this because its own drug discovery department can provide the Company with newly researched and developed active substances which are then developed further in the preclinical and clinical phases by the various areas of competence. Thus, at present the Company has several substances from drug discovery which, in the opinion of the Company, possess the potential for subsequent development into drugs. At the same time, there are product candidates in different phases of preclinical and respective clinical development. This avoids dependence on one or two projects without any foreseeable successor candidates.

PRODUCT PIPELINE

ONCOLOGY

PRODUCTS	CLASS	INDICATIONS	STATUS	PARTNERS	COVERED TERRITORY
AE-941 (NEOVASTAT(R))	Multifunctional angiogenesis inhibitor	Renal cell carcinoma	Phase III - Results in 2003	Grupo Ferrer Internacional	Southern Europe, France, Belgium, South and Central America
				Medac GmbH	Europe (North & East), U.K.
				Mayne Pharma	Australia, New Zealand, Canada and Mexico
				LG Life Sciences Ltd.	Korea
AE-941 (Neovastat(R))	Multifunctional angiogenesis inhibitor	Non-small cell lung cancer	Phase III - Results in 2006	Grupo Ferrer Internacional	Southern Europe, France, Belgium, South and Central America
				Medac GmbH	Europe (North & East), U.K.
				Mayne Pharma	Australia, New Zealand, Canada and Mexico
				LG Life Sciences Ltd.	Korea
D-63153	LHRH antagonist	Prostate cancer	Phase II	Baxter Oncology	World
Perifosine	Signal transduction inhibitor	Multiple cancers Radiosensitizer	Phase I/II	Access Oncology US NCI	USA, Canada, Mexico
RC-3095	Bombesin antagonist	Multiple cancers	Phase I		
Teverelix	LHRH antagonist	Prostate cancer	Phase I	Ardana Bioscience	World (excl. Japan, Taiwan, Korea)
				Teikoku Hormone	Japan, Taiwan, Korea
Lobaplatin	Platinum derivative	Multiple cancers	Approved in China	Hainan Chang An Pharmaceutical Ltd.	China
AN-152/AN-238/ AN-215	Cytotoxic-conjugates	Solid tumors	Preclinical		
D-82318 D-81050	Tubulin inhibitors	Solid tumors	Preclinical		

ENDOCRINOLOGY

PRODUCTS	CLASS	INDICATIONS	STATUS	PARTNERS	COVERED TERRITORY
Cetrotide(R) (Cetrorelix)	LHRH antagonist	IN VITRO fertilization (IVF)	Marketed	Serono	World (excl. Japan)
			Market expected in 2003	Shionogi / Nippon Kayaku	Japan
Cetrorelix	LHRH antagonist	Endometriosis Uterine myoma Benign prostatic hyperplasia (BPH)	Phase II	Solvay	World (excl. Japan)
				Shionogi / Nippon Kayaku	Japan
EP-1572	Growth hormone secretagogue (GHS)	TBD	Preclinical	Ardana Bioscience	World
LHRH peptidomimetic	LHRH antagonist (oral)	TBD	Preclinical		

ANTI-INFECTIVES					
Impavido(R) (Miltefosine)	Alkylphospho-lipid	Visceral leishmaniasis (black fever)	Market expected in 2003 in India	Cooperation with the WHO and Indian Government	India
				German Remedies	India, Bangladesh
		Cutaneous leishmaniasis (parasitic skin disease)	Phase III		

DRUG DISCOVERY COMPOUND LIBRARY (MORE THAN 100,000 COMPOUNDS)

4.1.1 ONCOLOGY PIPELINE

AE-941 (NEOVASTAT(R))

Angiogenesis, or the formation of new blood vessels from pre-existing vessels, is a normal biological phenomenon. Almost all tissues have a network of blood vessels which provides the cells with nutrients and oxygen and at the same time facilitates the elimination of metabolic wastes.

Angiogenesis, tumor growth and tumor cell metastasis are multi-step processes which involve a wide variety of molecules, such as growth factors, adhesion molecules and matrix metalloproteinases (MMPs). Studies have presented evidence supporting the antiangiogenic activity of AE-941 (Neovastat(R)) that it affects multiple levels of the angiogenic cascade.

AE-941 (NEOVASTAT(R)): A UNIQUE PRODUCT WITH MULTIPLE MECHANISMS OF ACTION

AE-941 (Neovastat(R)) is an orally bioavailable anti-angiogenic product with multiple mechanisms of action. The multiple biological activities of AE-941 (Neovastat(R)) distinguish AE-941 (Neovastat(R)) from other angiogenesis inhibitors in that it has the potential to interfere with different stages of the angiogenic process, such as selectively inhibiting matrix metalloproteinases (MMPs 2, 9 and 12), blocking the action of VEGF to its receptor, inducing apoptosis (cellular death) of the endothelial cells, and inducing the production of tissue type Plasminogen activator by endothelial cell located within the tumor area.

[GRAPHIC]

CLINICAL DEVELOPMENT OVERVIEW OF AE-941 (NEOVASTAT(R))

Clinical investigations began in 1996 in the following therapeutic areas: oncology (refractory solid tumors),

dermatology (plaque psoriasis) and ophthalmology (age-related macular degeneration ("AMD")). Four Phase I/II clinical trials have been conducted in Canada and the United States.

AE-941 (NEOVASTAT(R)) IN LUNG CANCER

RATIONALE FOR DEVELOPMENT IN LUNG CANCER

Among the patients treated in a Phase I/II dose-tolerance trial, a survival analysis was performed retrospectively in a subgroup of 48 patients with a primary diagnosis of unresectable stage IIIA, IIIB and IV NSCLC. As survival time demonstrated a non-linear response, recursive partitioning was required to determine the most powerful cut-point of AE-941 (Neovastat(R)) dose (expressed according to body weight). The best cut-point was observed at a dose of 2.6 mL/kg/day (corresponding to approximately 180 mL/day in a 70-kg patient). Thus, survival between the group receiving less than 2.6 mL/kg/day (21 patients) was compared to that of the group receiving more than 2.6 mL/kg/day (27 patients) using the Cox survival model, stratified by disease stage, and adjusted for exposure to disease. Median survival time was significantly longer in the high dose group compared to the low dose (6.1 vs. 4.6 months; p=0.026). Additionally, patients receiving more than 2.6 mL/kg/day of AE-941 (Neovastat(R)) had approximately 50% decrease in the relative risk of death as compared to those receiving less than 2.6 mL/kg/day.

PIVOTAL PHASE III CLINICAL TRIAL IN LUNG CANCER SPONSORED BY THE NCI

The excellent safety profile of AE-941 (Neovastat(R)) shown in the Phase I/II clinical trials as well as in efficacy data allowed the Company to proceed with a Phase III trial of its angiogenesis inhibitor.

In September 1998, AE-941 (Neovastat(R)) was selected by a peer-review committee appointed by the NCI. The agreement with the NCI includes the realization of a double-blind, randomized, placebo controlled Phase III trial in which AE-941 (Neovastat(R)) will be administered in combination to chemotherapy and radiotherapy for the treatment of non-small cell lung cancer. This study will be partially financed by the National Institutes of Health of the United States. According to the terms of this agreement, AEterna's responsibility consists in supplying AE-941 (Neovastat(R)) for the entire duration of the study, while the data will be provided by the NCI to AEterna for a registration dossier.

This Phase III trial is being conducted in up to 70 hospitals and research centers of the United States and Canada, under the supervision of the MD Anderson Collaborative Community Oncology Program.

760 patients with newly diagnosed non-small cell lung cancer will be enrolled in this trial. They will be randomly assigned to one of the two arms and they will all receive chemotherapy and radiotherapy treatments. Patients of the first group will also be treated orally with AE-941 (Neovastat(R)), while patients in the second group will receive a placebo. The primary endpoint will be median survival time and the other endpoints will measure, among other things, tumor progression and response rates. In January 2000, the NCI and AEterna obtained approval to begin this Phase III study from the HPB and the FDA. Patient recruitment started during the month of May 2000.

In May 2002, the planned safety analysis from The Data Safety Monitoring Board (DSMB) was positively completed and the clinical trials may continue without adjustment since the safety profile of the study drug is acceptable and no safety concerns have been reported. In October 2002, the Radiation Therapy Oncology Group (RTOG) has joined the Community Clinical Oncology Program (CCOP) in patient enrollment and conduct of AE-941 (Neovastat(R)) Phase III clinical trial in non-small cell lung cancer.

AE-941 (NEOVASTAT(R)) IN RENAL CANCER

RATIONALE FOR DEVELOPMENT IN RENAL CANCER

Among the patients included in a Phase II open-label trial, a prospective survival analysis was performed in 22 patients with metastatic RCC refractory to standard therapies or for whom no treatment was available. Patients were

treated with 60 mL/day (8 patients) or 240 mL/day (14 patients). Median survival time in patients receiving 240 mL/day has been found significantly longer as compared to the median survival time in patients receiving 60 mL/day (16.3 vs. 7.1 months; p=0.01). Survival rate at 2 years was 0% in the 60 mL/day group and 36% in the 240 mL/day group.

PIVOTAL PHASE III CLINICAL TRIAL IN PROGRESSIVE KIDNEY CANCER

Authorization has also been received from the HPB and the FDA to conduct a Phase III clinical trial on the effects of AE-941 (Neovastat(R)) in patients with progressive kidney cancer that are refractory to immunotherapy. The trial is currently conducted in 50 investigative centers in North America and Europe. As planned, patient recruitment has been completed by December 2001, and 302 patients have been enrolled. The lead investigators are Dr. Ron Bukowski of the Cleveland Cancer Center, Ohio, Dr. Peter Venner of the Cross Cancer Institute in Edmonton, Dr. Gerald Batist of McGill University / Jewish General Hospital of Montreal, and Dr. Bernard Escudier of the Institut Gustave Roussy in Villejuif, France. Patients have been randomly assigned to one of two arms, with patients in the first group receiving AE-941 (Neovastat(R)) orally and patients in the second group receiving a placebo. The results of this Phase III trial are expected by the end of 2003.

In May 2002, the planned safety analysis from The Data Safety Monitoring Board (DSMB) have been positively completed and the clinical trials can continue without adjustment since the safety profile of the study drug is acceptable and no safety concerns have been reported. In October 2002, the US Food and Drug Administration (FDA) granted the orphan drug status. This status is a recognition of the potential therapeutic benefits for the renal cancer and grants a commercial exclusivity for seven years. Following discussions with the FDA (USA), Health Products and Food Branch (Canada) and Medicines Control Agency (UK), analysis of the trial's database will start when the number of deceased patients has reached 230. Furthermore, it has been agreed with these health authorities that should that number not be reached by September 30, 2003, analysis of the trial's database would begin at that time and all patients still taking part in the trial would receive AE-941 (Neovastat(R)). Trial results will be available during the current year.

AE-941 (NEOVASTAT(R)): SUSPENDED PROGRAMS

PSORIASIS

In cooperation with Dr. Daniel N. Sauder, AEterna initiated a Phase I/II clinical study in patients with moderate to severe psoriasis in 1997, in Canada. Dr. Sauder was at the Sunnybrook Health Science Centre of Toronto at the time the study was initiated and is now at Johns Hopkins Outpatient Centre in Baltimore. This study assessed the toxicity of the orally-administered product and identified the best dosage for performing Phase III trials. Results showed that AE-941 (Neovastat(R)), administered alone, is a safe and well-tolerated treatment at all dosage levels. This study also revealed that patients exposed to the highest dose of AE-941 (Neovastat(R)) had a statistically significant improvement in the PASI (the Psoriasis Area and Severity Index) score compared to patients who had received lower doses.

AGE-RELATED MACULAR DEGENERATION

In 1997, AEterna conducted a Phase I study in Canada on AE-941 (Neovastat(R)) in order to develop a medication for AMD. The purpose of the study was to determine patient tolerance to AE-941 (Neovastat(R)) and the most effective dosage in view of the performance of clinical studies. The effectiveness has been assessed by observing vascularization of the ocular fundus and its impact on visual acuity. The results of this study demonstrated, in addition to an excellent level of innocuousness and tolerance, an improvement or stabilization in most of the patients who participated.

AE-941 (NEOVASTAT(R)): TERMINATED PROGRAMS

MULTIPLE MYELOMA

The rationale for conducting AE-941 (Neovastat(R)) development in multiple myeloma indication had been very well accepted within the scientific and medical community, following a proposal from Dr. Sundar Jagannath three years

ago. At that time, few drugs were under development in this indication, classified as an unmet medical need. The unique context for starting such a development has significantly changed within the last two years, while two major competitors have been found very potent in this indication. One of them, Velcade developed by Millennium, has been presented as a future registered treatment. Therefore, other drug candidates will have to compete to the standard of efficacy which has been recently reported for Velcade. The drug received Orphan Product Designation from the FDA for multiple myeloma. Also, on January 22, 2003, Millennium announced that a New Drug Application has been submitted to the FDA for approval to market Velcade as a treatment for relapsed and refractory multiple myeloma. This was due to the excellent results generated so far with Velcade, i.e. that final data indicated that the majority of patients experienced a response or achieved stable disease when treated with Velcade; and the declared intention from Millennium to file a registration dossier in the MM indication in the near future, which demonstrates the difficulty for AE-941 (Neovastat(R)) to be first to market in this indication. Consequently, the Company has decided to interrupt the development of AE-941 (Neovastat(R)) in multiple myeloma in January 2003. However, patients presently enrolled in this trial will continue to receive AE-941 (Neovastat(R)) for as long as deemed necessary by the investigators.

Additionally, there is the competitive environment regarding patient recruitment and the need for AEterna to conduct a Phase III trial for a full registration with a major budget incidence within the context of additional drug development.

AE-941 (NEOVASTAT(R)) CHARACTERIZATION PROGRAM

In order to reinforce the Company's proprietary rights in AE-941 (Neovastat(R)) and identify new drug candidates derived from AE-941 (Neovastat(R)), AEterna is concentrating its efforts to identify the active molecules that are responsible for the different biological activities of AE-941 (Neovastat(R)). The identification of these new molecules may allow the Company to extend its own pipeline and eventually, develop these molecules as "new entities", to improve its intellectual property.

As of now, several entities have been discovered in AE-941 (Neovastat(R)) which are directly related to several mechanisms of action responsible for antiangiogenic activities. Molecular entities have been found to be responsible for a) blocking VEGF signalling, b) inhibiting MMP activities, c) inhibiting the proliferation of endothelial cells, and d) inducing the production of molecules with antiangiogenic properties (tPA). New patents have been filed to reflect such discoveries and additional patents are also expected to be filed.

COMPETITION FOR AE-941 (NEOVASTAT(R))

To date, more than 300 compounds are being developed as angiogenesis inhibitors. However only a small number of them are currently in Phase III clinical trials and few have the generally accepted ideal properties of an angiogenesis inhibitor, which is oral bioavailability and very low toxicity level. Furthermore, to the best of our knowledge, AE-941 (Neovastat(R)) is the only compound which acts on several important pathways involved in angiogenesis. It is estimated that approximately 60 products identified as potential angiogenesis inhibitors have reached early clinical development (Phase I/II).

D-63153

D-63153 is a Luteinizing Hormone Releasing Hormone (LHRH) antagonist which is the result of ongoing research activities for the identification and characterization of additional compounds within Cetrorelix's class. The aim of this development was to identify an active substance with physico-chemical properties that are better suited for development as a longer-acting formulation in tumor therapy.

Two Phase I trials have been completed; a single dose escalation with an immediate release formulation; and a single dose escalation using 10, 30 and 60 mg with a long-acting formulation. It was found that a single intra-muscular injection of 60 mg of the long-acting formulation induced castration for 1 month in healthy male volunteers.

Two Phase II clinical trials in prostate cancer are scheduled for 2003. This drug candidate has been licensed for all oncology indications to Baxter Oncology and the clinical development is mainly conducted by Baxter. In December 2002, Baxter exercised its option to obtain rights in all indications.

PERIFOSINE

Perifosine, an oral chemotherapeutic agent, is a phospholipid-like active substance demonstrating antitumoral activity and that was developed as a successor to Miltefosine. Perifosine was better-tolerated in preclinical and in clinical Phase I studies as compared with Miltefosine. Perifosine belongs to a novel class of compounds for cancer therapy and acts as a signal transduction inhibitor that induces apoptosis in cancerous cells.

Based on findings in various tumor models, the U.S. National Cancer Institute (NCI) is presently investigating additional dosage regimens of Perifosine in oncology patients. A number of Phase II studies in patients for the following tumor types are currently ongoing, i.e. prostate, breast, pancreatic, ovarian, head and neck, lung and colon.

A proof-of-concept study of Perifosine in combination with radiotherapy is currently being conducted by the NCI of the Netherlands. Perifosine as an oral anticancer drug has demonstrated responses in Phase I clinical trials for prostate cancer, sarcoma and chondrosarcoma.

The product has been licensed to Access Oncology for North America.

RC-3095 - BOMBESIN ANTAGONIST

Bombesin is a hormone-like peptide for which there are detectable binding sites (receptors) on the surface of different cells. Bombesin-like peptides are growth factors for various tumors, namely in small cell lung cancer, pancreatic carcinoma, breast cancer and tumors of the gastrointestinal tract. Conversely, synthetic peptides were found whose structure is related to Bombesin but whose binding inhibits growth of tumor cells. In corresponding cell and in vivo model systems, this Bombesin antagonist, developed in cooperation with Nobel laureate Professor Andrew Schally, Tulane University, New Orleans, leads to tumor regression and to increased survival. A Bombesin antagonist could prove useful in combination because the mechanism of action differs greatly from that of known antitumoral active substances.

A Phase I clinical trial in highly pre-treated cancer patients showed excellent tolerability with signs of anti-tumor activity at low doses. At present, the drug product is ready to begin Phase II trials and is available for partnerships. RC-3095 will be the first Bombesin antagonist to enter Phase II with anti-tumoral activity.

TEVERELIX

Teverelix is a polypeptide LHRH antagonist drug candidate for the treatment of prostate cancer, a testosterone-dependent tumor. In contrast to benign prostate hypertrophy (BPH), carcinoma of the prostate is a malignant disorder. Thus, prostatic cancer cells can escape to surrounding tissues and eventually metastasize to distant organs via the lymph channels. In Western industrialized countries, cancer of the prostate is the most common type of cancer and the second most common cause of death after lung cancer in men.

In prostate cancer, treatment with an LHRH antagonist has several advantages; i.e. a rapid hormone withdrawal without flare-up effect, avoidance of paralytic symptoms due to a flare-up effect, a rapid decrease in Prostate-Specific Antigen (PSA), a rapid reduction in the size of the prostate, a continuous reduction of Follicle-Stimulating Hormone (FSH) levels and no co-medication for suppression of the flare-up effect.

Teverelix has been developed as a short-acting lyophilisate and a long-acting depot formulation. The product is currently in Phase I clinical trials as a sustained-release form and the development costs are assumed by partners i.e. Ardana Biosciences (worldwide rights ex. Japan) and Teikoku Hormone Manufacturing Co. in Japan.

LOBAPLATIN

Lobaplatin is a cisplatin-analogue that has proven highly effective in the treatment of many cancers. Lobaplatin differs predominantly from Cisplatin by having a more favorable safety profile, i.e. less severe vomiting, nephrotoxicity, ototoxicity and neurotoxicity allowing for potentially broader therapeutic uses in cancer treatment.

In China, Lobaplatin was approved by Health Authorities for the treatment of inoperable, advanced breast cancer, small cell lung carcinoma, and chronic myeloid leukemia (a cancer of the hematopoietic system). Zentaris signed a contract with Hainan Chang An Pharmaceuticals Ltd. in China for the marketing and manufacturing rights for Lobaplatin. The technology transfer agreement provides a one-time payment to Zentaris. In addition, the contract specifies that Hainan Chang An Pharmaceuticals Ltd. will manufacture and deliver Lobaplatin to Zentaris or its partners for possible marketing in all other countries worldwide.

4.1.2 ENDOCRINOLOGY PIPELINE

CETRORELIX

Cetrorelix is a peptide-based active substance which was developed by Zentaris in cooperation with Nobel Laureate Professor Andrew Schally, Tulane University, New Orleans. The drug product is an LHRH antagonist that blocks the LHRH receptors on the pituitary and rapidly decreases sex hormone levels, (i.e. without a preceding flare-up effect). Moreover, Cetrorelix allows the LHRH receptors on the pituitary gland to be blocked gradually. Conversely, the side effects associated with using agonists and thus, total hormone withdrawal can be avoided. In contrast to treatment with other agonists, LHRH antagonists permit dose-dependent hormone suppression which is of critical importance for the tolerability of hormonal therapy.

THE PRINCIPLE OF ACTION OF CETRORELIX AND DISTINGUISHING BETWEEN LHRH AGONISTS/ANTAGONISTS

LHRH is released by the hypothalamus in the brain and controls the production of sex hormones, (i.e. testosterone in the testes and estrogen and progesterone in ovaries) via the LHRH receptors in the pituitary gland (hypophysis).

The LHRH receptors on the pituitary are stimulated by LHRH agonists and thus initially lead to increased excretion of the hormones LH and FSH which in turn regulate formation of testosterone and estrogens. The "flare-up" effect can last up to three weeks until the pituitary markedly decreases the release of LH and FSH by desensitization and depletion of LHRH receptors (i.e. down-regulation) resulting in a considerable drop in testosterone and estrogen levels. Though the initial flare-up effect is limited in time it can sometimes cause, depending on the nature and stage of the particular disorder, considerable additional symptoms or even life-threatening complications which in turn require additional therapeutic intervention. By simultaneous administration of further drugs, the flare-up effect can be attenuated. However, this treatment also bears a risk of side effects, e.g. disturbances of the function of the stomach, intestines and liver.

During full hormone suppression, LHRH agonists reduce the male sex hormones to values below castration. In women, the hormone levels are far below the values observed after the end of the climacteric. Treatment with an LHRH agonist, therefore, is regularly associated with side effects such as hot flashes, depression, muscle weakness, loss of libido and, especially in women, osteoporosis and ovarian cysts. At the end of treatment, it takes several weeks for the hormone function to return to normal ranges. At the same time, an excessive rebound effect can lead to renewed deterioration of the symptoms.

Because of its different mode of action, Cetrorelix avoids the side effects associated with administration of agonists. Since the effect has a rapid onset, the treatment time with Cetrorelix can be much shorter than with agonists. Moreover, in various clinical studies, the effect of Cetrorelix therapy lasted much longer than the hormone suppression, and consequently confirms the new therapeutic principle of intermittent treatment. Periods with moderate and well-

tolerated hormonal suppression can be followed by intervals without treatment during which side effects are completely avoided. Since there is no necessity for long-term therapy and the overall treatment time is much shorter, the side effects are also reduced. In particular, the risk of osteoporosis in women taking the Cetrorelix therapy regimen is considerably diminished.

Cetrorelix may therefore be useful in a variety of malignant and non-malignant indications in which a suppression of the pituitary-gonadal axis is desired. The degree of suppression of gonadotrophins and sex steroids required is dependent on the clinical circumstances and disease treated. For example, in patients undergoing controlled ovarian stimulation (COS) for assisted reproductive techniques (ART), endogenous gonadotrophin secretion has to be controlled whereas, development of the follicle must not be adversely affected.

CETRORELIX IN VITRO FERTILIZATION (COS/ART)

Cetrorelix is the first LHRH antagonist which was approved for therapeutic use as part of in vitro fertilization programs in Europe and USA and was launched on the market under the name Cetrotide(R) (Cetrorelix acetate). In women who undergo controlled ovarian stimulation (COS) for recovery of ovocytes for subsequent fertilization Cetrotide(R) prevents premature ovulation. In comparison with LHRH agonists, which require a much longer pre-treatment, the use of the LHRH antagonist Cetrotide(R) permits the physician to interfere in the hormone regulation of the treated women much more selectively and within a shorter time.

The effectiveness of Cetrotide(R) has been examined in five clinical trials (two Phase II and three Phase III trials). Two dose regimens were investigated in these trials: either a single dose per treatment cycle or multiple dosing. In the Phase II studies, a single dose of 3 mg was established as the minimal effective dose for the inhibition of premature LH surges with a protection period of at least four days. When Cetrotide(R) is administered in a multi-dose regimen, 0.25 mg was established as the minimal effective dose. The extent and duration of LH suppression was found to be dose dependent. In the Phase III program, efficacy of the single 3 mg dose regimen and the multiple 0.25 mg dose regimen was established separately in two controlled studies utilizing active comparators. A third non-comparative study evaluated only the multiple 0.25 mg dose regimen of Cetrotide(R). In the five Phase II and Phase III trials, 184 pregnancies were reported out of a total of 732 patients (including 21 pregnancies following the replacement of frozen-thawed embryos). No drug related allergic reactions were reported from these clinical studies.

[GRAPHICS]
SOURCE: ZENTARIS AG.

Cetrotide(R) is marketed in a 3 mg and a 0.25 mg subcutaneous injection as Cetrorelix acetate by Serono in the US and Europe. Cetrotide(R) is pending approval in Japan and will be marketed by Shionogi and Nippon Kayaku.

COMPETITION FOR CETROTIDE(R)

The market competitor is Ganirelix (Antagon/Orgalutran) from Akzo (Organon) indicated for the inhibition of premature LH surges in women undergoing controlled ovarian hyperstimulation. Additional competitors' products are under development from Abbott, SKB and Takeda.

CLINICAL DEVELOPMENT OVERVIEW OF CETRORELIX

Cetrorelix has been licensed exclusively to Solvay Pharmaceuticals worldwide for all the following indications listed below with the exception IVF/COS-ART and the Japanese market.

CETRORELIX IN BENIGN PROSTATIC HYPERTROPHY (BPH)

RATIONALE FOR DEVELOPMENT IN BPH

BPH is a hormonal enlargement of the male prostate gland. The prostate is located directly at the vesicle outlet in the male surrounding the first part of the urethra. The enlargement puts pressure on the urethra, causing difficulty in urinating. BPH is classified into three stages according to symptoms, 1-irritant phase where the patient suffers dysuria (pain when urinating) and nocturia (the urge to urinate during the night), 2-residual urine in the bladder thus increasing problems during urinating, and 3-overflow of the bladder. These can result in formation of bladder stones, congestion of urine, and engorged kidneys which can lead to life-threatening kidney damage. Enlargement of the male prostate is controlled by testosterone. Testosterone is generally responsible for proper functioning of the prostate. With increasing age, testosterone can cause benign cell growth. The development of BPH is caused by an imbalance of testosterone and aging.

Because LHRH agonists decrease testosterone to castration levels, treatment of BPH with agonists is not the best approach. Drug therapy with plant-based drugs, (alpha)-receptor or (alpha)-reductase blockers is possible but the plant-based and (alpha)-receptor blockers cannot delay further prostate growth. They merely improve the symptoms in 50 percent of patients. Treatment with (alpha)-reductase blockers decreases the size of the prostate; however, this form of therapy is successful only in patients with a greatly increased prostate volume and only after a treatment period of at least 6 months. In contrast, Cetrorelix improves the symptoms of BPH and reduces the size of the prostate after a short treatment period without chemical castration. The effects are independent of the prostate volume and are maintained for a long period following treatment withdrawal.

BPH CLINICAL TRIALS

All studies performed so far in patients with symptomatic BPH revealed that Cetrorelix is therapeutically active in this indication as demonstrated by an improvement in symptoms such as, increase in urinary peak flow rate and reduction in prostate volume. Efficacy, initially deduced from the results of uncontrolled pilot studies, was confirmed in a double-blind placebo-controlled study. The improvement in BPH-symptoms was clinically significant, generally lasting for several months, independent from prostate size at study entry and castration levels of testosterone. Cetrorelix has been shown to suppress the formation of the male sex hormone testosterone, which plays a principal role in cell growth of the prostate. Thus, since cell growth is halted, surgical removal of the prostate can be avoided.

Cetrorelix is in Phase II trials following the proof of principle demonstrated in Phase I trials and has shown an excellent tolerability profile with minimal side effects. Cetrorelix could represent a new treatment option with the additional advantage of intermittent therapy as opposed to the current continuous therapy with agonists. Among current therapies, (alpha)-blockers cause severe side-effects and only symptomatic relief and have shown only slight reduction in prostate volume after 6 months. There is currently limited competition in clinical development.

CETRORELIX IN ENDOMETRIOSIS

RATIONALE FOR DEVELOPMENT IN ENDOMETRIOSIS

Endometriosis is the displacement of endometrium-like tissue (tissue from the mucous membranes of the uterus) to other organs outside the womb. In the abdomen, the tissue can spread to fallopian tubes, ovaries, bladder, small and large intestines, stomach, lungs or legs. Estrogen-dependant diseases often regress when estrogen production is reduced. Endometriosis is an estrogen-responsive disease, and the pelvic pain associated with it improves when estrogen production is reduced with bilateral oophorectomy or chronic gonadotropin releasing hormone (GnRH) agonist treatment. Unfortunately, reduction of estrogen production is associated with adverse side effects, such as vasomotor symptoms and bone loss. In women with endometriosis and pelvic pain, the combination of bilateral oophorectomy plus postoperative low-dose ("supplemental") estrogen treatment produces sustained improvement in pain symptoms and reduces the hypo-estrogenic side effects associated with bilateral oophorectomy.

A similar estrogen-level can be induced and was shown to be affected by chronic GnRH agonist treatment in conjunction with low-dose steroid therapy (estrogen plus progestin or progestin only). In both treatment approaches, replacement estrogen treatment is necessary to reduce the hypo-estrogenic effects (e.g. bone loss, climacteric symptoms) caused by both oophorectomy and GnRH agonist. Administration of LHRH agonists can initially lead to a deterioration of symptoms due to the flare-up effect, then, due to the complete suppression of the estrogen to below castration levels values for many months. These symptoms can further deteriorate upon withdrawal of hormonal replacement. The longer the treatment period with traditional LHRH agonists, the higher the risk of osteoporosis. Use thereof is therefore restricted to six months and can be extended only if estrogens and progesterones are administered concomitantly.

These side effects can be avoided with Cetrorelix therapy because flare-up does not occur, and because it allows the possibility to control the estrogen levels to values seen at the start of the regular monthly cycle. Since the controlled hormone withdrawal has a rapid onset and the monthly bleeding stops quickly, the inflammatory foci of endometriosis are depleted of their basis so that the treatment time can be reduced considerably, presumably to eight weeks. Initial experiences show that the effect of therapy persists for many months, and doctors and patients can thus decide whether recurring symptoms are treated by further therapy cycles with Cetrorelix or whether any residual endometriosis tissue is removed surgically after treatment. Since the effect of Cetrorelix starts within a short period of time and the risk of osteoporosis is low this therapy can be repeated in several cycles. If appropriate, surgical intervention can be avoided.

ENDOMETRIOSIS CLINICAL TRIALS

Cetrorelix was given at a rate of 3 mg per week over a period of 8 weeks. All patients were free of pain during the course of treatment. A second laparoscopy was performed after 8 weeks and an improvement of the disease was shown in 60% of the cases. The efficacy was comparable to agonists but with the benefit of almost complete lack of side-effects. Currently in Phase II, Cetrorelix allows targeted control of the hormone level to give rapid effects, while avoiding the problems of menopause and risks (e.g. osteoporosis) associated with an otherwise complete and long-term withdrawal of hormones. The fast effectiveness can also be ideal for intermittent therapies.

CETRORELIX IN UTERINE MYOMA

RATIONALE FOR DEVELOPMENT IN UTERUS MYOMA

Zentaris is also developing Cetrorelix for the indication of uterine myoma. A uterus myoma is a benign tumor of the uterine muscles. If the entire uterine wall is penetrated by myoma, one refers to uterus myomatosus. Depending upon the length and the direction, it is either referred to as a subserious myoma, which is located below the

peritoneal covering of the uterus and grows towards the intestinal cavity, or a submucous myoma, which is located below the mucous membrane and grows into the uterine cavity. The most frequent form is, however, the intramural myoma bound in the muscular layer of the uterus. They lead to pain in the lower abdomen and in some cases to prolonged or severe monthly bleeding outside the normal cycle. This can cause severe blood loss leading to anemia. Infertility and pregnancy problems such as abortion or premature delivery are also frequent consequences. When the myoma puts pressure on the intestine or the bladder, the result can be constipation, bladder pain, or a desire to urinate. If the myoma exerts pressure on nerves leaving the spinal cord, the result can be back and neuralgic pain in the legs.

UTERUS MYOMA CLINICAL TRIALS

It was demonstrated that Cetrorelix reduces the myomas in the uterus as early as after two to four weeks so that the remaining myomas can be removed surgically. Side effects of the therapy can be reduced significantly because there is no flare-up effect and the treatment time is short. Thus, as far as the indication of uterine myoma is concerned, Zentaris expects Cetrorelix to offer clear advantages over the traditional therapies because the disorder can be treated within a short time and the customary side effects of the LHRH agonists used so far are avoided. Cetrorelix is the first LHRH antagonist under advanced clinical development for uterus myoma. This indication is currently in Phase II.

COMPETITION FOR CETRORELIX

The market leaders in the indication of BPH are Pfizer and Boehringer Ingelheim both with (alpha)-receptor blockers and Merck Inc. with an (alpha)-reductase blocker. Worldwide, there are three LHRH agonists for the treatment of endometriosis and uterine myoma, each from from Takeda-Abbott, Astra-Zeneca and Aventis.

4.1.3 ANTI-INFECTIVE

MILTEFOSINE

Miltefosine belongs to a class of substances called phospholipids which constitutes a significant part of cellular membranes. Miltefosine is the only oral drug for the treatment of visceral leishmaniasis.

Leishmaniasis is a parasitic infection which is prevalent in tropical regions but which also occurs repeatedly and with an increasing tendency in industrialized countries in HIV-infected people. Depending on the strain of leishmania, which is transmitted by mosquitoes, the disorder can be present in the following form:

Cutaneous leishmaniasis: in the cutaneous form, this disease occurs most frequently in North and Central Africa, the Middle-East and South America. The skin initially forms protuberances (e.g. skin lesions) around the sites of the mosquito bite which can open like ulcers after several weeks or months. Although this form of leishmaniasis is not life-threatening and does not necessarily require medication, drug therapy can accelerate healing and help to prevent formation of scars. However, in about 10 percent of patients, the infection takes a chronic course and requires drug therapy.

Visceral leishmaniasis: this infection usually has a subacute or chronic course and particularly affects liver, spleen, bone marrow and lymph nodes. As a consequence, the patient has a wide variety of general symptoms, e.g. recurrent fever for many weeks, severe enlargement of spleen and liver, disturbances of the hematopoietic system and blood coagulation, as well as severe emaciation (cachexia). This is the most dangerous form of leishmaniasis which, when untreated, leads to death about six months to two years after the outbreak of the disease. Visceral leishmaniasis occurs in Asia, in particular in India, Bangladesh, Brazil, Nepal, Central Africa and the Mediterranean countries (where it usually occurs as a co-infection with HIV).

Not every bite of a mosquito infected with leishmania will cause eruption of the disease because in most cases an intact immune system controls the transmitted leishmania. However, when the body's immune system is weakened, e.g. by an HIV infection, the leishmania can multiply so that the risk of development of visceral leishmaniasis is increased. Since leishmania and HIV pathogens target the same cells in the immune system, i.e. the monocyte-

macrophage system, leishmaniasis increases the danger of an infection with the HIV virus leading to outbreak of the immune defect by a factor of 100 to 1,000.

In developing countries with poor medical care, Miltefosine could significantly reduce hospital treatment. Because it is an oral anti-infective, secondary infections (e.g. co-infection with HIV) associated with the use and possible re-use of syringes can be eliminated.

MILTEFOSINE IN CLINICAL TRIALS

On the basis of a small-scale proof-of-concept study in India, a clinical development program was initiated under the supervision of Tropical Diseases Research (TDR). A dose-ranging and pharmacokinetic Phase I/II study and a large Phase III trial comparing Miltefosine with Amphotericin B were performed in adult patients. In addition, a dose-ranging and pharmacokinetic study, and a confirmatory Phase III study, were conducted in children. Miltefosine was found to be equally active in patients with newly diagnosed leishmaniasis and in patients with infections unresponsive to prior standard therapy.

In comparison with the side effects of traditional drugs (cardiac arrhythmia, inflammation of the pancreas, fever and blood abnormalities) the side effects of Miltefosine are less severe. However, drugs which are better tolerated but have to be administered via an injection are virtually unaffordable for patients living in the affected regions. The phenomenon of resistance is increasingly observed even with administration of high doses of conventional drugs to treat infections. In the studies carried out so far with Miltefosine it was even possible to successfully treat patients in whom previous drugs were unsuccessful.

Zentaris received approval for Miltefosine in the treatment of visceral leishmaniasis in India. The Orphan drug status was granted by the EMEA in 2002. The product will be marketed under the name Impavido(R) by German Remedies, by the World Health Organization and the Indian Government and also by the German medical aid organization action medeor e.V. in order to ensure global access of Impavido to non-governmental organizations (NGO). Impavido(R) will be the first oral formulation which can be administered once daily for 28 days. A Phase IV of over 1000 patients in currently on-going in India in order to extend the use to the entire WHO program.

The clinical trial in cutaneous leishmaniasis will be completed during 2003. Submission to the German Health Authorities for registration as treatment of visceral leishmaniasis is planned for 2003. Partnering and registration submission in South America (Brazil) is also planned for 2003.

4.1.4 PRECLINICAL PRODUCTS

DEVELOPMENT OF A LOW MOLECULAR WEIGHT TUBULIN INHIBITOR

An important objective of drug discovery is finding and developing a low molecular weight compound which inhibits the tubulin system. Tubulin is a protein found in all cells and which plays an important role during cell division in that it helps to transmit genetic information to the daughter cells. Inhibition of this process leads to death of the affected cell. The anti-tumor agents Taxol and Vincristine which are widely and successfully used in therapy are based on this principle. Both compounds are expensive natural substances which cause severe side effects when used in humans. A tubulin inhibiting drug can be used, for example, for the treatment of breast cancer and ovarian carcinomas.

Two drug candidates are being evaluated and initial preclinical data has established a dual mechanism of action for one of them. These mechanisms are the induction of apoptosis and topoisomerase II inhibition. Using an IN VITRO panel of human cell lines, a high anti-tumoral activity has been shown. In animal studies, an oral IN VIVO activity has also been observed.

DEVELOPMENT OF A NON-PEPTIDE LHRH ANTAGONIST

As previously outlined, the LHRH receptor plays an important role in the number of benign and malignant tumors. Cetrorelix, which was developed by Zentaris, is a peptide which blocks the receptor and can thus be used for cancer therapy. Drug discovery searches for small non-peptide molecules which cause the same effect on the receptor. Their advantage lies in the potential for oral administration and producing them in a cost-efficient manner. They represent the next generation of LHRH antagonists. A drug based on these substances would be especially useful for the treatment of BPH, breast cancer and prostate carcinoma.

The development of new orally bioavailable LHRH antagonists for hormonal therapy has yielded several promising compounds. The project has advanced to a stage where the IN VIVO activity has been confirmed for two compounds.

DEVELOPMENT OF A GROWTH HORMONE SECRETAGOGUE

Growth hormone secretagogues (GHS) represent a new class of pharmacological agents which directly stimulate growth hormone (GH) secretion from pituitary without the involvement of GHRH or somatostatin. There is no GHS on the market yet. Since GH is a potent regulator of lipid, sugar and protein metabolism, the potential clinical uses of GHS are numerous. They include growth retardation in children and treatment of cachexia in AIDS patients, which are currently the only approved uses of therapy with GH. The administration of GH, which has to be injected every day, is cumbersome. Therefore there is a need for new orally active drugs like GHS. Competitors in this field are Novo-Nordisk, Wyeth-Ayerst and Pfizer with compounds in the early clinical phases.

In the framework of university collaboration, Zentaris has access to new petidomimetic compounds with GH secretagogue properties. A development candidate underwent clinical pharmacology tests which demonstrated a potent stimulation of the GH secretion after oral administration in human volunteers. This drug product has been licensed to Ardana Biosciences.

THE SEARCH FOR NOVEL CYTOSTATICS

A cytostatic is a drug suited for tumor therapy which is based on the cytotoxic properties of the active substance. Many anti-tumor agents presently used in the clinical setting function according to this principle. A cytostatic influences the division of all quickly dividing cells such as cancer cells but also, e.g., cells of mucous membranes, by inhibition of the cellular metabolism. Besides the strategy of selectively eliminating a molecular target structure, e.g. the kinases, in the tumor cell, Zentaris is using suitable test systems to search specifically for these cell-toxic compounds. This broad based search offers the opportunity to find novel compounds having an unknown mechanism of action and to test their suitability as cancer agents.

4.1.5 DRUG DISCOVERY

On the world market there is increasing demand for license projects for active substances from the area of oncology. The average value of the license projects from the area of drug discovery has increased from about US$ 35 million at the beginning of the nineties to almost US$ 60 million. The internal drug discovery department provides Zentaris with an important prerequisite for the provision of new patented active substances which can be developed further by Zentaris or licensed to third parties. Zentaris intends to generate revenue on the basis of its own new chemical active substances (New Chemical Entities, "NCEs") in order to utilize the value-added chain exhaustively over the long term.

STRATEGY OF DRUG DISCOVERY

Drug discovery attempts to find small, synthetically accessible molecules as active substances and to make them available for development as drugs. In some instances, these molecules are oriented towards their natural counterparts, the hormones, but these are much smaller than the peptides and proteins which occur in the cell. Small molecules as active substances are advantageous in that they can form the basis for development of drugs which, unlike

peptides, can be orally administered and as a rule are much cheaper to produce. When absorbed by the body and distributed to the organs, these substances are intended to attack the disease-relevant targets in the tumor cells and to eliminate them. The targets are proteins, enzymes and receptors which play an important role in the metabolism of healthy and diseased cells.

Drug discovery concentrates on the search for active substances for innovative targets. Innovative targets are molecular target structures whose connection with the tumor disease has only been discovered and elucidated recently and which permit introduction of new therapeutic approaches. Furthermore, drug discovery searches for new active substances having improved properties for clinically validated targets for which drugs are already being used in humans and which produce inadequate effects, cause severe side effects, are not economical or are not available in a patient-friendly form.

Zentaris utilizes the most modern methods for drug discovery, e.g. high-throughput screening (HTS) and computer-assisted data processing, thereby, markedly increasing the efficiency of finding effective new molecules. Knowledge of the intended target or the natural messenger substances involved in the disease permits computer simulation of effective molecules which can then be synthesized in the laboratory. Methods of combinatorial chemistry and use of highly-automated technology considerably increase the success rate of discovering new compounds.

To this end, Zentaris possesses an original substance library for discovery of active compounds with a comprehensive range of promising natural substances which can serve as models for construction of synthetic molecules. The initial tests involve 100,000 samples from the internal substance library in the form of high-throughput screening. The hits, i.e. the first active compounds found, are tested further and built up specifically into potential lead structures. Based on two to three lead structures, they are then optimized in a further step to potential development candidates. Expansion of the substance base clearly enhances the chances for successful development.

Preclinical candidates can be developed further by Zentaris or licensed at attractive terms. As in the entire business model of Zentaris, the license negotiations can start in the in-depth preclinical stage or at the end of Phase I or II.

4.2 ATRIUM BIOTECHNOLOGIES INC.

4.2.1 BACKGROUND

From 1991 to 1999, the cosmetics and nutrition division of AEterna developed and marketed a variety of products and active ingredients on a worldwide scale. Historically, these activities financed part of the research and development expenses of AEterna's biopharmaceutical division and contributed to the Company's profitability. In January 2000, AEterna created Atrium in order to exploit the full potential of that division. In July 2001, Atrium acquired 70% of the outstanding capital shares of the French company Unipex for $21 million dollars, thereby diversifying its distribution activities of specialized raw materials in the sectors of pharmaceutics and fine chemistry. It further increased its participation to 76% through the acquisition of minority shareholders stock at the beginning of 2003. In April 2002, Atrium also acquired, through its subsidiary Unipex at a cost of $2.3 million, 100% of the privately-owned French company ADF Chimie S.A., a distributor of active and specialty ingredients for the French cosmetics industry, with some 50 clients, including L'Oreal, L.V.M.H. and Chanel.

Today, Atrium markets a variety of products including, on the one hand, products manufactured from signalling molecules extracted from animal or marine biomass, some of which encourage homeostasis, and on the other hand, a wide variety of fine chemical products manufactured by large companies such as Ajinomoto, Amerchol (Dow Corporation), Eisai or Ueno, to name just a few. Up until 1998, the nutritional supplements and cosmetic ingredients produced by AEterna were sold on specialized markets via independent distributors on three continents reaching health and skin-care professionals on one hand and retail markets on the other hand. In 1998, AEterna reoriented the activities of its cosmetics division towards the development of active ingredients to be incorporated in cosmetics products marketed in specialized markets through its network of multinational partners. In the cosmetics division, production of finished

products requiring packaging, labelling and other low value-added activities was discontinued in favor of the sale of active ingredients. Agreements will be signed, as required, with manufacturers of cosmetic products to satisfy customer demands and above all to ensure marketing of these products. The activities of Unipex are oriented towards technical support and the sale of superior quality raw materials to multinational companies operating in the fields of cosmetics, human and animal nutrition, pharmaceutics, and fine chemicals. As of today, the food supplements and cosmetics ingredients manufactured for Atrium are marketed largely in North America, Europe and Asia, and the Unipex sales are concentrated in Europe, especially in France. Unipex also distributes the Atrium cosmetics ingredients in Europe.

To rapidly fill its product portfolio, Atrium hired qualified professionals responsible for in-licensing and acquisition of innovative technologies to be commercialized in its international networks.

4.2.2 NUTRITIONAL SUPPLEMENTS

ACTIVITIES

Atrium's expertise consists in developing innovative nutritional ingredients and finished products. In 1998, AEterna transferred part of the responsibility of producing and marketing finished products to its commercial partners. Consequently, Atrium focuses on entering into strategic alliances with partners with a solid distribution network as well as proven training and marketing programs. Partnership with such companies allows Atrium to enter into different market segments, not only in North America but also in Europe and Asia. Atrium intends to focus on its own ability to develop innovative active ingredients and high-end products internally, especially through the in-licensing and acquisition of promising new technologies, to carve out a niche in the area of nutritional supplements with scientifically proven interest.

In October 2000, Atrium acquired a product line in the field of nutritional supplements. This acquisition allowed Atrium to improve its position in different market segments in the United States and elsewhere in the world. In April 2002, Atrium acquired another product line, with half a dozen products, to complete its portfolio.

Some nutritional supplements are produced and marketed by Atrium. These products are CarTCell, a shark cartilage extract, and the NatCell line made from glandular extracts. These products are manufactured by AEterna using an extraction process developed by AEterna's scientists. Atrium sells other finished products that incorporate its principal active ingredients and are manufactured by subcontractors. It also subcontracts for certain products under very strict quality control criteria.

COMPETITION

The nutritional supplement market is in a consolidation phase characterized by the marked presence of large multinational pharmaceutical companies that acquire smaller players who sell their products through retail networks. This trend, coupled with an increasingly rigid regulation applicable to the nutritional supplement industry, creates a demand for products with scientific data to support commercial claims. This has also led to the establishment of stricter quality controls for the development of active ingredients and finished products. Under Atrium's strategy of production and marketing with partners, which focuses on the specialized market of health and nutrition professionals, it will avoid competing directly with these large multinational pharmaceutical companies and will focus instead on becoming a selected supplier of innovative active ingredients for these major corporations.

4.2.3 COSMETICS

ACTIVITIES

Atrium develops, manufactures and markets natural, biologically active ingredients that help re-establish the skin's natural functions in order to attenuate the signs of aging. AEterna marketed its own finished products through its network of specialized distributors up to 1997. However, following the shift in its strategy in 1998, AEterna began, and

since January 1, 2000 Atrium continues, to market the active ingredients it develops, or which are manufactured for it under strict quality control standards by establishing strategic alliances such as the license agreement signed with Estee Lauder Inc., which has assumed most of the development costs of a new active ingredient in exchange for certain marketing rights (see "4.4 -Strategic Alliances").

The products marketed by Atrium consist of the PRE Complex, an active cosmetic ingredient that increases the natural renewal of the epidermis and helps reduce the appearance of the signs of aging, the MDI Complex, a collagenase inhibitor, and BioSerum, a tensing product, and a marine biopolymer with antimicrobial properties and which improve the luminosity of the skin. Atrium markets its products individually but promotes their combined use. A majority of the cosmetics ingredients are currently manufactured in AEterna's laboratories. Unipex distributes its active ingredients in Europe. At the end of 2002, Atrium was granted the exclusive rights to commercialize the active ingredients of Fytokem Products Inc. and concluded a license agreement with respect to the molecule EUK-134 developed by Eukarion Inc., a biotech company located in the United States. Fytokem products include the Canadian WillowherbTM and the TyrostatTM lines of products. The EUK-134 is a synthetic free radical scavenger used as an antioxidant.

COMPETITION

The cosmetics industry is characterized by a very high level of competition. Large multinationals in the industry have far greater resources than those of Atrium to develop and market products aimed at various markets. In addition, a large number of small- and medium-sized businesses are attempting to control certain niche markets. Even though they may have more limited resources, they are strong competitors because they target the same markets targeted by Atrium. Atrium intends to maintain its competitive position by continuing to invest in the research and development of innovative products originating from the most recent discoveries applied to skin aging.

Atrium's strategy in the cosmetics area is centered on entering into commercial agreements with leaders in the cosmetics industry which will allow for the co-development of innovative active ingredients characterized by their biological properties and safety profile. Atrium expects that its growth in this area will be driven by the development of new products. The emphasis will be on the in-licensing and acquisition of new technologies.

4.2.4 UNIPEX

ACTIVITIES

Unipex offers its clients a technical support that enables them to successfully incorporate the specialized raw materials in their formulations and processes. These raw materials can be used in the fields of cosmetics, pharmaceutics, fine chemistry, and human and animal food products. These raw materials are supplied by approximately 80 manufacturers selected by Unipex for the quality and innovative characteristics of their products. The Unipex client list contains mostly large French companies such as L'Oreal, Pierre Fabre, Aventis and Sanofi-Synthelabo, to name only a few of its 1000 clients.

The products marketed by Unipex cover a very wide range from excipients to generic pharmaceutical molecules. In cosmetics, Unipex distributes mostly fine chemical products that improve the texture and efficacy of end products, as well as several active ingredients that add specific desired cosmetic benefits. In pharmaceutics, Unipex offers excipients, aromatics, preservatives, sweeteners, and active molecules, both natural and synthetic, for use in the industry of generics. In chemistry, the Unipex development and marketing teams are deeply involved in questions of intermediate organic synthesis. In human and animal nutrition, Unipex offers raw materials that improve the texture, taste, and nutritional qualities of final products.

COMPETITION

Unipex operates in a consolidation environment. In fact, over the past few years, many of its customer enterprises have made several acquisitions and are now seeking ways to simplify their purchasing structures. In this way,

distributors have rapidly become segmented between those who offer commodities in very large volumes, and those who like Unipex concentrate on speciality products with a strong added value. Some commodity distributors have tried to penetrate the speciality products market, but with a low success rate, because this market requires a very high level of technical expertise and a completely different logistics organization. Unipex stands out from its competition by the level of competence of its personnel and by over 30 years of experience in the imports and distribution of fine chemical products. Unipex strengthened its cosmetic portfolio when it acquired ADF Chimie in 2002.

Atrium intends to maintain, and even increase, the market share held by Unipex by making additional acquisitions in Europe and in North America. This will give the multinational corporations a single wicket where they will be able to find most of the specialty products they seek without creating a strategic dependence on any particular supplier.

4.2.5 STOCK OPTION PLAN

In February 2001, Atrium instituted a stock option plan (the "Plan") for its directors, collaborators and employees, effective November 1, 2000. The shares subject to the Plan are the Subordinate Voting Shares of Atrium. The number of shares to be issued under the provisions of the Plan shall not exceed 650,000 shares of the capital stock of Atrium. The subscription price for each share covered by an option shall not be lower than the fair market value of such share at the time of the granting of the option.

4.3 MANUFACTURING AND QUALITY CONTROL

AEterna develops and manufactures pharmaceutical and, through its subsidiary Atrium, nutritional and cosmetic products. All of the extraction products developed by Atrium are manufactured in AEterna's production premises whereas the products obtained under licence or by acquisition are generally manufactured by subcontractors who must meet stringent quality control standards. These subcontractors are regularly audited by representatives of the Company's quality assurance group. As for the extracts that it manufactures, the Company has the equipment required to isolate, purify and concentrate the substances of various molecular weights contained in extracts. These extracts are aqueous and composed of molecules selected in accordance with their molecular weight. In the majority of cases, the production of these extracts involves freezing to ensure that the active ingredients contained therein are preserved.

The raw material used by the Company to produce the extracts is quarantined, inspected and released in accordance with specifications established by AEterna's quality control unit. The quality control unit also ensures, on the same basis, rigorous quality control during production as well as on finished products.

With regards to Good Manufacturing Practices ("GMP"), to the best of its knowledge, AEterna complies with all applicable regulatory requirements required to carry on its activities. Moreover, the Company complies, in all material respects, with the provisions of applicable environmental laws and regulations.

In September 1999, the Company completed construction of a new head office, industrial production center and laboratories that permits wide-scale production of finished products developed by its research activities. With this fully industrial production laboratory, AEterna has better control over all manufacturing activities. These facilities contain areas that comply with GMP, and with regulatory requirements for the production of drugs.

4.4 STRATEGIC ALLIANCES

AEterna concluded strategic alliances in February 2001 in view of the commercialization of AE-941 (Neovastat(R)) for the European market with GRUPO FERRER INTERNACIONAL, S.A. ("GRUPO FERRER"), one of the largest Spanish pharmaceutical companies based in Barcelona and with MEDAC GMBH ("MEDAC") from Hamburg, the German oncology business unit of the multinational Schering AG. In October 2002, AEterna concluded another strategic alliance with MAYNE PHARMA ("MAYNE") which acquired Faulding Laboratories in 2001 and has global businesses in pharmaceuticals, health-related consumer products, hospitals, health services, and logistics. In March 2003, AEterna

concluded a further strategic alliance with Korea-based LG LIFE SCIENCES LTD. ("LG"), an affiliate of the LG Group.

The exclusive rights for the commercialization and distribution of AE-941 (Neovastat(R)) in oncology have been granted to GRUPO FERRER for certain parts of southern Europe, France, Belgium, Central America and South America

The exclusive rights for the commercialization and distribution of AE-941 (Neovastat(R)) in oncology have been granted to MEDAC for Germany, the United Kingdom, Northern Europe, Russia and the former soviet republics.

The exclusive rights for the commercialization and distribution of AE-941 (Neovastat(R)) in oncology have been granted to MAYNE for Australia, New Zealand, Canada and Mexico.

The exclusive rights for the commercialization and distribution of AE-941 (Neovastat(R)) in oncology have been granted TO LG for Korea.

This last agreement, together with earlier agreements with MEDAC, GRUPO FERRER AND MAYNE, extends AEterna's coverage for AE-941 (Neovastat(R)) to nearly 50% of the oncology world market and allows the Company to surpass the $50 million mark in milestone payments, in addition to return on manufacturing and royalties generated by sales of AE-941 (Neovastat(R)).

Zentaris has entered into the following strategic alliances:

ARDANA BIOSCIENCE LTD., EDINBURGH, SCOTLAND: in 2002 Zentaris granted an exclusive license to Ardana to develop and commercialize Teverelix for all therapeutic uses in all countries of the world with the exception of Japan, Korea and Taiwan. Under the agreement, Ardana is responsible for conducting all necessary research and development activities in order to obtain the necessary regulatory approvals for the substance.

AOI PHARMA, INC., NEW YORK, USA: in 2002 Zentaris signed a license and co-operation agreement with AOl Pharma to develop and commercialize Perifosine for all uses in the USA, Canada and Mexico.

BAXTER HEALTHCARE S.A., WALLISELLEN, SWITZERLAND: in 2002 Zentaris granted an exclusive worldwide license to Baxter Healthcare S.A. to develop, manufacture and commercialize D-63153 for all oncological indications. In addition, Baxter Healthcare S.A. received an exclusive option until December 31, 2002 to acquire an exclusive unrestricted license from Zentaris to use D-63153 for all non-oncological indications. The option was exercised by Baxter Healthcare S.A. on December 13, 2002.

ARES TRADING S.A. (SERONO INTERNATIONAL S.A.), VAUMARCUS, SWITZERLAND: Serono holds an exclusive worldwide license (except Japan) to manufacture and commercialize Cetrotide(R). (Cetrorelix in the indication IVF/COS/ART)

SOLVAY PHARMACEUTICALS BV., WEESP. NETHERLANDS: in 2002 Zentaris signed a license and co-operation agreement with Solvay for an exclusive license to develop, use, commercialize and manufacture cetrorelix worldwide with the exception of Japan and for all indications with exception of IVF/COS/ART. Solvay is obliged to undertake at its own cost all activities necessary to get marketing approvals for the substance.

In addition, AEterna's Zentaris subsidiary has entered into the following collaborative agreements:

A license and cooperation agreement with TEIKOKU HORMONE, Japan: under the agreement, Zentaris granted an exclusive license to develop and commercialize Teverelix for certain indications (excluding the IVF/COS/ART indication) for Japan, Korea and Taiwan.

A license and distribution agreement with SHIONOGI & CO. LTD., Japan: under the agreement, Zentaris granted a semi-exclusive license for Japan to Shionogi & Co., Ltd., to develop and commercialize Cetrotide(R) for IVF/COS/ART.

A Joint Development Agreement with SHIONOGI & CO. LTD., Japan: under the agreement Shionogi & Co., Ltd., received a semi-exclusive license for Japan for the development of Cetrorelix as an antineoplastic agent for human use and, if agreed for other indications.

A Cooperative Research and Development Arrangement with the NATIONAL CANCER INSTITUTE/NATIONAL INSTITUTES OF HEALTH, USA, dated July 14, 1999 for the joint development of Perifosine.

Zentaris signed license agreements dated September 17, 2002 with the TULANE EDUCATIONAL FUND (Tulane University, New Orleans, Louisiana, USA) with regard to the substances AN-152, AN-201, AN-238 and AN-215 and to bombesin antagonists. Under the agreements, Zentaris received exclusive worldwide licenses to use Tulane's patents to develop, manufacture, market and distribute these substances.

AEterna collaborates closely with DR. R. BELIVEAU (UQAM, Montreal, Canada) and DR. F. BERGER (INSERM, France). Dr. Beliveau is involved with the identification and isolation of the active molecules from within AE-941 (Neovastat(R)) and Dr. Berger focuses on the characterization of such active molecules IN VIVO and the identification of markers of activity using gene array assays and proteomics.

4.5 INTELLECTUAL PROPERTY

Because of the considerable amount of time and the substantial investment required to develop new products and obtain the required marketing approvals, the biopharmaceutical industry attaches a considerable amount of importance on obtaining patents and the protection of trade information for new technologies, products and processes. Accordingly, the Company's development and prospects depend, in part, on its ability to obtain patents, protect its know-how and carry on its activities without infringing the exclusivity rights already acquired by third parties.

The company believes that its patent portfolio significantly contributes to the value and the success of its business. AEterna's strategic approach is to build a portfolio which provides broad protection of technology as well as a tiered patent claim structure to provide specific composition of matter, disease indication and manufacturing process claims. The company policy is to file patent applications in all major markets in the world. The patent portfolio of the corporation and its subsidiaries comprises about 80 patent families.

The Company will continue to endeavour to protect AE-941 (Neovastat(R)) as well as its constituants. It has developed pursuant to intellectual property legislation in the United States, Canada, Europe, Japan, and other countries representing its primary markets. It holds rights to 9 patents that were issued or granted and an additional 5 patent applications pending in the US. Most of the non-US pending patents were filed as PCT or European (EPO) applications.

In December 2002, the Company acquired Zentaris AG, a German company located in Frankfurt. The intellectual property was included in the transaction. This transaction permits the Company to extend its intellectual property rights to 70 patent families. About 20 patent families are the result of co-operations with external researchers, e.g., the Institute for Biophysical Chemistry of the Max Planck Institute for biophysical chemistry in Gottingen, Germany for the product candidate Miltefosine, Tulane University in New Orleans, Louisiana, USA for Cetrorelix, as well as for the product candidates in the area of bombesin antagonists, LHRH antagonists and peptide conjugates with cytotoxic active groups.

There is no guarantee that the patent applications and the PCT applications (or any other subsequent application) will obtain patent certification or that third parties will not file infringement claims against the Company's products or processes. Further, even if patents are granted to the Company, there is no guarantee that such patents will be valid and thus enforceable against third parties alleged to have infringed the rights of the Company. Furthermore, there is no guarantee that the Company will be awarded patents of sufficient scope to afford a truly exclusive position in the market for the products sold by the Company. Procurement of patent rights does not necessarily confer on the patentee the right to manufacture, use or sell a particular compound. Thus, regardless of whether the Company is awarded patents, there is a risk that the manufacture, use or sale of the Company's products could infringe the rights of a third

party. Patent litigation is very time-consuming and expensive. An adverse result in patent litigation against a third party could result in the invalidation and unenforceability of the Company's patent rights. An adverse result in patent litigation infringement against the Company could result in one or more of the following: liability for past damages to the third party, a permanent restraining order against the Company preventing the manufacture, use or sale of the infringing products and the requirement to obtain a license from the third party.

The situation pertaining to patents, particularly for biopharmaceutical companies, is uncertain and involves many complex legal, scientific and factual questions. There is no clear law or policy covering the extent of allowable claims in these cases or the level of protection granted under these patents.

The Company relies on and intends to continue to rely on trade secrets, exclusive non-patented know-how and continuous technological innovation in order to increase and maintain its competitive position. To protect its rights in the know-how and the technology it develops, whether patentable or not, the Company enters into confidentiality agreements with all its employees, consultants and collaborators. However, there can be no assurance that these agreements will offer adequate protection of the trade secrets, know-how and other exclusive information of the Company in the event of unauthorized use or disclosure. Moreover, if not protected by patents, the activities of the Company may be adversely affected by the activities of competitors who independently develop a substantially equivalent technology.

4.6 SUPPLY OF RAW MATERIALS

AEterna uses shark cartilage as a primary source of raw material. AEterna has developed procedures to ensure that producers and suppliers can supply raw materials that comply with Company's biopharmaceutical specifications. Furthermore, suppliers must respect governmental (national and international) and environmental regulations regarding fishing and the transformation of raw material.

The shark, from which cartilage is extracted, is primarily harvested for its flesh and fins which are consumed as food. The cartilage is recuperated in accordance with procedures developed by AEterna. This implies quality control procedures performed at the fishing sites by the suppliers who process the raw material for AEterna's needs.

Furthermore, AEterna has elaborated a plan for the development of its supply network on a worldwide scale. Currently, our source of raw materials is in South America. Supply agreements are negotiated in accordance with our needs for raw materials, the market structures, the availability of the resource and the required standards. The volumes harvested by the fisheries industry are sufficient for our short-term and long-term requirements, considering the current fisheries conditions.

4.7 RESEARCH AND DEVELOPMENT - FUNDING

AEterna's budget policy for research and development is to have readily available funds required to undertake studies. AEterna's strategy is to finance research activities through public financings and grants or tax credits for such purposes. In addition, activities are financed through the formation of strategic alliances for the co-development and marketing of the products. During the course of the financial year ended December 31, 2002, AEterna spent approximately $26 million in research and development.

On November 10, 1999, the Company announced the signing of three investment agreements for an aggregate of up to $29.42 million with a special federal operating agency known as Technology Partnerships Canada ("TPC") which reports to Industry Canada. This investment, which is in the form of contributions of 30% of eligible expenses, paid as they are generally incurred, will be used for the pursuit of the clinical development program of AE-941 (Neovastat(R)) in oncology, dermatology and ophthalmology. The repayment of each of these contributions will be conditional on the successful marketing of a drug resulting from the clinical development program to which the contribution relates. Each contribution will be repayable in the form of royalties payable to TPC from the commencement of such marketing until December 31, 2008, in the case of oncology and dermatology, and December

31, 2010 in the case of ophthalmology, even if the amounts repaid by the Company then exceed the contribution paid by TPC. If, on December 31, 2008, in the case of oncology and dermatology, and December 31, 2010 in the case of ophthalmology, the repayments do not total the amount of the contribution, the repayments will continue until such amount is reached or until December 31, 2013, in the case of oncology and dermatology, and December 31, 2015, in the case of ophthalmology, whichever is earlier. Pursuant to these agreements, the Company will remain the owner of all intellectual property resulting from the development programs except in certain circumstances, including default by the Company under the investment agreements, in which case TPC may assume ownership of such intellectual property if the Company does not elect to pay predetermined liquidated damages.

The investment agreements provide that TPC is not obligated to make payments to the Company, in whole or in part, if it is not satisfied with the overall financing or progress of a clinical development program. The investment agreements also provide that the Company cannot license products resulting from the programs without the approval of TPC and contain covenants on the part of the Company not to pay dividends if such payments would prevent the implementation of a program or the payment of royalties to TPC.

4.8 HUMAN RESOURCES

AEterna created 9 new jobs in 2002. As at May 1, 2003, AEterna's team, including Atrium, Unipex and Zentaris, comprised 259 people, excluding consultants, collaborators and members of the Scientific Board. 82 of these persons were involved directly or indirectly in research and development activities, 61 in production and 116 in administration, sales, accounting, human resources and other managerial functions. Each employee is party to a confidentiality agreement and a non-competition agreement which, in management's view, provides AEterna with adequate protection. The Company relies on strategic alliances and contract research organizations to obtain supplementary expertise and additional resources.

None of AEterna's or its subsidiaries' employees are governed by a collective agreement.

4.9 ENVIRONMENT

The Company is subject to various federal and provincial environmental laws and regulations. The Company complies, in all material respects, with all provisions of these environmental laws and regulations.

Environmental protection requirements do not have any financial and operational effects on the capital expenditures, earnings and competitive position of the Company.

4.10 FACILITIES AND EQUIPMENT

In September 1999, the Company completed the construction of its new premises with an approximate area of 75,000 sq. ft. in the Quebec City region. This building houses the head office of AEterna and Atrium as well as a research laboratory and a production center meeting Good Laboratory Practices and GMP.

4.11 SALES ACTIVITIES

During the financial year ended December 31, 2002, more than 90% of Atrium's sales activities were made in France.

ITEM 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 ANNUAL INFORMATION

The selected financial information provided below has been taken from the audited consolidated financial statements of AEterna for the three most recently completed financial years.

The data below should be read together with the consolidated financial statements and notes thereto as well as the following items.

CONSOLIDATED STATEMENTS OF OPERATIONS
(expressed in thousands of Canadian dollars, except share and per share data)

	YEARS ENDED DECEMBER 31,		
	2002(1)	2001(1)	2000
	$	$	$
REVENUES	101,204	43,777	8,405
OPERATING EXPENSES			
Cost of sales	77,443	29,950	1,123
Selling, general and administrative	17,777	13,039	8,506
Research and development costs	26,062	22,681	16,707
Research and development tax credits and grants	(1,933)	(5,989)	(6,717)
Depreciation and amortization	2,421	1,850	1,454
	121,770	61,531	21,073
OPERATING LOSS	(20,566)	(17,754)	(12,668)
INTEREST INCOME	2,903	3,763	3,615
INTEREST EXPENSE	(527)	(853)	(605)
LOSS BEFORE THE FOLLOWING ITEMS	(18,190)	(14,844)	(9,658)
INCOME TAX RECOVERY (EXPENSE)	(4,425)	4,752	--
GAIN ON DILUTION (2)	424	10,223	--
NON-CONTROLLING INTEREST	(3,591)	(3,600)	--
NET LOSS FOR THE YEAR	(25,782)	(3,469)	(9,658)
BASIC AND DILUTED NET LOSS PER SHARE (3)	(0.67)	(0.11)	(0.33)

(1) This increase is mainly attributed to Atrium's acquisition of the French company Unipex.

(2) In 2000, Atrium, the Company's subsidiary, issued 2,000,000 common shares for cash consideration of $20,000,000, which were classified as liability. In May 2001, certain terms of the Atrium Shareholders' Agreement were amended such that the Company reclassified the common shares issued by Atrium to the minority shareholders from a liability to equity. Accordingly, in the second quarter of the fiscal year ending December 31, 2001, the Company recognized a gain on dilution and a minority interest in Atrium.

(3) Fully diluted net loss per share is determined using the weighted average number of Multiple Voting Shares and Subordinate Voting Shares and stock options outstanding at the end of the year. Common stock options to purchase common shares were not included in the 2002, 2001 and 2000 compilations of diluted loss per share because the inclusion would be anti-dilutive.

CONSOLIDATED BALANCE SHEETS
(expressed in thousands of Canadian dollars)

	December 31,		
	2002	2001	2000
Cash, cash equivalents and short-term investments	81,534	54,064	68,649
Working capital	44,200	61,464	70,831
Total assets	330,968	134,352	100,582
Long-term debt	13,171	13,848	5,067
Redeemable common share of the subsidiary	--	--	24,609
Non-controlling interest	24,676	18,339	--
Shareholders' Equity	110,336	78,619	64,394
Deficit	44,864	19,082	15,614

5.2 DIVIDENDS

Since its incorporation, AEterna has not paid any dividends and does not anticipate paying any dividends in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

6.1 FORM 44-101F2 DISCLOSURE

Management's discussion and analysis of the financial condition and results of operations for the financial year ended December 31, 2002, which is incorporated herein by reference, was filed with the various securities commissions or similar authorities in each of the provinces of Canada. The reader is encouraged to also refer to the consolidated financial statements and notes to the financial statements for the financial years ended December 31, 2002, 2001 and 2000.

ITEM 7. MARKET FOR SECURITES

7.1 MARKET FOR SECURITIES

The Subordinate Voting Shares of AEterna are listed on the Toronto Stock Exchange under the Symbol AEL, and, since May 10, 2000, on the Nasdaq National Market, under the symbol AELA.

ITEM 8. DIRECTORS AND OFFICERS

8.1 DIRECTORS

The Board of Directors of the Company currently consists of nine directors. Each director remains in office until the following annual shareholders' meeting or until the election of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or any other cause.

The following table sets forth, for each director, the name, position, municipality of residence, principal occupation, security holdings, and the period during which he/she has acted as a director:

NAME AND MUNICIPALITY OF RESIDENCE	PRINCIPAL OCCUPATION	DIRECTOR SINCE	SECURITY HOLDING
Marcel Aubut Sillery, Quebec	Managing Partner Heenan Blaikie Aubut (law firm)	1996	13,500 Subordinate Voting Shares
Francis Bellido, PhD (1) Beaconsfield, Quebec	President and Chief Operating Officer SGF Sante Inc. (Quebec government agency)	2002	--------
Stormy Byorum (1) New York, NY	Managing Partner Violy, Byorum & Partners (investment banking firm)	2001	--------
Eric Dupont, PhD (2) Sainte-Petronille, Ile d'Orleans, Quebec	Executive Chairman AEterna Laboratories Inc.	1991	4,725,000 Multiple Voting Shares 33,413 Subordinate Voting Shares
Prof. Dr. Jurgen Engel Frankfurt, Germany	Managing Director Zentaris GmbH Executive Vice President, Global Research and Development and Chief Operating Officer AEterna Laboratories Inc.	2003	--------
Gilles Gagnon Sherbrooke, Quebec	President and Chief Executive Officer AEterna Laboratories Inc.	2002	3,950 Subordinate Voting Shares
Jean-Claude Gonneau Louveciennes, France	General Manager SG Cowen, Paris (brokerage firm)	1995	182,126 Subordinate Voting Shares
Pierre Laurin, PhD (2) Verdun, Quebec	Executive in Residence HEC Montreal	1998	8,200 Subordinate Voting Shares
Pierre MacDonald (1) (2) Verdun, Quebec	President and Chief Executive Officer MacD Consult Inc. (consulting firm in finance and international marketing)	2000	4,500 Subordinate Voring Shares

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance Committee.

8.2 EXECUTIVE OFFICERS

The table below sets forth the name, municipality of residence and the position with AEterna of each senior executive officer of AEterna on the date hereof.

NAME AND MUNICIPALITY OF RESIDENCE	PRINCIPAL OCCUPATION
Eric Dupont, PhD Sainte-Petronille Ile d'Orleans, Quebec	Executive Chairman
Gilles Gagnon Sherbrooke, Quebec	President and Chief Executive Officer
Prof. Dr. Jurgen Engel Frankfurt, Germany	Executive Vice President, Global Research and Development and Chief Operating Officer
Claude Cardinal Lac-Delage, Quebec	Vice President of Technical Operations
Pierre Champagne Cap-Rouge, Quebec	Vice President, Clinical Affairs
Dr. Eckhard Gunther Frankfurt, Germany	Vice President, Drug Discovery
Dr. Matthias Rischer Frankfurt, Germany	Vice President, Pharmaceutical Development
Normand Tremblay Neuville, Quebec	Vice President, Planning and External Affairs
Dennis Turpin, CA Sainte-Foy, Quebec	Vice President and Chief Financial Officer
Claude Vadboncoeur Sainte-Foy, Quebec	Vice President, Legal Affairs and Corporate Secretary

Over the past five years, the directors and officers mentioned above have held their present principal occupation, with the exception of the following members:

Mr. Cardinal holds a bachelor's degree in Pharmacology from the Universite de Montreal and has 25 years of experience in the pharmaceutical industry. He has assumed top management positions with leading companies such as Rhone-Poulenc Pharma Inc., Biovail International and Technilab. M. Cardinal joined AEterna in 2000.

After a decade of medical practice in Quebec, Miami and Los Angeles, Dr. Champagne turned towards the pharmaceutical industry in 1995 where he held a number of management positions as a specialist in oncology and in clinical development. He joined AEterna Laboratories in 1997 and since then, he has held the double position of Medical Safety Officer and Officer-in-charge of Clinical Research, before being promoted to Senior Medical Director.

Prof. Dr. Engel is Managing Director of Zentaris GmbH. Previously, he was Chief Executive Officer of Zentaris AG after having been head of Corporate Research and Development including drug discovery, at Asta Medica AG in Frankfurt, Germany.

Head of drug discovery at Zentaris AG since January 2001, Dr. Gunther has more than 15 years of experience in the biotechnology and biopharmaceutical industries, as a researcher as well as a manager. At Asta Medica, he was Group Leader Planning & Controlling, Research Coordination and Head of Research Coordination, before becoming Head of Medicinal Chemistry Oncology.

Head of the Pharmaceutical Development at Zentaris since January 2001. Between 1992 and 1999, Dr. Rischer was a top executive at the multinational Asta Medica, as Head of two analytical labs in the Department of Pharmaceutical Development before becoming Head of the Department of Pharmaceutical Development Analytics. He had overall analytical responsibility for new projects for the treatment of several diseases such as cancer, diabetes, Parkinson and infertility.

The directors and executive officers of AEterna, as a group, beneficially own or control, directly or indirectly, 99.9% of the Multiple Voting Shares and 1% of the Subordinate Voting Shares of AEterna. The directors and executive officers of AEterna do not beneficially own any of the voting securities of Atrium or Unipex.

ITEM 9. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, major security holders of the Company, options to purchase securities and interests of insiders interested in material transactions, is contained in AEterna's Management Proxy Circular dated April 4, 2003.

Other additional financial information is provided in the Company's consolidated financial statements for the fiscal year ended December 31, 2002.

When securities of the Company are in the course of a distribution pursuant to a short form prospectus, or when a preliminary short form prospectus has been filed in respect of the Company's securities, the Company will provide the following documents to any person or company requesting them to the Vice President, Legal Affairs and Corporate Secretary:

1. a copy of this Annual Information Form, together with a copy of any document or the pertinent pages of any documents incorporated by reference in this Annual Information Form;

2. a copy of the comparative consolidated financial statements of the Company incorporated in the annual report of the year ended December 31, 2002, together with the accompanying auditors' report and copies of any subsequent quarterly financial statements that have been filed, if any, for any period after the end of its most recently completed financial year;

3. a copy of the information circular of the Company dated April 4, 2003;

4. a copy of any other document that is incorporated by reference into the preliminary short form prospectus or the final short form prospectus and is not required to be provided under clauses 1, 2 or 3.

At any other time, one copy of any documents referred to in clauses 1, 2 and 3 shall be provided by the Company which may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Company.

ALL REQUESTS FOR THE ABOVE-MENTIONED DOCUMENTS MUST BE ADDRESSED TO THE VICE PRESIDENT, LEGAL AFFAIRS AND CORPORATE SECRETARY OF AETERNA LABORATORIES INC. 1405 BOULEVARD DU PARC-TECHNOLOGIQUE, QUEBEC CITY, QUEBEC, CANADA G1P 4P5, OR BY FAX AT (418) 652-0881.

EXHIBIT 2

AETERNA LABORATORIES INC.

Consolidated Financial Statements

DECEMBER 31, 2002, 2001 2000

[LETTERHEAD]

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF
AETERNA LABORATORIES INC.

We have audited the consolidated balance sheets of AETERNA LABORATORIES INC. as at December 31, 2002 and 2001 and the consolidated statements of operations, deficit, contributed surplus and cash flows for each of the years in the three-year period ended December 31, 2002. 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 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Quebec, Quebec, Canada
January 31, 2003

AETERNA LABORATORIES INC.
Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	DECEMBER 31,	
	2002	2001
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	12,494	11,993
Short-term investments	69,040	42,071
Accounts receivable (notes 5 and 6)	74,840	24,657
Income taxes recoverable	--	155
Inventory (notes 5 and 7)	16,335	8,304
Prepaid expenses and deferred charges	2,041	1,161
Future income tax assets	1,682	--
	176,437	88,341
PROPERTY, PLANT AND EQUIPMENT (notes 8 and 15)	21,688	15,404
DEFERRED CHARGES	1,047	--
INTANGIBLE ASSETS (notes 9 and 15)	90,300	2,065
GOODWILL (note 3)	24,252	22,188
FUTURE INCOME TAX ASSETS (note 16)	17,249	6,354
	330,968	134,352
LIABILITIES		
CURRENT LIABILITIES		
Promissory note (note 5)	43,000	--
Accounts payable and accrued liabilities (note 10)	42,557	23,430
Income taxes	3,783	--
Balance of purchase price (note 4)	39,690	--
Current portion of long-term debt	3,202	3,447
	132,232	26,877
DEFERRED REVENUES	12,438	--
LONG-TERM DEBT (note 11)	9,969	10,401
EMPLOYEE FUTURE BENEFITS (note 13)	6,042	116
FUTURE INCOME TAX LIABILITIES (note 16)	35,275	--
NON-CONTROLLING INTEREST	24,676	18,339
	220,632	55,733
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 14)	153,578	97,513
CONTRIBUTED SURPLUS	854	--
DEFICIT	(44,864)	(19,082)
CUMULATIVE TRANSLATION ADJUSTMENT	768	188
	110,336	78,619
	330,968	134,352

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

APPROVED BY THE BOARD OF DIRECTORS

/s/ Eric Dupont
Eric Dupont, PhD
Director

/s/ Pierre MacDonald
Pierre MacDonald, MSc
Director

AETERNA LABORATORIES INC.
Consolidated Statements of Deficit

(expressed in thousands of Canadian dollars)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
BALANCE - BEGINNING OF YEAR	19,082	15,613	5,955
Net loss for the year	25,782	3,469	9,658
BALANCE - END OF YEAR	44,864	19,082	15,613

Consolidated Statements of Contributed Surplus

(expressed in thousands of Canadian dollars)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
BALANCE - BEGINNING OF YEAR	-	-	-
Issuance of warrants	747	-	-
Stock-based compensation costs	107	-	-
BALANCE - END OF YEAR	854	-	-

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

AETERNA LABORATORIES INC.
Consolidated Statements of Operations

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

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
REVENUES	101,204	43,777	8,405
OPERATING EXPENSES			
Cost of sales	77,443	29,950	1,123
General, selling and administrative	17,777	13,039	8,506
Research and development costs	26,062	22,681	16,707
Research and development tax credits and grants (note 15)	(1,933)	(5,989)	(6,717)
Depreciation and amortization			
Property, plant and equipment	1,992	1,353	1,231
Intangible assets	429	330	201
Goodwill	-	167	22
	121,770	61,531	21,073
OPERATING LOSS	(20,566)	(17,754)	(12,668)
INTEREST INCOME	2,903	3,763	3,615
INTEREST EXPENSE			
On redeemable common shares of the subsidiary	-	(437)	(605)
On long-term debt	(485)	(274)	-
Other	(42)	(142)	-
	(527)	(853)	(605)
LOSS BEFORE INCOME TAXES	(18,190)	(14,844)	(9,658)
INCOME TAX RECOVERY (EXPENSE) (note 16)	(4,425)	4,752	-
LOSS BEFORE THE FOLLOWING ITEMS	(22,615)	(10,092)	(9,658)
GAIN ON DILUTION (notes 4d and 12)	424	10,223	-
NON-CONTROLLING INTEREST	(3,591)	(3,600)	-
NET LOSS FOR THE YEAR	(25,782)	(3,469)	(9,658)
BASIC AND DILUTED NET LOSS PER SHARE (note 2)	(0.67)	(0.11)	(0.33)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	38,584,537	30,968,710	29,502,301

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

AETERNA LABORATORIES INC.
Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year	(25,782)	(3,469)	(9,658)
Items not affecting cash and cash equivalents			
Depreciation and amortization	2,421	1,850	1,454
Stock-based compensation costs	53	-	-
Future income taxes	1,860	(5,674)	(650)
Interest expense	-	437	605
Gain on dilution	(424)	(10,223)	-
Non-controlling interest	3,591	3,600	-
Employee future benefits	18	-	-
Change in non-cash operating working capital items			
Accounts receivable	(6,048)	(879)	(1,353)
Inventory	(960)	(904)	(433)
Prepaid expenses and deferred charges	(212)	(497)	(314)
Accounts payable and accrued liabilities	2,603	431	3,536
Income taxes	983	(478)	650
	(21,897)	(15,806)	(6,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Promissory note	43,000	-	-
Increase in long-term debt	-	-	95
Repayment of long-term debt	(2,608)	(2,620)	(63)
Issuance of warrants	747	-	-
Issuance of shares	57,442	19,459	21,527
Share issue expenses	(1,324)	(1,954)	(1,872)
Issuance of shares by a subsidiary	2,000	-	-
Redeemable common shares of a subsidiary (note 12)	-	-	20,000
Deferred interest expense paid in cash	-	-	(334)
	99,257	14,885	39,353
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in short-term investments	(26,907)	19,317	(28,732)
Business acquisition, net of cash acquired (note 4)	(43,474)	(13,475)	(2,055)
Acquisition of product line	(435)	-	-
Purchase of property, plant and equipment	(5,146)	(610)	(994)
Additions to intangible assets	(1,423)	(344)	(174)
	(77,385)	4,888	(31,955)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(25)	3,967	1,235
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	526	766	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,993	7,260	6,025
CASH AND CASH EQUIVALENTS - END OF YEAR	12,494	11,993	7,260
ADDITIONAL INFORMATION			
Interest paid	466	478	-
Income taxes paid	1,776	1,462	-

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

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

1 INCORPORATION AND NATURE OF ACTIVITIES

The company, incorporated under the Canada Business Corporations Act, is organized under three operating segments. The biopharmaceutical segment focuses on the development of novel therapeutic approaches for diseases characterized by unmet medical needs. The cosmetics and nutrition segment focuses on the development, manufacturing and marketing of cosmetic, nutritional and nutraceutical products. The distribution segment specializes in the sale of high-end value-added products and active ingredients distribution in the sectors of cosmetics, nutrition, pharmaceuticals and fine chemicals. The company's customers are primarily located in Canada, the United States, Europe and Asia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles conform, in all material respects, with accounting principles generally accepted in the United States, except as described in note 20. The significant accounting policies, which have been consistently applied, are summarized as follows:

BASIS OF CONSOLIDATION

The consolidated financial statements of AEterna Laboratories Inc. include the accounts of the company and all of its subsidiaries, accounted for using the full consolidation method. Intercompany transactions and related balances have been eliminated. The subsidiaries and the company's percentage of interest are as follows:

	PERCENTAGE OF INTEREST	
SUBSIDIARIES	2002 %	2001 %
AEterna GmbH	100.00	-
Zentaris AG	100.00	-
Atrium Biotechnologies inc. ("Atrium")	61.76	63.64
Atrium Biotech USA	100.00	100.00
Unipex Finance S.A.	70.28	70.20

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the allowance for doubtful accounts, provisions for obsolete inventory, future income tax assets, the useful lives of property, plant and equipment, the valuation of intangible assets and goodwill and certain accrued liabilities. Actual results could differ from those estimates.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

FOREIGN CURRENCY TRANSLATION

Atrium Biotech USA inc., a subsidiary of Atrium, AEterna GmbH and Zentaris AG, German subsidiaries of AEterna Laboratories Inc. are considered to be integrated foreign operations. As a result, the foreign subsidiaries accounts are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate for the year. Gains and losses resulting from translation are reflected in the statement of operations.

Unipex Finance S.A., a French subsidiary of Atrium, is considered to be a self-sustaining foreign operation. As a result, the foreign subsidiary's financial statements, whose functional currency is other than the Canadian dollar, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at the average rate for the year. Gains and losses resulting from translation are deferred in the "Cumulative translation adjustment" account under "Shareholders' Equity".

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Canadian dollars as follows:

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average rate for the year. Non-monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation are reflected in the statements of operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, exclusive of bank advances, as well as all highly liquid short-term investments. The company considers all highly liquid short-term investments having a term of less than three months at the acquisition date to be cash equivalents.

SHORT-TERM INVESTMENTS

Short-term investments, which are valued at the lower of amortized cost and market value, are mainly composed of bonds which do not meet the company's definition of highly liquid short-term investments.

INVENTORY

Inventory is valued at the lower of cost and market value. Cost is determined using the first in, first out basis. Cost of finished goods includes raw materials, labour and manufacturing overhead under the absorption costing method. Market value is defined as replacement cost for raw materials and as net realizable value for finished goods.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost, net of related government grants and accumulated depreciation. Depreciation is calculated using the following methods and annual rates:

	METHODS	ANNUAL RATES %
Building	Straight-line	5
Equipment	Declining balance	20
Office furniture	Declining balance	20
Computer equipment	Straight-line	33 1/3
Automotive equipment	Straight-line	20

The carrying value of property, plant and equipment is evaluated whenever significant events occur which may indicate a permanent impairment in value, based upon a comparison of the carrying value to the net recoverable amount.

DEFERRED CHARGES

Deferred charges relate to deferred upfront payments made by a subsidiary in connection with research and development collaborations. These charges are included in the statement of operations over the period of the contracts.

INTANGIBLE ASSETS

Intangible assets consist of patents, trademarks, licenses, distribution agreements and organization costs. Patents and trademarks represent costs, including professional fees, incurred for the filing of patents and the registration of trademarks for product marketing and manufacturing purposes, net of related government grants and accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives of three to fifteen years for patents, trademarks, licenses and distribution agreements and five years for organization costs.

Intangible assets with finite lives are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the assets is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over the estimated pre-tax undiscounted future cash flows. Finite-lived intangible assets are written down for any permanent impairment in value of the unamortized portion. As at December 31, 2002, there were no events or circumstances indicating that the carrying value may not be recoverable. The company does not have indefinite-lived intangible assets.

GOODWILL

Goodwill represents the excess of the purchase price over the fair values of the net assets of entities acquired at the respective dates of acquisition. Goodwill is tested annually, or more frequently if impairment indicators arise, for impairment in relation to the fair value of each reporting unit to which goodwill applies and the value of other assets in that reporting unit. An impairment charge is recorded for any goodwill that is considered impaired.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

EMPLOYEE FUTURE BENEFITS

Some of the company's subsidiaries maintain defined benefit plans and one defined contribution plan for their employees. These subsidiaries accrue their obligations under employee benefit plans and the related costs. In this regard, the following policies have been adopted:

- The cost of pension and other retirement benefits earned by employees is actuarially determined using the projected unit credit and benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- The net actuarial gain (loss) of the benefit obligation is reported in the statement of operations as it arises.

DEFERRED REVENUES

Deferred revenues relate to upfront payments received by a subsidiary in connection with research cooperation agreements. These revenues are included in the statement of operations over the period of the contracts.

REVENUE RECOGNITION

The biopharmaceutical segment is currently in a phase in which potential products are being further developed or marketed jointly with strategic partners. The existing cooperation and royalty agreements usually foresee one-time payments (upfront payments), payments for research and development services in the form of cost reimbursements, milestone payments and royalty receipts for licensing and marketing product candidates.

Payments received at the beginning of research cooperation agreements (upfront payments) are not recorded as revenue when received but are amortized based on the progress of the research and development work concerned.

Milestone payments are recognized when appropriate development results are achieved and agreed by the customer. Royalty receipts for marketing products are only to be paid by cooperation and royalty partners when product revenues are achieved and are accordingly first recorded as revenues by the company at such time.

Revenues from sales of products are recognized, net of estimated sales allowances and rebates, when title passes to customers, which is at the time goods are shipped.

INCOME TAXES

The company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of the assets and liabilities. Changes in the net future income tax assets or liabilities are included in the statement of operations. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which assets and liabilities are expected to be recovered or settled.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is not more likely than not that some or all of the future income tax assets will be realized.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

RESEARCH AND DEVELOPMENT TAX CREDITS AND GRANTS

The company is entitled to scientific research and experimental development ("SR&ED") tax credits granted by the Canadian federal government ("Federal") and the government of the Province of Quebec ("Provincial"). Federal SR&ED tax credits are earned on qualified Canadian SR&ED expenditures at a rate of 20% and can only be used to offset Federal income taxes otherwise payable. Refundable provincial SR&ED tax credits are generally earned on qualified SR&ED salaries, subcontracting and university contract expenses incurred in the Province of Quebec, at a rate of 20%.

SR&ED tax credits and grants are accounted for using the cost reduction method. Accordingly, tax credits and grants are recorded as a reduction of the related expenses or capital expenditures in the period the expenses are incurred. The refundable portion of SR&ED tax credits is recorded in the year in which the related expenses or capital expenditures are incurred and the non-refundable portion of SR&ED tax credits and grants is recorded at such time, provided the company has reasonable assurance the credits or grants will be realized.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet generally accepted criteria for deferral, which are capitalized and amortized against operations over the estimated period of benefit. As at December 31, 2002, no costs have been deferred.

LOSS PER SHARE

In order to calculate the loss per share, subordinate and multiple voting shares are considered as common shares.

The basic net loss per share is calculated using the weighted average number of common shares outstanding during the year.

The diluted net loss per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as options and warrants. This method requires that the diluted net loss per share be calculated using the treasury stock method, as if all common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby were used to purchase common shares of the company at the average trading price of the common shares during the period. Stock options to purchase common shares as disclosed in note 14e) were not included in the computation of net loss per share because the inclusion of these options would be anti-dilutive.

STOCK-BASED COMPENSATION PLANS

The company and one of its subsidiaries maintain stock compensation plans, which are described in note 14. No compensation expense is recognized for these plans when stock options are granted to employees and directors, unless granted for consulting services. Any consideration paid by employees and directors on exercise of stock options is credited to share capital. The options granted to collaborators are accounted for using the fair value method. 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.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

3 CHANGES IN ACCOUNTING POLICIES

BUSINESS COMBINATIONS, INTANGIBLE ASSETS AND GOODWILL

In 2001, the Canadian Institute of Chartered Accountants ("CICA") approved new standards modifying the method of accounting for business combinations entered into after June 30, 2001, and addressed the accounting for goodwill and other intangible assets. The new standards on goodwill and other intangible assets should be applied for fiscal years beginning on or after January 1, 2002. The company has adopted these standards since January 1, 2002 and it no longer amortizes goodwill. However, management evaluates goodwill for impairment annually. Finite-lived intangible assets will continue to be amortized over their estimated useful lives. As required by the standards, the company completed the impairment tests and did not record any impairments. These standards are essentially the same as the new Statements of Financial Accounting Standards ("SFAS") No. 141 and 142 in the United States.

The net carrying value of goodwill is composed as follows:

	DECEMBER 31,	
	2002	2001
	$	$
Balance - Beginning of year	22,188	1,294
Acquisitions	1,431	20,799
Amortization	-	(167)
Effect of foreign exchange rate	633	262
Balance - End of year	24,252	22,188

The following table reflects the adjusted results as though the adoption of the New Standards had occurred at the beginning of fiscal 2001 and 2000:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
Reported net loss	(25,782)	(3,469)	(9,658)
Goodwill amortization	-	167	22
Adjusted net loss	(25,782)	(3,302)	(9,636)
Basic and diluted net loss per share			
As reported	(0.67)	(0.11)	(0.33)
Goodwill amortization	-	-	-
Adjusted net loss	(0.67)	(0.11)	(0.33)

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

STOCK-BASED COMPENSATION PLANS

On January 1, 2002, the company adopted the recommendations of CICA Handbook Section 3870 STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation made in exchange for goods and services and requires the use of the fair value method to account for awards to non-employees and direct awards of stock to employees and encourages, but does not require the use of the fair value method to account for stock-based compensation costs arising from awards to employees. The company has chosen not to use the fair value method to account for its stock-based compensation costs. However, in accordance with Section 3870, it has presented pro-forma disclosures relating to net loss and loss per share figures as if the fair value method of accounting had been used.

FOREIGN CURRENCY TRANSLATION

On January 1, 2002, the company adopted the recommendations of CICA Handbook Section 1650 FOREIGN CURRENCY TRANSLATION. The revised standard no longer permits the deferral and amortization of unrealized gains and losses that arise on the translation of long-term foreign currency denominated monetary assets and liabilities. Under the new rules, such gains and losses must be reported in the statement of operations as they arise. The adoption of that standard did not have any effect on the financial statements of the company.

4 BUSINESS ACQUISITIONS

ACQUISITIONS IN 2002

a) Zentaris AG

On December 30, 2002, AEterna GmbH, a new subsidiary of AEterna Laboratories Inc., acquired 100% of the issued and outstanding shares of Zentaris AG for a total consideration of $85,449,771 (euro 51,832,385). Zentaris AG is an integrated biopharmaceutical and biotechnological company which develops and produces innovative products and technologies for patient-friendly therapies in oncology and endocrinology. The net assets acquired and the purchase price may be subject to adjustments subsequent to the review of the audited financial statements of Zentaris AG as at December 31, 2002. The purchase price allocation shown below is preliminary and is based on the company's estimates of fair value. The final allocation is expected to be completed within the next six months and may result in the purchase price being allocated from identified intangible assets, among others, to goodwill. As described in note 2, goodwill that may result from this acquisition will not be amortized. The results of operations will be consolidated from December 30, 2002.

The balance of purchase price, bearing interest at the EURIBOR rate for a three-month term deposit plus 1%, will be due and payable on the earlier of September 30, 2003 or the merger date of AEterna GmbH and Zentaris AG. Then, the receivable from a former affiliated company of Zentaris AG described in note 6 will be cashed on the same day.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

b) ADF Chimie S.A.

On May 1, 2002, Unipex Finance S.A., a French subsidiary of Atrium, acquired 100% of the issued and outstanding common shares of ADF Chimie S.A. for a total consideration of $2,315,471 of which an amount of $1,877,284 was paid cash and $438,187 as a balance of purchase price. The acquisition is subject to contingent payments specified in the agreement for an approximate amount of $807,827 (euro 487,700) payable at the latest in July 2005. These contingent payments will be recorded as goodwill when the related conditions have been met. ADF Chimie S.A. is a distributor of active and specialty ingredients for the cosmetics industry. The results of operations of this acquisition have been included in the consolidated statement of operations since May 1, 2002, being the date of acquisition.

The net assets acquired at the allocated values are as follows:

	ZENTARIS AG $	ADF CHIMIE S.A. $
Assets		
Cash and cash equivalents	3,646	548
Other current assets	48,638	1,332
Property, plant and equipment	2,934	7
Intangible assets	86,890	-
Goodwill	-	1,093
Future income tax assets	12,719	-
	154,827	2,980
Liabilities		
Current liabilities	15,778	665
Deferred revenues	12,438	-
Employee future benefits	5,886	-
Future income tax liabilities	35,275	-
	69,377	665
Net assets acquired	85,450	2,315
Consideration		
Cash	45,760	1,877
Balance of purchase price	39,690	438
	85,450	2,315
Net cash used for the acquisition	42,114	1,329

Goodwill is non-deductible for income tax purposes

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

c) Other acquisitions

On April 15, 2002, Atrium Biotech USA Inc., a subsidiary of Atrium, acquired a product line for a total cash consideration of $435,394. The acquisition is subject to contingent payments specified in the agreement for a maximum amount of $300,000 of which $100,000 have been paid and recorded as goodwill. The balance of $200,000 may be payable at the latest in October 2003 if the related conditions have been met; it will be then recorded as goodwill. The results of operations of this acquisition have been included in the statement of operations since April 15, 2002, being the date of acquisition. Based upon the allocation of the purchase price, the transaction resulted in $212,134 of goodwill and $223,260 of inventory. The goodwill acquired is deductible for income tax purposes.

On September 8, 2002, Atrium acquired 300 common shares of the outstanding capital stock of Unipex Finance S.A., increasing its interest in the latter to 70.28% (70.2% in 2001) for a cash consideration of $31,171. The excess of the purchase price over the net carrying value on the date of acquisition is $26,221 and is recorded as goodwill not deductible for income tax purposes.

d) Gain on dilution

On September 13, 2002, as a result of the issuance of 166,667 shares by Atrium, a gain on dilution amounting to $424,751 was recognized.

ACQUISITION IN 2001

On July 2, 2001, the subsidiary, Atrium, acquired 70.2% of the issued and outstanding common shares of Unipex Finance S.A. for total cash consideration of $21,000,390. Unipex Finance S.A. specializes in providing value-added services of importation, in supporting innovation, and in distributing raw materials and high-end brand-name additives for multinational corporations. Under the shareholders' agreement, the minority shareholders of Unipex Finance S.A. will have the right to exchange their shares for shares of Atrium in the event of its listing on the stock exchange.

The acquisition has been accounted for using the purchase method, and the results of operations have been consolidated from the date of acquisition. The net assets acquired at the allocated values are as follows:

	$
Assets	
Cash and cash equivalents	7,526
Other current assets	20,690
Property, plant and equipment	1,103
Identifiable intangible assets	304
	29,623
Liabilities	
Current liabilities	15,337
Long-term debt	10,475
	25,812
Net identifiable assets	3,811
Net identifiable assets acquired - 70.2%	2,675
Goodwill	18,325
Purchase price paid cash	21,000

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

An amount of $8,300,000 out of the total amount of goodwill is deductible for income tax purposes over the following years.

ACQUISITION IN 2000

On October 3, 2000, the subsidiary, Atrium, acquired a product line in the nutritional supplements market from a third party for total consideration of US$2,113,427 (CAN$3,184,935). Of this amount, US$1,363,427 (CAN$2,054,685) was paid in cash and the balance of the purchase price of US$750,000 (CAN$1,130,250) was paid during 2001 and 2002. This acquisition, which has been accounted for using the purchase method, resulted in goodwill amounting to US$873,225 (CAN$1,315,950) based on the following allocation of the purchase price to the net identifiable assets acquired:

	$
Net identifiable assets acquired	1,869
Goodwill	1,316
Purchase price	3,185
Consideration	
Cash	2,055
Balance of purchase price, non-interest bearing	1,130
Cash paid	3,185

The operations of the product line acquired have been consolidated from the date of acquisition.

The total amount of goodwill is deductible for income tax purposes.

5 CREDIT FACILITY AND PROMISSORY NOTE

A subsidiary has an available line of credit, bearing interest at prime rate and renewable annually. A moveable hypothec without delivery on accounts receivable and inventory amounting to $5,712,418 has been pledged as security for the line of credit of an authorized amount of $5,000,000. As at December 31, 2002 and 2001, the line of credit was unused.

The promissory note bearing interest at prime rate plus 1% was due on demand. A moveable hypothec on the universality of the company's accounts receivable, cash equivalents and short-term investments has been given as security. The promissory note was repaid on January 15, 2003 through short-term investments.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

6 ACCOUNTS RECEIVABLE

	DECEMBER 31,	
	2002 $	2001 $
Receivable from a former affiliated company of Zentaris AG, bearing interest at the EURIBOR rate for a three-month term deposit plus 1% (note 4a)	37,576	-
Trade, net of an allowance for doubtful accounts of $247 ($230 in 2001)	30,980	19,632
Interest	754	510
Grants	2,939	2,406
Research and development tax credits recoverable	860	1,295
Commodity taxes	1,094	536
Other	637	278
	78,840	24,657

7 INVENTORY

	DECEMBER 31,	
	2002 $	2001 $
Raw materials	6,965	1,629
Finished goods	8,716	6,471
Finished goods intended for clinical trials	654	204
	16,335	8,304

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

8 PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31,			
	2002		2001	
	COST $	ACCUMULATED DEPRECIATION $	COST $	ACCUMULATED DEPRECIATION $
Land	459	-	401	-
Building	13,582	1,920	13,231	1,302
Equipment	10,367	2,341	3,374	1,587
Office furniture	1,147	579	1,057	444
Computer equipment	1,648	778	1,090	441
Automotive equipment	140	37	49	24
	27,343	5,655	19,202	3,798
Less: Accumulated depreciation	5,655		3,798	
	21,688		15,404	

9 INTANGIBLE ASSETS

	DECEMBER 31,			
	2002		2001	
	COST $	ACCUMULATED DEPRECIATION $	COST $	ACCUMULATED DEPRECIATION $
Patents and trademarks	90,201	1,040	2,567	765
Licences and distribution agreements	1,206	112	172	31
Organization costs	190	145	163	41
	91,597	1,297	2,902	837
Less: Accumulated amortization	1,297		837	
	90,300		2,065	

Acquisitions of intangible assets amount to $88,313,522 ($648,646 in 2001 and $173,717 in 2000) including the estimated fair value of $86,890,193 allocated to intangible assets subsequent to the acquisition of Zentaris AG (note 4).

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	DECEMBER 31,	
	2002	2001
	$	$
Trade payable	27,009	17,798
Accrued liabilities on research contracts	3,747	2,710
Advance payment related to a licensing agreement	1,016	-
Salaries and employee benefits	2,250	1,716
Deferred revenues	4,867	-
Other accrued liabilities	3,668	1,206
	42,557	23,430

11 LONG-TERM DEBT

	DECEMBER 31,	
	2002	2001
	$	$
Loan from the federal and provincial governments, non-interest bearing, payable in five annual equal and consecutive instalments. The first instalment is due on July 2004. The authorized amount is $4,000,000 and represents 25% of the eligible costs related to the building and to the process equipment	4,000	4,000
Loans payable in euros and for which the shares of the subsidiary Unipex S.A. have been given as collateral		
Bearing interest at LIBOR rate plus 1%, payable in quarterly instalments including principal and interest, maturing in October 2004	3,687	4,626
Bearing interest at EURIBOR rate plus 2.5%, interest payable annually, maturing in October 2005	3,788	3,244
Loan from a shareholder of a subsidiary for which the shares of the subsidiary Unipex S.A. have been given as collateral, bearing interest at 4%, interest payable annually, maturing in December 2003	1,262	1,082
Balance of purchase price, non-interest bearing, payable in monthly instalments of euro 6,098 (CAN$10,100), maturing in July 2006	434	-
Paid during the year	-	896
	13,171	13,848
Less: Current portion	3,202	3,447
	9,969	10,401

The principal instalments due on long-term debt for the next five years amount to $3,201,911 in 2003, $2,789,832 in 2004, $4,708,957 in 2005, $870,703 in 2006 and $800,000 in 2007.

(tabular amounts in thousands of Canadian dollars,
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12 REDEEMABLE COMMON SHARES OF A SUBSIDIARY

On January 21 and September 19, 2000, Atrium, a company's subsidiary, issued two blocks of 1,000,000 common shares each, totalling 2,000,000 common shares for cash consideration of $20,000,000. Each of the common shares had one subordinate voting right and a participating right. Under the terms of the first block of common shares issued on January 21, 2000, Atrium agreed to use the $10,000,000 in proceeds within a period of 24 months following the effective date of the agreement to acquire shares or assets of businesses in a similar industry ("qualifying acquisition"). This qualifying acquisition was made on July 2, 2001 (see note 4).

After January 21, 2005, anyone of the investors will have the right to put their shares back to Atrium, and Atrium is obligated to repurchase them at a price based on the percentage of interest in Atrium at the date the put option is exercised multiplied by consolidated net earnings during the immediately preceding fiscal year multiplied by a factor of 13.54.

Furthermore, if AEterna Laboratories Inc. ("AEterna") accepts an offer concerning the purchase of at least 90% of the Atrium's issued and outstanding shares, each of the investors are obligated to sell their shares to this third party. AEterna shall pay to the investors the difference between the acquisition price of these shares and the value thereof that would have provided a return equal to an annual compound interest rate of 25% on their investment.

As at December 31, 2000 the redeemable common shares of Atrium are recorded at their fair value of $24,609,547, calculated under the redemption formula referred to above. The difference between the carrying value of the redeemable common shares of $20,000,000 and the estimated redemption value as at December 31, 2000 is being amortized to operations over the current and remaining term until January 21, 2005. The unamortized portion has been recorded as deferred interest expense and has been included in intangible assets until the amendment of the shareholders' agreement.

On May 17 and 22, 2001, the company's subsidiary, Atrium, and all its shareholders amended, effective as of January 21, 2000, certain terms of the shareholders' agreement such that Atrium is no longer obligated to repurchase the common shares as described below.

Under the terms of the amended shareholders' agreement, as of January 21, 2005, the investors have the option of selling some or all of its interests in Atrium back to Atrium and the company, at a defined repurchase price set out in the amended agreement. However, Atrium and the company are not obligated to repurchase these shares. In the event of an offer from third parties for such shares, Atrium and the company have in turn the right of first refusal to repurchase the shares. If they refuse the offer to repurchase, the company is obligated to pay the investors an amount equal to the difference between the price paid by the purchaser and the defined repurchase price, plus a premium of 10% of the defined repurchase price. Both amounts will be paid by the issuance of the company's shares.

As a result of the amendments to the shareholders' agreement, the company reclassified the common shares issued by Atrium to the minority shareholders from a liability to equity. Accordingly, in the second quarter of the fiscal year ended December 31, 2001, the company recognized a gain on dilution and a minority interest in Atrium.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

13 EMPLOYEE FUTURE BENEFITS

Some of the company's subsidiaries offer various defined benefit plans which guarantee the payment of pension and post-employment benefits to most of their employees.

With the exception of those offered by Zentaris AG to its employees, the employee future benefits maintained by one of the company's subsidiaries are not significant and therefore the disclosures otherwise required have not been provided. The disclosures required with regards to those of Zentaris AG will be provided when available to the company and after the purchase price allocation has been completed (see note 4a).

14 SHARE CAPITAL

a) Authorized

Unlimited number of shares of the following classes:
- Common
  - Multiple voting shares, voting and participating, ten votes per share, convertible into one subordinate voting share at the option of the holder
  - Subordinate voting shares, voting and participating, one vote per share
- Preferred, first and second ranking, issuable in series, with rights and privileges specific to each class. As at December 31, 2002, there are no preferred shares issued and outstanding

b) Issued

	DECEMBER 31,					
	2002		2001		2000	
	NUMBER	AMOUNT $	NUMBER	AMOUNT $	NUMBER	AMOUNT $
MULTIPLE VOTING SHARES						
Balance - Beginning of year	4,852,723	1,911	4,852,723	1,911	6,533,987	2,573
Conversion of shares	(125,623)	(49)	-	-	(1,681,264)	(662)
Balance - End of year	4,727,100	1,862	4,852,723	1.911	4.852,723	1,911
SUBORDINATE VOTING SHARES						
Balance - Beginning of year	27,978,321	95,602	25,219,151	78,097	21,342,796	57,780
Conversion of shares	125,623	49	-	-	1,681,264	662
Issued pursuant to the stock option plan	257,983	1,189	802,170	3,803	604,996	3,177
Issued pursuant to a private placement	7,600,000	56,253	-	-	-	-
Issued pursuant to public offerings	-	-	1,957,000	15,656	1,590,095	18,350
Share issue expenses	-	(1,377)	-	(1,954)	-	(1,872)
Balance - End of year	35,961,927	151,716	29,978,321	95,602	25,219,151	78,097
TOTAL SHARE CAPITAL	40,689,027	153,578	32,831,044	97,513	30,071,874	80,008

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

c) Common share issues

On April 9, 2002, pursuant to a private placement, the company issued 7,600,000 common shares at prices ranging from $7.40 to $7.45 per share for gross proceeds of $56,253,333. Pursuant to the exercise of stock options, the company issued 257,983 common shares at an average price of $4.60 per share for proceeds of $1,188,722.

In 2001, pursuant to a public offering, the company issued 1,957,000 common shares at a price of $8.00 per share for gross proceeds of $15,656,000. Pursuant to the exercise of stock options, the company issued 802,170 common shares at an average price of $4.74 per share for proceeds of $3,803,051.

On January 11, 2000, pursuant to the exercise of the over-allotment granted to the underwriters following the 1999 public offering, the company issued 375,000 common shares at a price of $6.00 per share for gross proceeds of $2,250,000. Furthermore, in 2000, pursuant to a bought deal, the company issued 1,215,095 common shares at a price of $13.25 per share for gross proceeds of $16,100,009. Pursuant to the exercise of stock options, the company issued 604,996 common shares at an average price of $5.25 per share for proceeds of $3,176,925.

d) Pursuant to an agreement among the company, its transfer agent and the holders of the multiple voting right shares, in the event of a takeover bid, the holders of the multiple voting right shares have agreed not to sell their shares unless the holders of the subordinate voting right shares receive an offer with identical terms.

e) Company's stock option plan

In December 1995, the company's Board of Directors adopted a stock option plan for its directors, senior executives, employees and other collaborators providing services to the company. The number of shares that are issuable under the plan shall not exceed 3,285,101. Options granted under the plan expire after a maximum period of ten years following the date of grant. Options granted under the plan generally vest over a three-year period.

The following table summarizes the stock option activity under this plan:

	2002		2001		2000	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $
Balance - Beginning of year	2,877,671	7.05	2,641,591	6.01	2,916,232	5.22
Granted	1,048,895	5.97	1,441,350	8.04	350,655	11.47
Exercised	(257,983)	4.61	(802,170)	4.74	(604,996)	5.25
Expired	(382,129)	6.19	(186,100)	9.35	-	-
Forfeited	(336,582)	7.35	(217,000)	7.56	(20,300)	8.49
Balance - End of year	2,949,872	6.96	2,877,671	7.05	2,641,591	6.01
Options exercisable - End of year	1,025,640	6.92	1,315,080	5.97	1,920,548	5.43

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

The following table summarizes the stock options outstanding as at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS CURRENTLY EXERCISABLE	
EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $
$3.75 to $8.00	1,777,835	6.35	5.82	614,209	5.40
$8.01 to $10.00	1,057,038	6.31	8.39	327,433	8.62
$10.01 to $14.35	114,999	2.45	11.27	83,998	11.40
	2,949,872	6.18	6.96	1,025,640	6.92

In 2002, the company granted to certain collaborators 40,000 options with a fair value of $107,032 which have been recorded as contributed surplus.

Had compensation costs been determined using the fair value method at the date of grant for awards granted since January 1, 2002 under this stock option plan, the company's pro-forma net loss, basic and diluted loss per share for the year ended December 31, 2002 would have been $26,039,101 and $0.67, respectively. These pro-forma amounts include a compensation cost based on a weighted-average grant date fair value of $2.29 per stock option for 1,019,000 stock options (net of cancellation) granted during the year ended December 31, 2002, as calculated using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.72%, dividends of nil, an expected volatility of 57% and an expected life of 2.7 years. As permitted by CICA Handbook Section 3870, the pro-forma disclosure omits the effect of awards granted before January 1, 2002.

f) Subsidiary's stock option plan

On November 1, 2000, the Board of Directors of the subsidiary, Atrium, adopted a stock option plan for its directors and employees providing services to Atrium. The exercise price of these options is equivalent to their fair value established annually from a specific formula and approved by the Board of Directors. The number of shares that are issuable under the plan shall not exceed 650,000. With the consent of the optionees, the company's stock option plan was modified on May 29, 2002. The option according to which employees and directors could receive, at their option, a cash amount equivalent to the difference between the fair value of the shares on the date of exercise and the exercise price determined on the date of grant was cancelled. Options granted under the plan generally vest over a five-year period, with 20% vesting on an annual basis starting on the first anniversary of the date of grant, and they expire after a maximum period of ten years following the date of grant.

The company's ownership percentage of the subsidiary will change as a result of future exercises of stock options and outstanding subsidiary stock options may dilute the company's share of profits in the calculation of loss per share.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

The following table summarizes the stock option activity under this plan:

	2002		2001	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $
Balance - Beginning of year	545,500	10.78	347,500	10.00
Granted	60,000	12.29	230,000	11.84
Forfeited	(27,000)	10.00	(32,000)	10.00
Balance - End of year	578,500	10.97	545,500	10.78
Options exercisable - End of year	155,500	10.36	66,500	10.00

The following table summarizes the stock options outstanding as at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS CURRENTLY EXERCISABLE	
EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE $
$10.00	333,500	7.21	10.00	131,000	10.00
$12.29	245,000	8.95	12.29	24,500	12.29
	578,500	7.94	10.97	155,500	10.36

g) Warrants

Pursuant to the April 9, 2002 private placement, the company issued 7,466,666 warrants for common shares of the company at a price of $0.10 per warrant for an amount of $746,667. Expiring March 31, 2003, 3,800,000 warrants may be exercised at a price of $13.00 per share and 3,666,666 warrants, expiring initially December 31, 2003 may be exercised at a price of $20.00 per share subject to certain conditions.

15 GRANTS

Under the federal contribution program called Technology Partnerships Canada ("TPC"), the company received a grant equivalent to 30% of the eligible expenses incurred by the company in the development of AE-941 in oncology, dermatology and ophthalmology to a maximum of $29,400,000. This contribution will be repaid only upon the marketing of AE-941 derived products for each indication according to the corresponding generated income. Royalties will be paid upon the marketing of AE-941 derived products based on a percentage of gross project revenues under the terms and conditions stipulated in the agreements entered into between TPC and the company.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

As at December 31, 2002, grants in the amount of $103,125 ($4,354,839 in 2001; $5,846,668 in 2000) have been recognized, of which an amount of $103,125 ($4,261,965 in 2001; $5,466,577 in 2000) has been recorded as a grant in the statement of operations, nil ($36,098 in 2001; $99,408 in 2000) as a decrease in property, plant and equipment and nil ($56,776 in 2001; $280,683 in 2000) as a decrease in intangible assets. If the company has to repay this contribution, the payments will be accounted for as an expense or in addition to property, plant and equipment or intangible assets in the period the condition for repayment has arisen. As at December 31, 2002, a reimbursement of grants, in the amount of $323,599 has been accounted for in addition to intangible assets.

During the period from January 1, 1999 to December 31, 2002, the company recognized total grants of $14,873,653 of which an amount of $14,038,624 has been recorded as a grant in the statement of operations, $756,898 as a decrease in property, plant and equipment and $78,131 as a decrease in intangible assets.

16 INCOME TAXES

The reconciliation of the combined Canadian federal and Quebec provincial income tax rate to the income tax expense (recovery) is as follows:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Combined federal and provincial statutory income tax rate	35.16%	37.16%	38.13%
Income tax recovery based on statutory income tax rate	$ (6,396)	$ (5,516)	$ (3,670)
Manufacturing and processing tax credit	1,162	691	483
Non-deductible interest expense	-	162	197
Change in valuation allowance	9,487	(124)	3,652
Variation in statutory income tax rate of foreign subsidiaries	(50)	126	-
Change in promulgated rate	357	-	-
Additional tax deduction	(108)	(12)	(529)
Other	(27)	(79)	(133)
	$ 4,425	$ (4,752)	$ -
Income tax expense (recovery) is represented by:			
Current	$ 2,565	$ 922	$ 650
Future	1,860	(5,674)	(650)
	$ 4,425	$ (4,752)	$ -

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

Significant components of future income tax assets and liabilities are as follows:

	DECEMBER 31,		
	2002	2001	2000
	$	$	$
Future income tax assets			
Current assets	1,682	30	-
Research and development costs	9,064	6,498	1,533
Share issue expenses	1,016	1,071	876
Operating losses carried forward	14,914	2,858	86
Intangible assets and goodwill	4,390	5,780	7,614
Employee future benefits	425	-	-
Deferred revenues	6,749	-	-
	38,240	16,237	10,109
Valuation allowance	(19,309)	(9,308)	(8,827)
	18,931	6,929	1,282
Future income tax liabilities			
Property, plant and equipment	347	575	632
Deferred charges	556	-	-
Intangible assets	34,372	-	-
	32,275	575	632
Future income tax assets (liabilities), net	(16,344)	6,354	650

As at December 31, 2002, the company has non-refundable research and development tax credits of $8,105,000 which can be carried forward to reduce Canadian federal income taxes payable and expire at the latest in 2012. No tax benefit has been accounted for in connection with those credits.

The carryforwards and the tax credits claimed could be subjected to a review and a possible adjustment by the Canadian federal and Quebec provincial tax authorities.

Loss carryforwards will expire no later than December 31, 2022.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

17 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.

INFORMATION BY GEOGRAPHIC REGION

Revenues by geographic region are detailed as follows:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
Canada	1,301	481	533
United States	4,671	3,894	3,126
Europe			
England	1,620	1,322	1,390
France	83,915	30,810	48
Other	4,830	2,699	938
Asia	4,385	4,317	2,030
Other	482	254	340
	101,204	43,777	8,405

Revenues have been allocated to geographic regions based on the country of residence of the related customers.

Long-lived assets by geographic region are detailed as follows:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
Canada	20,688	16,025	16,610
United States	1,543	1,234	1,328
France	24,141	22,398	-
Germany	89,823	-	-
	136,195	39,657	17,938

Long-lived assets consist of property, plant and equipment, intangible assets and goodwill.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

THE PRINCIPAL FINANCIAL INFORMATION FOR EACH OF THESE SEGMENTS IS AS FOLLOWS:

	2002				
	BIOPHAR-MACEUTICAL $	COSMETICS AND NUTRITION $	DISTRIBUTION $	CONSOLIDATED ADJUSTMENTS $	TOTAL $
REVENUES	315	13,386	87,859	(356)	101,204
OPERATING EXPENSES					
Cost of sales	-	2,308	75,476	(341)	77,443
General, selling and administrative	7,536	4,327	5,914	-	17,777
Research and development costs	25,269	793	-	-	26,062
Research and development tax credits and grants	(1,599)	(334)	-	-	(1,933)
Depreciation and amortization	1,999	114	308	-	2,421
	33,205	7,208	81,698	(341)	121,770
OPERATING INCOME (LOSS)	(32,890)	6,178	6,161	(15)	(20,566)
INTEREST INCOME	2,513	249	141	-	2,903
INTEREST EXPENSE	-	-	(527)	-	(527)
EARNINGS (LOSS) BEFORE INCOME TAXES	(30,377)	6,427	5,775	(15)	(18,190)
INCOME TAX RECOVERY (EXPENSE)	-	(2,435)	(1,990)	-	(4,425)
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	(30,377)	3,992	3,785	(15)	(22,615)
Gain on dilution	424	-	-	-	424
Non-controlling interest	-	(1,482)	(2,109)	-	(3,591)
NET EARNINGS (LOSS) FOR THE YEAR	(29,953)	2,510	1,676	(15)	(25,782)
SEGMENT ASSETS	244,709	25,016	62,411	(1,168)	330,968
GOODWILL	-	1,519	22,733	-	24,252
ACQUISITION OF LONG-LIVED ASSETS	95,488	1,421	1,363	-	98,272

One customer from the distribution segment represents more than 10% of the company's revenues for which the sales represent 13% (12% in 2001 and nil in 2000). In 2000, two customers from the cosmetics and nutrition segment represented more than 10% of the company's revenues for sales representing 37% for one customer and 14% for the other one.

	2001				
	BIOPHAR-MACEUTI $	COSMETICS AND NUTRITION $	DISTRIBUTION $	CONSOLIDATED ADJUSTMENTS $	TOTAL $
REVENUES	-	11,367	32,629	(219)	43,777
OPERATING EXPENSES					
Cost of sales	-	1,913	28,172	(135)	29,950
General, selling and administrative	6,542	3,983	2,514	-	13,039
Research and development costs	22,063	618	-	-	22,681
Research and development tax credits and grants	(5,774)	(215)	-	-	(5,989)
Depreciation and amortization	1,437	179	234	-	1,850
	24,268	6,478	30,920	(135)	61,531
OPERATING INCOME (LOSS)	(24,268)	4,889	1,709	(84)	(17,754)
INTEREST INCOME	2,463	940	360	-	3,763
INTEREST EXPENSE	(437)	-	(416)	-	(853)
EARNINGS (LOSS) BEFORE INCOME TAXES	(24,242)	5,829	1,653	(84)	(14,844)
INCOME TAX RECOVERY (EXPENSE)	-	5,468	(716)	-	4,752
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	(22,242)	11,297	937	(84)	(10,092)
Gain on dilution	10,223	-	-	-	10,223
Non-controlling interest	-	(3,186)	(414)	-	(3,600)
NET EARNINGS (LOSS) FOR THE YEAR	(12,019)	8,111	523	(84)	(3,469)
SEGMENT ASSETS	64,097	18,729	51,902	(376)	134,352
GOODWILL	-	1,206	20,982	-	22,188
ACQUISITION OF LONG-LIVED ASSETS	753	183	19,594	-	20,530

	2000		
	BIOPHAR-MACEUTICAL $	COSMETICS AND NUTRITION $	TOTAL $
REVENUES	-	8,405	8,405
OPERATING EXPENSES			
Cost of sales	-	8,405	8,405
General, selling and administrative	5,931	2,575	8,506
Research and development costs	16,121	586	16,707
Research and development tax credits and grants	(6,665)	(52)	(6,717)
Depreciation and amortization	1,355	99	1,454
	16,742	4,331	21,073
OPERATING INCOME (LOSS)	(16,742)	4,074	(12,668)
INTEREST INCOME	2,696	919	3,615
INTEREST EXPENSE	-	(605)	(605)
EARNINGS (LOSS) BEFORE INCOME TAXES	(14,046)	4,388	(9,658)
INCOME TAX RECOVERY (EXPENSE)	-	-	-
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	(14,046)	4,388	(9,658)
Gain on dilution	-	-	-
Non-controlling interest	-	-	-
NET EARNINGS (LOSS) FOR THE YEAR	(14,046)	4,388	(9,658)
SEGMENT ASSETS	67,307	33,275	100,582

GOODWILL	-	1,294	1,294
ACQUISITION OF LONG-LIVED ASSETS	1,823	1,415	3,238

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

18 FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

Since the company operates on an international scale, it is exposed to currency risks as a result of potential exchange rate fluctuations. As at December 31, 2002, there were no significant outstanding forward contracts. The total exchange gain (loss) included in the statements of operations amounts to ($140,500) in 2002 ($127,010 in 2001 and $198,668 in 2000).

FAIR VALUE

Cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity. The fair value of short-term investments is $69,925,301 in 2002 ($42,939,690 in 2001). The fair value of the long-term debt has been established by discounting the future cash flows at an interest rate corresponding to that which the company would currently be able to obtain for loans with similar maturity dates and terms. The fair value of the long-term debt is $13,427,346 in 2002 ($13,163,657 in 2001).

CREDIT RISK

Financial instruments which potentially subject the company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Cash and cash equivalents are maintained with high-credit quality financial institutions. Short-term investments consist primarily of bonds issued by high-credit quality corporations and institutions. Consequently, management considers the risk of non-performance related to cash and cash equivalents and short-term investments to be minimal.

Generally, the company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the company performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible.

INTEREST RATE RISK

The company's exposure to interest rate risk is as follows:

Cash and cash equivalents	Variable interest rate
Short-term investments	Fixed interest rate
Accounts receivable	Non-interest bearing
Unused line of credit	Prime interest rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 11

19 LEASE COMMITMENTS

The company is committed to various operating leases totalling $2,928,000 (euro 1,768,000) in 2003 and $2,892,000 (euro 1,746,000) in 2004.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

20 SUMMARY OF DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND IN THE UNITED STATES

As a registrant with the Securities and Exchange Commission in the United States, the company is required to reconcile its financial statements for significant differences between generally accepted accounting principles as applied in Canada (Canadian GAAP) and those applied in the United States (U.S. GAAP).

Additional disclosures required under U.S. GAAP have been provided in the accompanying financial statements and notes. In addition, the following summarizes differences between Canadian and U.S. GAAP and other required disclosures under U.S. GAAP.

The following summary sets out the material adjustments to the company's reported net loss, net loss per share and shareholders' equity which would be made to conform with U.S. GAAP:

STATEMENTS OF OPERATIONS

		YEARS ENDED DECEMBER 31,		
		2002 $	2001 $	2000 $
Net loss for the year under Canadian GAAP		(25,782)	(3,469)	(9,658)
Stock-based compensation costs	a)	(254)	(256)	(2,088)
Finished goods intended for clinical trials	b)	(450)	-	(90)
Interest expense	c)	-	437	605
Amortization of organization costs	d)	87	41	-
Net loss for the year under U.S. GAAP		(26.399)	(3,247)	(11,231)
Other comprehensive loss				
Unrealized gains on short-term investments	f)	885	869	616
Less: Reclassification of adjustments for gains (losses) realized in net loss		(1,390)	-	2
Net unrealized losses (gains)		(505)	869	618
Foreign currency translation adjustments		580	188	-
Comprehensive loss		(26,324)	(2,190)	(10,613)
Basic and diluted net loss per share under U.S. GAAP		(0.68)	(0.10)	(0.38)
Weighted average number of shares outstanding under U.S. GAAP		38,584,537	30,968,710	29,502,301

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

STATEMENTS OF DEFICIT

		YEARS ENDED DECEMBER 31,		
		2002	2001	2000
		$	$	$
Deficit in accordance with Canadian GAAP		(44,864)	(19,082)	(15,614)
Stock-based compensation costs				
Current year	a)	(254)	(255)	(2,088)
Cumulative effect of prior years		(4,644)	(4,389)	(2,300)
Finished goods intended for clinical trials				
Current year	b)	(450)	-	(90)
Cumulative effect of prior years		(204)	(204)	(113)
Amortization of organization costs				
Current year	d)	87	41	-
Cumulative effect of prior years		41	-	-
Deficit in accordance with U.S. GAAP		(50,288)	(23,289)	(20,205)

SHARE CAPITAL

		DECEMBER 31,	
		2002	2001
		$	$
Share capital in accordance with Canadian GAAP		153,578	97,513
Stock-based compensation costs related to stock option plan granted for underwriting compensation			
Current year	a)	-	(402)
Cumulative effect of prior years		(896)	(494)
Share capital in accordance with U.S. GAAP		152,162	96,617

OTHER CAPITAL

		DECEMBER 31,	
		2002	2001
		$	$
Other capital in accordance with Canadian GAAP		854	-
Stock-based compensation costs			
Current year	a)	254	255
Cumulative effect of prior years		4,644	4,389
Stock-based compensation costs related to stock option plan granted for underwriting compensation			
Current year	a)	-	402
Cumulative effect of prior years		896	494
Other capital in accordance with U.S. GAAP		6,648	5,540

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

ACCUMULATED OTHER COMPREHENSIVE INCOME

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
Foreign currency translation adjustments			
Balance - Beginning of year	188	-	-
Change during the year	581	188	-
Balance - End of year	769	188	-
Unrealized gains (losses) on short-term investments and forward exchange contracts			
Balance - Beginning of year	1,390	521	(97)
Change during the year	(505)	869	618
Balance - End of year	885	1,390	521
Accumulated other comprehensive income	1,654	1,578	521

STATEMENTS OF CASH FLOWS AND BALANCE SHEETS

For the years ended December 31, 2002, 2001 and 2000 and as at December 31, 2002 and 2001, there are no significant differences between the statements of cash flows and balance sheets under Canadian GAAP as compared to U.S. GAAP.

A) STOCK-BASED COMPENSATION

The company accounts for stock-based compensation related to options granted to employees and directors using the intrinsic value method prescribed in APB No. 25. The company provides additional pro-forma disclosures as required under SFAS No. 123.

Under U.S. GAAP, transactions for which underwriters are issued equity instruments should be recorded by the company based upon the fair value of the equity instruments issued as an issuance of shares in other capital. Under Canadian GAAP, equity instruments issued for underwriters before January 1, 2002 are accounted for in share capital.

The stock option plan for Atrium was considered to be a variable plan under U.S. GAAP up to May 29, 2002. The compensation costs under the variable plan have not been accounted for as expenses due to the insignificant amount.

B) FINISHED GOODS INTENDED FOR CLINICAL TRIALS

Under U.S. GAAP, finished goods intended for clinical trials are expensed when acquired since they are considered as research and development costs. Under Canadian GAAP, finished goods intended for clinical trials are accounted for as inventory.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

C) REDEEMABLE COMMON SHARES OF THE SUBSIDIARY

Under Canadian GAAP, redeemable common shares of the subsidiary, issued in 2000, that are redeemable at the option of the holders are classified as liabilities in accordance with the substance of the contractual arrangement and the definition of a financial liability. Under U.S. GAAP, those shares are considered as "mandatorily redeemable", and are classified outside of shareholders' equity and long-term liabilities, in the mezzanine section of the balance sheet. Interest expense is charged to deficit.

D) ORGANIZATION COSTS

Under U.S. GAAP, all organization costs are expensed as incurred. Under Canadian GAAP, organization costs are accounted for as intangible assets and are amortized on a straight-line basis over a five-year period.

E) RESEARCH AND DEVELOPMENT COSTS

Under U.S. GAAP, all development costs are expensed as incurred. Under Canadian GAAP, development costs which meet generally accepted criteria for deferral are capitalized and amortized. As at December 31, 2002, the company had not deferred any development costs.

F) SHORT-TERM INVESTMENTS

Short-term investments, which are classified as available-for-sale securities, include the company's investment in bonds for which the company does not have the positive intent or ability to hold to maturity. Under U.S. GAAP, available-for-sale securities are carried at fair value with unrealized gains and losses net of the related tax effects as part of other comprehensive loss.

NEW ACCOUNTING STANDARDS

On June 15, 2001, the Financial Accounting Standards Board issued SFAS 143, "Accounting for Asset Retirement Obligation", which is effective for fiscal years beginning on or after June 15, 2002. This standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The company has not yet assessed the impact of the adoption of this new standard.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

In October 2001, the Financial Accounting Standards Board issued SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets", which supersedes SFAS 121 and the provisions of APB 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" with regard to reporting the effects of a disposal of a business segment. SFAS 144 retains many of the provisions of SFAS 121, but significantly changes the criteria that would have to be met to classify an asset as held for disposal such that long-lived assets to be disposed of other than by sale are considered held and used until disposed of. In addition, SFAS 144 retains the basic provisions of APB 30 for presentation of discontinued operations in the statement of operations but broadens that presentation to a component of an entity. This new standard is effective for fiscal years beginning on or after December 15, 2001. Adopting this new standard is not expected to have significant impact on the company's financial statements.

In December 2001, the CICA Accounting Standards Board issued Accounting Guideline 13, "Hedging Relationships" (AcG 13), which is applicable to fiscal years beginning on or after July 1, 2003. AcG 13 specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges and the discontinuance of hedge accounting. The company will adopt AcG 13 prospectively effective January 1, 2004 and has not yet assessed the impact of the adoption of this new standard.

In April 2002, the FASB issued SFAS 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statements No. 13 and Technical Corrections". This new standard is effective for fiscal years beginning on or after May 15, 2002, or for transactions occurring after May 15, 2002 related to SFAS 13, paragraph 8 and 9c). This statement rescinds SFAS 4 "Reporting Gains and Losses from Extinguishment of Debt" and an amendment of that Statement, SFAS 64 "Extinguishments of Debt Made to Satisfy Sinking-Funds Requirements". This Statement also rescinds SFAS 44 "Accounting for Intangible Assets of Motor Carriers". This Statement amends SFAS 13 "Accounting for Leases" to eliminate an inconsistency between the required accounting for sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The company adopted this new standard prospectively on September 1, 2002, and its adoption had no significant impact on the company's financial statements.

In June 2002, the FASB issued SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities". This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF No. 94-3, "Liability Recognition of Certain Employee Termination Benefits and Other Costs to Exit an Activity". This Statement improves financial reporting by requiring that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. This Statement specifies that a liability for a cost associated with an exit or disposal activity is incurred when the definition of a liability in SFAS 6 is met. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002. The company will adopt this new standard prospectively on January 1, 2003, and its adoption will have no impact on the company's financial statements.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

In November 25, 2002, the Financial Accounting Standards Board issued FIN No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34", with disclosure requirements effective for years ending after December 15, 2002 and recognition and measurement requirements effective on a prospective basis for guarantees that are issued or modified after December 31, 2002.

FIN No. 45 provides a definition and examples of a guarantee and requires disclosure of the nature of the guarantee, the maximum potential amount of future payments, the carrying amount of the related liability, if any, the recourse provisions and assets held as collateral under the terms of the guarantee and the extent to which the proceeds of collateral would cover the maximum potential liability.

FIN No. 45 clarifies the requirement of SFAS No. 5, "Accounting for Contingencies", relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. It requires that the guarantor recognize a liability for the guarantee at its inception equal to its fair value at that time and that the liability is reduced as the risk under the guarantee reduces. The liability may be reduced at the end of the guarantee period, on a systematic amortization basis or as the fair value changes as appropriate.

The company has adopted the disclosure requirements of FIN No. 45 for the year ended December 31, 2002 and the required disclosures are included in notes 5 and 11 of these financial statements.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", revising the transition and disclosure provisions of FAS 123. FAS 148 allows companies to adopt FAS 123 under three different methods. In addition, FAS 148 requires increased disclosure for all companies, including those choosing not to adopt the accounting provision of FAS 123. The transition and disclosure changes are effective for fiscal years ending after December 15, 2002. The company has already disclosed the pro-forma information required.

ACCOUNTING FOR STOCK-BASED COMPENSATION

Under U.S. GAAP, the company shall measure compensation cost related to awards of stock options using the intrinsic value method of accounting. In this instance, however, under SFAS 123, Accounting for Stock-Based Compensation, the company is required to make pro forma disclosures of net earnings (loss), basic net earnings (loss) per share and diluted net earnings (loss) per share as if the fair value based method of accounting had been applied.

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions: a risk-free interest rate of 3.72% (5.1% for 2001 and 5.91% for 2000), an expected volatility of 57% (60% for 2001 and 63.54% for 2000), dividends of nil and an expected life of 2.7 years (4.7 years for 2001 and 2000). The weighted average grant-date fair value of options granted during the years ended December 31, 2002, 2001 and 2000 was $2.29, $4.16 and $5.92, respectively.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

If the fair value based method had been used to account for stock-based compensation costs related to stock options issued to employees, the net loss and related net loss per share figures under U.S. GAAP would be as follows:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	$	$	$
Pro-forma net loss for the year	26,656	3,916	12,936
Basic and diluted pro-forma net loss per share	0.69	0.13	0.44

RENTAL EXPENSES

Rental expenses amounted to approximately $171,000 in 2002, $121,000 in 2001 and $19,000 in 2000.

INCOME TAXES

As a result of adjustments from Canadian GAAP to U.S. GAAP, future income tax assets under U.S. GAAP include an adjustment of $203,000 [$63,000 in 2001 and ($88,000) in 2000] related to the finished goods included in research and development costs. This would result in a corresponding adjustment in the valuation allowance under U.S. GAAP.

UNAUDITED PRO-FORMA INFORMATION ON BUSINESS ACQUISITIONS

Under U.S. GAAP, pro-forma information must be provided as though the business acquisition had occurred at the beginning of 2002 and 2001.

The following unaudited pro-forma information reflects the results of operations as if the 2002 acquisitions had been completed on January 1, 2001 and 2002 and the 2001 acquisition had been completed on January 1, 2001.

(tabular amounts in thousands of Canadian dollars,
except share/option and per share/option data and as otherwise noted)

Such information is not necessarily indicative of the actual results which would have been achieved, nor is it necessarily indicative of future consolidated results of the company:

	2002 $	2001 $
Revenues	132,872	82,407
Net loss	(37,435)	(35,890)
Basic and diluted net loss per share	(0.97)	(1.16)

21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

AETERNA LABORATORIES INC.
ANNUAL REPORT 2002

EXPANDING OUR VISION

STAYING FOCUSED

"By any measure, 2002 signalled a defining moment in AEterna's rapid evolution. Our principal objectives for the year were inspired by an ambitious growth strategy. On all counts, we exceeded our expectations. In fact, the developments of the past year have set the stage for AEterna to become a world-class biopharmaceutical company."

SUMMARY

HIGHLIGHTS
AS AT DEC. 31, 2002 - ALL FIGURE IN CANADIAN DOLLARS

- Total Assets: $331 million
- Cash: $82 million
- Working Capital: $44 million
- Revenues: $101 million
- Issued & outstanding shares: 41 million
- R&D Investments: $26 million

SIGNIFICANT MILESTONES

- Three strategic shareholders invest $57 million in AEterna.

- AEterna signs a partnership agreement with Mayne Pharma., an Australian multinational pharmaceutical company, for the marketing of Neovastat in Australia, New-Zealand, Canada and Mexico.

- Gilles Gagnon is appointed President and, subsequent to year-end, Chief Executive Officer.

- The U.S. Food and Drug Administration (FDA) grants Orphan Drug Status to Neovastat for the treatment of renal cell carcinoma, a form of kidney cancer.

- AEterna acquires Zentaris, a Frankfurt-based biopharmaceutical company that specializes in developing innovative new therapies for endocrinological and oncological indications for $85 million. Zentaris has eight products in clinical trials and one compound that has been approved and is being marketed for IN VITRO fertilization. Additionally, it maintains a library of 100,000 proprietary compounds and established marketing alliances with some of the world's leading pharmaceutical companies. In 2002, Zentaris is cash-flow positive and debt-free.

- Sales of the subsidiary Atrium increased 130% to $101 million in 2002 and generated an EBIT of $12.3 million, an increase of 89% compared to 2001.

- Subsequent to year-end, AEterna subsidiary Zentaris signs a product partnership contract with Hainan Tianwang International Pharmaceutical for the manufacturing and marketing of Zentaris' patent-protected compound, Lobaplatin(R), in China, for different cancer indications.

CORPORATE PROFILE

Established in 1991, AEterna Laboratories Inc. is a biopharmaceutical company focused on the development of novel therapeutic treatments, mainly in oncology and endocrinology. Its product pipeline includes 12 compounds, and its strategic partnerships with leading pharmaceutical companies extend throughout the world.

AEterna owns 100% of the biopharmaceutical company, Zentaris AG, based in Frankfurt, Germany, and 61.8% of Atrium Biotechnologies Inc., which develops and markets nutritional supplements as well as active ingredients and fine chemicals intended for the cosmetics, nutrition, fine chemicals and pharmaceuticals industries. Atrium markets over 500 products in 20 countries.

AEterna and its subsidiaries have 270 employees in North America and Europe.

AEterna is listed on the Toronto Stock Exchange (symbol: AEL) and Nasdaq (symbol: AELA).

BROADENING HORIZONS

MESSAGE FROM THE EXECUTIVE CHAIRMAN

By any measure, 2002 signalled a defining moment in AEterna's rapid evolution. Our principal objectives for the year were inspired by an ambitious growth strategy. Aside from guiding our proprietary angiogenesis-inhibiting compound, Neovastat, through its late-stage clinical trials, our expressed mission featured two key initiatives: to forge additional strategic alliances with the pharmaceutical industry and to develop the Company by acquiring promising therapeutic technologies or biotech companies. At the heart of our corporate strategy was the desire to greatly expand our product pipeline and global reach, and to optimize risk management through product diversification.

On all counts, I am very proud to say that we exceeded our expectations. In fact, the developments of the past year have set the stage for AEterna to become a world-class biopharmaceutical company.

When the year began, Neovastat had embarked upon two final-stage clinical trials, one targeting the treatment of metastatic renal cell carcinoma, a form of kidney cancer, and one targeting non-small cell lung cancer. During the year, Data Safety Monitoring Boards, constituted of independent oncologists and statisticians, confirmed Neovastat's safety profile for these ongoing Phase III trials.

By year-end, we had entered into a third partnership agreement for the commercialization of Neovastat with Mayne Group Ltd., a multinational healthcare products and services company based in Australia.

Even more momentous, however, was our acquisition on December 30, 2002, of Zentaris AG from Degussa AG, Germany's largest chemicals company and the worldwide leader in the field of specialty chemicals.

The acquisition of Zentaris represents a major milestone in our corporate growth strategy. Based in Frankfurt, Zentaris has built its reputation on its demonstrated proficiency in the fields of endocrinology and oncology. It develops innovative products for new patient-friendly therapies, specializing in the treatment of benign and malignant tumors, and has the expertise to integrate drug discovery and clinical development for this purpose.

The new entity formed by this acquisition fits exactly with the vision I had twelve years ago when AEterna was founded. It is a vision that has endured: to build a company dedicated to seeking out and developing groundbreaking biopharmaceutical therapies for cancer and other debilitating diseases.

Our history has been marked by a number of successes, dating back to 1994 when our team of scientists and researchers discovered Neovastat. Today, our proprietary compound is recognized as a frontrunner in a new class of drugs known as angiogenesis inhibitors.

The establishment of our thriving subsidiary, Atrium Biotechnologies Inc., marked another milestone. Atrium has become a leading Canadian company specializing in the development and marketing of high-end value-added products and active ingredients in the cosmetics, nutrition, fine chemicals and pharmaceuticals sectors. Atrium recorded sales of over $100 million in 2002, with an EBIT of $12.3 million.

Our financial position is solid. At the end of fiscal 2002, our total assets amounted to $331 million, our cash and short term investments amounted to $82 million and our working capital exceeded $44 million.

In short, AEterna has demonstrated its skills in combining innovative science with responsible risk management, as well as its ability to expand its operations swiftly and successfully.

Now, with the Zentaris acquisition, AEterna is transformed. A year ago we had one promising drug therapy in our product pipeline; today we have twelve. Moreover, our leading position in angiogenesis research in oncology has been significantly strengthened, and we have been able to expand into endocrinology.

Going forward, I fully expect that Zentaris will drive drug discovery at AEterna under the expertise of Dr. Jurgen Engel.

Over the past decade the biotechnology industry has come of age, and AEterna has grown along with it. At this juncture in our history, we begin the next exciting phase of our evolution. AEterna is now an international multi-product biopharmaceutical company with development and marketing alliances that extend around the globe.

None of these achievements would have been possible without the substantial contributions of our management and employees. I would like to take this opportunity to thank them all for their tireless efforts, for the extraordinary skills they bring to our team, and most of all for dedicating themselves to the vision we established twelve years ago. Indeed, I am extremely grateful to all of our stakeholders, who have been instrumental in helping the Company advance so far in so brief a time.

On a more personal basis, it is very gratifying to be in a position to pass on the management reins to a second generation of seasoned executives from the pharmaceutical industry. I am delighted by the recent appointments of Mr. Gilles Gagnon as President and CEO and of Dr. Jurgen Engel as Executive Vice-President Global R&D and COO, and very confident that their considerable wisdom and expertise will accelerate the continued evolution and growth of AEterna.

Signed,

Dr. Eric Dupont, PhD
Executive Chairman
Quebec, Quebec, Canada
March 30, 2003

- 10 CLINICAL TRIALS ADDRESSING UNMET MEDICAL NEEDS IN ONCOLOGY AND ENDOCRINOLOGY

- 150 PARTICIPATING HOSPITAL CENTERS WORLWIDE

EXTENDING OUR REACH

"In Zentaris we found the perfect partner. In fact, the magnitude of this acquisition has surpassed even our own objectives. It represents nothing less than a turning point in the history of AEterna. Our new company is poised to become an international force in the biopharmaceutical industry, with proven capabilities and expertise that extend from drug discovery up to drug approval."

Gilles Gagnon, MSc, MBA
President and Chief Executive Officer
AEterna Laboratories Inc.

POWERING OUR EXPANSION
MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

One of the greatest challenges in our industry is to manage risk as prudently as possible. By its very nature, biopharmaceutical research requires that a company take chances as it explores therapeutic possibilities that have never been realized before. Yet, with these risks, there is the potential for great rewards.

This can also be an extremely costly enterprise. Identifying and developing compounds with untapped potential may take more than a decade and often necessitates an investment of many millions of dollars. The list of companies with promising ideas and products who have nevertheless fallen victim to financial difficulties is legion.

Last year, with our lead product Neovastat well advanced in its Phase III clinical trials for lung and kidney cancer, and with our production facilities scaled up to meet commercial needs, we made a commitment to leverage our scientific and management skills to greatly broaden the scope of our operations. We determined that one of the best ways to develop our company while managing risk wisely was to expand our product pipeline, either by purchasing therapeutic compounds that have reached the clinical development stage or by acquiring a company that has already established its scientific credibility and is generating promising new treatments.

As part of our planning process, we raised $55 million with our partners, SGF Sante and the Solidarity Fund QFL, from which $35 million was set aside for our acquisition program. Then we began screening acquisition candidates, our investigations guided by specific and demanding criteria.

First, we limited our search to companies that possessed a solid scientific rationale for the products they were developing as well as substantial patent protection. Second, we looked only at companies with a specialization in oncological research and products that had reached late-stage clinical development. Third, we considered only those enterprises with skilled management teams and solid financial positions. Fourth, we required that the companies had established collaborative relationships with pharmaceutical partners.

In Zentaris we found the perfect partner. In fact, the magnitude of this acquisition has surpassed even our own objectives. It represents nothing less than a turning point in the history of AEterna.With our joined forces, we are now able to offer a vastly expanded product pipeline.

The transaction comes with a range of other substantial benefits as well. From a financial perspective, Zentaris was cash-flow positive, debt-free and had working capital of $36.4 million as at December 31, 2002. Moreover, it brings us a very experienced management team with extensive pharmaceutical development experience, as well as relationships with some of the best international scientists and research institutions.

Zentaris has also forged development and marketing partnerships with nine major pharmaceutical companies around the world. These partnerships are ongoing, and will help us realize our growth potential on a global scale. Subsequent to year-end, for example, Zentaris signed an agreement with one of these partners, Hainan Tianwang International Pharmaceutical, that calls for the manufacture and marketing of Zentaris' patent protected compound, Lobaplatin(R) , in China. Lobaplatin(R) belongs to the therapeutic group of platinum-based drugs that have proven highly effective in the treatment of many cancer indications.

In essence, then, our acquisition of Zentaris represents a defining step towards making AEterna an international force in the biopharmaceutical industry, with proven capabilities and expertise that extend from drug discovery up to drug approval.

Our next objective involves the successful merging of our respective clinical operations. Because time is of the essence, this process has already begun. A strategy that achieves maximum efficiency is crucial, so we have assigned portfolio priorities in order to focus the combined AEterna-Zentaris product pipeline. These priorities have been established by carefully evaluating the competitive environment for our products, as well as their potential markets, their development costs, their expected time to market and the degree to which our pharmaceutical partners will participate in clinical studies.

Neovastat retains the top priority in our oncology portfolio, and we will now focus strictly on the two ongoing Phase III studies in kidney cancer and lung cancer. This will allow us to advance a new series of promising preclinical and clinical projects for the development of innovative treatments for oncological and endocrinological indications.

The year 2003 promises to be very exciting for AEterna. Aside from marketing Lobaplatin(R) in China, we expect to be able to disclose results for Neovastat's Phase III trial in kidney cancer by year-end. If the results are positive, we plan to launch the drug in 2004. Zentaris' IN VITRO fertilization therapy, Cetrotide(R), which is already marketed in 40 countries, should be approved

for marketing in Japan in the second half of 2003. Another product in Zentaris'pipeline, an anti-infective with the trade name Impavido(R), which has proven effective in the treatment of leishmaniasis (black fever), has received approval and should be marketed in India in 2003.

Over the past year, we were successful in meeting the specific objectives of our growth strategy, first by signing a commercialization agreement with Mayne Group, which extended our coverage for Neovastat to nearly 45% of the world's oncology market, and second by our milestone acquisition of Zentaris.

In 2003, we will continue to pursue our growth strategy, with a particular focus on consolidating our strong position in both oncology and endocrinology. With the moves we have made over the past year, AEterna is now positioned to become a significant player in the biopharmaceutical field at the international level.

Signed,

Gilles Gagnon, MSc, MBA
President and Chief Executive Officer

PURSUING EXCELLENCE

"The joined forces of AEterna and Zentaris provide us with a very extensive product pipeline. Our combined expertise will allow us to advance multiple promising preclinical and clinical projects for the development of novel treatments focused on oncology and endocrinology."

Prof. Dr. Jurgen Engel, PhD
Chief Executive Officer - Zentaris AG
Executive Vice President, Global R&D and
Chief Operating Officer - AEterna Laboratories Inc.

PRODUCT PORTFOLIO

With its acquisition of Zentaris, AEterna has an exceptional product pipeline in two principal therapeutic fields, oncology and endocrinology. This pipeline includes twelve different products in various development stages, from preclinical to marketing.

In oncology, AEterna has six compounds in clinical trials and two at the preclinical stage.
The Phase III trial in renal cell carcinoma for its potentially groundbreaking angiogenesis inhibitor, Neovastat, is close to completion, and results should be available during the current year. If these results are positive, the drug will be ready for market in 2004.

In endocrinology, one product, Cetrotide(R), is already being marketed for IN VITRO fertilization, and is in clinical development for three other indications. Two other products are at the preclinical stage.

Finally, AEterna's anti-infective product, Miltefosine, will be marketed in India in 2003 under the trade name Impavido(R) as the first available oral treatment for visceral Leishmaniasis, or black fever. The drug is also in the midst of a Phase III trial for cutaneous Leishmaniasis, a related parasitic skin disease.

AEterna also maintains a state-of-the-art drug discovery unit, which includes a proprietary library of 100,000 compounds, and an intellectual property portfolio that consists of some 70 patent families.

PRODUCT PIPELINE

ONCOLOGY

PRODUCTS	CLASS	INDICATIONS	STATUS	PARTNERS	COVERED TERRITORY
Neovastat	Multifunctional angiogenesis inhibitor	Renal cell carcinoma	Phase III - Results in 2003	Grupo Ferrer Internacional	Southern Europe, France, Belgium, South and Central America
				Medac GmbH	Europe (North & East), U.K.
				Mayne Pharma	Australia, New Zealand, Canada and Mexico
				LG Life Science	Korea
Neovastat	Multifunctional angiogenesis inhibitor	Non-small cell lung cancer	Phase III - Results in 2006	Grupo Ferrer Internacional	Southern Europe, France, Belgium, South and Central America
				Medac GmbH	Europe (North & East), U.K.
				Mayne Pharma	Australia, New Zealand, Canada and Mexico
				LG Life Science	Korea
D-63153	LHRH antagonist	Prostate cancer	Phase II	Baxter Oncology	World
Perifosine	Signal transduction inhibitor	Multiple cancers Radiosensitizer	Phase I/II	Access Oncology U.S. NCI	U.S.A., Canada, Mexico
RC-3095	Bombesin antagonist	Multiple cancers	Phase I		
Teverelix	LHRH antagonist	Prostate cancer	Phase I	Ardana Bioscience	World (excl. Japan, Taiwan, Korea)
				Teikoku Hormone	Japan, Taiwan, Korea
Lobaplatin(R)	Platinum derivative	Multiple cancers	Approved in China	Hainan Tianwang International Pharmaceutical	China
AN-152/AN-238/ AN-215	Cytotoxic-Conjugates	Solid tumors	Preclinical		
D-82318 D-81050	Tubulin inhibitors	Solid tumors	Preclinical		

ENDOCRINOLOGY

PRODUCTS	CLASS	INDICATIONS	STATUS	PARTNERS	COVERED TERRITORY
Cetrotide(R) (Cetrorelix)	LHRH antagonist	IN VITRO fertilization (IVF)	Marketed Market expected in 2003	Serono Shionogi / Nippon Kayaku	World (excl. Japan) Japan

Cetrorelix	LHRH antagonist	Endometriosis Uterine myoma Benign prostatic hyperplasia (BPH)	Phase II	Solvay Shionogi / Nippon Kayaku	World (excl. Japan) Japan
EP-1572	Growth hormone secretagogue (GHS)	TBD	Preclinical	Ardana Bioscience	World
LHRH-peptidomimetic	LHRH-antagonist (oral)	TBD	Preclinical		

ANTI-INFECTIVES

PRODUCTS	CLASS	INDICATIONS	STATUS	PARTNERS	COVERED TERRITORY
Impavido(R) (Miltefosine)	Alkylphospho-lipid	Visceral Leishmaniasis (black fever)	Market expected in 2003 in India	Cooperation with the WHO and Indian Government	India
				German Remedies	India, Bangladesh
		Cutaneous Leishmaniasis (parasitic skin disease)	Phase III		

COMPOUND LIBRARY (MORE THAN 100,000 COMPOUNDS)

CLINICAL DEVELOPMENT STRATEGY

With its vastly expanded product pipeline, AEterna has articulated a clinical development strategy. This strategy is designed to efficiently advance multiple preclinical and clinical projects for the development of innovative treatments for oncology and endocrinology, and to diversify Company and shareholder risk.

PARTNERS AROUND THE WORLD

AEterna has now established international strategic alliances for the codevelopment, manufacturing and marketing of its products in the oncology, endocrinology and anti-infective fields. These alliances generally provide upfront and milestone payments, drug development cost-sharing and royalties on sales.

ONCOLOGY PARTNERS
Access Oncology
Baxter Healthcare S.A.
Grupo Ferrer Internacional
Hainan Tianwang International Pharmaceutical
Mayne Group
Medac GmbH
Tekoku Hormone

ENDOCRINOLOGY PARTNERS
Nippon Kayaku & Co., Ltd.
Serono International S.A.
Shionogi & Co., Ltd.
Solvay Pharmaceuticals B.V.
Ardana Bioscience

ANTI-INFECTIVES PARTNERS
German Remedies

ATRIUM BIOTECHNOLOGIES INC.

- 130% sales increase
- 89% increase in EBIT
- 48% increase in net earnings in 2002

PARTNERING FOR SUCCESS

"Our ultimate goal is to be recognized by our clients as an international leader in the development of high-end raw materials, value-added products and active ingredients for the cosmetics, nutrition, fine chemicals and pharmaceuticals sectors. In order to do so, we have committed significant resources to the development and acquisition of innovative technologies which will allow to further enhance the competitiveness of the businesses that form our international network."

Luc Dupont
CEO and Vice Chairman of the Board
Atrium Biotechnologies Inc.

MILESTONES

|X| Atrium successfully integrates its French subsidiary, Unipex, in which it first acquired 70% ownership. Unipex provides value-added services related to the development and marketing of specialty chemicals and active ingredients in the cosmetics, nutrition, fine chemicals and pharmaceuticals sectors. In January 2003, Atrium increased its ownership in Unipex to 76%.

|X| Atrium acquires the privately-owned French company ADF Chimie S.A., specialized in the marketing of active ingredients and fine chemical products for the cosmetics industry.

|X| Atrium invests close to $2 million for acquisition and licensing agreements allowing it to commercialize state of the art technologies and products developed by companies such as Fytokem Products Inc. and Eukarion Inc.

|X| Atrium's consolidated sales reached $101million, a 130% increase over the $44 million recorded in 2001. Its EBIT stood at $12.3 million, compared to $6.5 million a year earlier, an increase of 89%. Consolidated net earnings increased 48% to $6.6 million, up from $4.5 million reported in 2001. At year-end, Atrium's cash in hand stood at $14 million.

PROFILE

Since its establishment as a subsidiary of AEterna Laboratories in 2000, Atrium Biotechnologies Inc. has evolved into one of the most important Canadian companies in the development and marketing of active ingredients and fine chemical products in the cosmetics, nutrition, fine chemicals and pharmaceuticals sectors.

From its headquarters in Quebec City, Atrium manages a network of over 1,600 customers and partners throughout the Americas, Europe and Asia. With its subsidiaries, located in the strategic metropolitan areas of New-York and Paris, Atrium maintains research and development collaboration and preferred supplier relationships with numerous international companies. Its client list includes such major multinationals as Estee Lauder, L'Oreal, Kanebo, Aventis, SanofiSynthelabo and Danone.

Over the past two years, Atrium delivered on its expressed corporate growth strategy, positioning itself as a global player in its field. First, it acquired 70% of Unipex, a major French company that specializes in the value-added marketing of raw materials for the cosmetics, nutrition, fine chemicals and pharmacuticals sectors. Then, Atrium purchased another privately-owned French company ADF Chimie S.A., enhancing its portfolio and bolstering its expertise in active ingredients and fine chemical products for the cosmetics industry in France.

The addition of these new specialized products significantly strengthened Atrium's value offering and augmented its client relations in the active ingredients sector. Additionally, these transactions allowed Atrium to acquire expertise in specific cosmetic segments such as hair

colorants, dispersing agents and delivery systems, opening up access to new clientele and new markets.

Indeed, with its increasing global presence and substantial market penetration in Europe, Atrium is emerging as a key partner, on one hand, to many of the leading companies that are seeking a consistent supply of innovative raw materials and, on the other, to biotech companies which want access to international markets.

Atrium also acquired a line of nutritional supplements to strengthen its product portfolio and developed its sales force in the United States to optimize the distribution of its high- end dietary supplements to the medical community.

In 2003, Atrium intends to continue adding new products to its pipeline, forging additional partnerships with companies around the globe and seeking out additional acquisition opportunities. For this purpose, the Company has put in place an internal team of business development specialists supported by an international network of consultants. Its solid financial position, its ability to successfully integrate its subsidiaries and its strong presence on the global markets, enable it to capitalize on the opportunities that exist in its sector of activity marked by consolidation and expansion.

PRODUCTS

Atrium develops and markets active ingredients and products for the cosmetics, nutrition, fine chemicals and pharmaceuticals sectors which meet the industy's highest quality standards such as GMP and ISO.

PHARMACY

- Active, natural or synthetic molecules
- Excipients for all galenic forms
- Additives such as flavoring agents, antiseptics, antioxidants, etc.

CHEMICAL SPECIALTIES

- Fine chemicals and chemical specialties developed by the manufacturer we represent in areas such as photography, painting, electronics or adhesives

ORGANIC CHEMISTRY

- Wide range of intermediates and promotion of our manufacture's contract production capabilities in areas such as pharmacy, cosmetics and photography

COSMETICS

- Wide variety of cosmetic raw materials ranging from innovative additives to the most sophisticated active ingredients

HUMAN NUTRITION AND DIETETICS

o Functional ingredients

o Additives and processing aids

o Nutritional supplements

VETERINARY, ANIMAL NUTRITION

o High-performance ingredients and additives for animal nutrition

CONTINUED GROWTH

In 2002, Atrium continued to show consistent growth in both sales and earnings. Its sales rose to $101 million, an increase of 130% over the previous year. This increase is mainly due to sales generated by its French subsidiary Unipex and reflects the successful integration of both Unipex and ADF Chimie.

Compared to last year, the Company's net earnings increased 48%, demonstrating the soundness of its business model and its capacity to establish partnerships with an increasing number of multinational companies for the research, development and marketing of a full range of value-added products. International markets represented 99% of Atrium's sales in 2002.

SALES:	EBIT:	NET EARNINGS:
2000 : 8,4 M$	2000 : 4.1 M$	2000 : 3.4 M$
2001 : 44 M$	2001 : 6,5M$	2001 : 4,5 M$
2002 : 101 M$	2002 : 12,3 M$	2002 : 6,6 M$

PEOPLE ARE THE KEYSTONES OF A COMPANY

"To become a world-class company, you must have a team of well qualified professionals who know how to meet customer needs. To that effect, Atrium can count on the expertise of its 75 employees in the development and marketing of ingredients and products in its highly specialized sector."

Luc Dupont
Chief Executive Officer and Chairman of the Board
Atrium Biotechnologies Inc.

DELIVERING RESULTS

- Cash on hand: $82 million
- Revenues: $101 million

"With Atrium being a fast growing and profitable subsidiary, Zentaris AG having a deep pipeline that is funded by strategic pharma partners, and Neovastat disclosing Phase III results in 2003 for renal cell carcinoma, as well as a solid financial position, we are well risk diversified and on the edge of becoming a profitable biopharmaceutical.."

Dennis Turpin, CA
Vice President and Chief Financial Officer

MANAGEMENT REPORT

The following consolidated financial statements of AEterna Laboratories Inc. and all other financial information contained in this annual report are the responsibility of management.

Management has prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles. When it was possible to use different accounting methods, management chose those that it felt were the most appropriate in the circumstances. The financial statements include amounts based on the use of estimates and best judgment. Management has determined these amounts in a reasonable way in order to ensure that the financial statements are presented accurately in all important regards. Management has also prepared the financial information presented elsewhere in the annual report, and has ensured that it is in accordance with the financial statements.

Management maintains systems of internal accounting and administrative controls. The systems are used to provide a reasonable degree of certainty that the financial information is relevant, reliable and accurate, and that the Company's assets are correctly accounted for and effectively protected.

The Board of Directors is responsible for ensuring that management assumes its responsibilities with regard to the presentation of financial information, and has ultimate responsibility for examining and approving the financial statements. The Board assumes this responsibility principally through its Audit Committee which is comprised of non-management directors. The Audit Committee met with management as well as with external auditors to discuss the internal monitoring system for presenting financial information, to address issues related to the audit and the presentation of financial information, to ensure that all parties carry out their duties correctly, and to examine the financial statements and the report of the external auditors.

The consolidated financial statements have been audited on behalf of shareholders by external auditors PricewaterhouseCoopers LLP for each of the years ended December 31, 2002, 2001 and 2000, in accordance with Canadian generally accepted accounting principles. The external auditors were given full and unrestricted access to the Audit Committee to discuss matters related to their audit and the reporting of information.

The Board of Directors has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

Gilles Gagnon, MSc, MBA President and Chief Executive Officer	Dennis Turpin, CA Vice President and Chief Financial Officer

Quebec, Quebec Canada

February 20, 2003

Corporate governance

GENERAL

The responsibility to oversee the conduct of the business and to guide management of AEterna resides with the Board of Directors.

DIRECTORS

The Board of Directors consists of nine members, including three officers and six external directors. In addition to the Board of Directors, two committees were formed to assist the Directors in their responsibilities. These are the Audit Committee and the Corporate Governance Committee.

AUDIT COMMITTEE

The Audit Committee is comprised of three external directors. The Audit Committee assists the Board of Directors by reviewing the Company's internal controls and auditing procedures, any relevant accounting or regulatory matters and by recommending the appointment of external auditors.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee consists of three directors, including two external directors. The Corporate Governance Committee is responsible for proposing all nominees to the Board and its committees and for assessing performance of individual directors and the Board as a whole. The Corporate Governance Committee also reviews overall compensation issues for senior management, and assesses the performance of the Chief Executive Officer and senior management.

The Board believes that the Board and its Committees carry out effective governance of the Company's affairs. The Board will continue to review the Company's governance practices and will make changes as required.

CORPORATE INFORMATION

BOARD OF DIRECTORS

MARCEL AUBUT, O.C., Q.C.
Quebec, Quebec
Managing Partner
Heenan Blaikie Aubut

DR. FRANCIS BELLIDO, PHD(1)
Beaconsfield, Quebec
President and Chief Operating Officer
SGF Sante Inc.

STORMY BYORUM, MBA (1)
Managing Partner
New York, NY
Violy, Byorum & Partners Holdings LLC

DR. ERIC DUPONT, PHD(2)
Sainte-Petronille
Ile d'Orleans, Quebec
Executive Chairman
AEterna Laboratories Inc.

PROF. DR. JURGEN ENGEL, PHD
Frankfurt, Germany
Chief Executive Officer
Zentaris AG
Executive Vice President, Global Research & Development
and Chief Operating Officer
AEterna Laboratories Inc.

GILLES R. GAGNON, MSC, MBA
Sherbrooke, Quebec
President and Chief Executive Officer
AEterna Laboratories Inc.

JEAN-CLAUDE GONNEAU
Louveciennes, France
Managing Director
SG COWEN EUROPE SAS

DR. PIERRE LAURIN, PHD, O.C. (2)
Verdun, Quebec
Executive in Residence
H.E.C. Montreal

PIERRE MACDONALD, MSC (COMM) (1) (2)
Verdun, Quebec
President and Chief Executive Officer
MacD Consult Inc.

(1) Member of the Audit Committee
(2) Member of the Corporate Governance Committee

SENIOR OFFICERS

DR. ERIC DUPONT, PHD
Sainte-Petronille
Ile d'Orleans, Quebec
Chairman of the Board

GILLES R. GAGNON, MSC, MBA
Sherbrooke, Quebec
President and Chief Executive Officer

PROF. DR. JURGEN ENGEL, PHD
Frankfurt, Germany
Executive Vice President, Global Research and Development
and Chief Operating Officer

CLAUDE CARDINAL, LPHARM
Lac Delage, Quebec
Vice President, Technical Operations

DR. PIERRE CHAMPAGNE, MD
Cap-Rouge, Quebec
Vice President, Clinical Affairs

DR. ECKHARD GUNTHER, PHD
Frankfurt, Germany
Vice President, Drug Discovery

DR. MATTHIAS RISCHER, PHD
Frankfurt, Germany
Vice President, Pharmaceutical Development

NORMAND TREMBLAY
Neuville, Quebec
Vice President, Planning and External Affairs

DENNIS TURPIN, CA
Quebec, Quebec
Vice President and Chief Financial Officer

CLAUDE VADBONCOEUR, LL.L.
Quebec, Quebec
Vice President, Legal Affairs and
Corporate Secretary

CORPORATE INFORMATION

HEAD OFFICE
AEterna Laboratories Inc.
1405 Parc-Technologique Blvd.
Quebec, Quebec G1P 4P5
CANADA

Phone: (418) 652-8525
Fax: (418) 652-0881
E-mail: aeterna@aeterna.com
Internet: www.aeterna.com

TICKER SYMBOLS
AEL - The Toronto Stock Exchange (TSX)
AELA - The Nasdaq Stock Market, Inc. (NASDAQ)

TRANSFER AGENT AND REGISTRAR
National Bank Trust Inc.
1100 University Street
9th Floor
Montreal, Quebec H3B 2G7

AUDITORS
PricewaterhouseCoopers LLP
900 Rene-Levesque Blvd. East
Suite 500
Quebec, Quebec G1R 2B5

INTELLECTUAL PROPERTY SOLICITORS
Haynes and Boone, LLP
901 Main Street, Suite 3100
Dallas, TX 75202
U.S.A.

CORPORATE SOLICITORS
Ogilvy Renault
1981 McGill College, Suite 1100
Montreal (Quebec)
H3A 3C1

Arnold & Porter
399 Park Avenue
New York, NY 10022-4690
U.S.A.

ANNUAL MEETING
May 29, 2003, 10:30 a.m.
Ritz-Carlton Hotel
1228 Sherbrooke Street West
Montreal, Quebec H3G 1H6

AETERNA'S SCIENTIFIC ADVISORY BOARD

EXTERNAL MEMBERS:

- DR. GERALD BATIST, MD, CM, FACP, Director of the McGill Center for Translational Research in Cancer and Professor, Department of Oncology and Medicine, McGill University, Jewish General Hospital, Montreal, Canada

- DR. RICHARD BELIVEAU, PHD, Director of the Molecular Oncology Laboratory of the Cancer Research Centre, Sainte-Justine Hospital, Montreal, Canada

- DR. FRANCOIS BERGER, MD, PHD, Professor, INSERM U318, Centre hospitalier universitaire, Grenoble, France

- DR. W.K. (BILL) EVANS, MD, FRCPC, Executive Vice President, Clinical Programs, Cancer Care Ontario, Toronto, Canada

- DR. FERNAND LABRIE, O.C., O.Q., MD, PHD, Head, Centre hospitalier de l'Universite Laval, (CHUL) Research Centre, Quebec, Canada.

- PROF. DR. KLAUS H.R. DIEDRICH, Director of the Department of Gynecology and Obstetrics at the University Clinic in Luebeck, Germany

- PROF. DR. RENE FRYDMAN, Head of the Department of Gynecology and Obstetrics at the Hopital Antoine Beclere in Clamart (Paris), France

- DR. GEORGES PELLETIER, MD, PHD, Professor, Faculty of Medicine, Laval University, Researcher, Centre Hospitalier Universitaire de Quebec (CHUQ), CHUL Pavillon, Quebec, Canada

- DR. DILIP PATEL, MD, Program Director Hematology and Oncology, North Shore Long Island Jewish Health System, New Hyde Park, New York, U.S.A.

- DR. JANICE P. DUTCHER, MD, Associate Director, Clinical Affairs and Professor of Medicine, Comprehensive Cancer Center, Our Lady of Mercy Medical Center, New York, U.S.A.

- DR. LEE S. ROSEN, MD, Director of Developmental Therapeutics, Cancer Institute Medical Group, Santa Monica, CA, U.S.A.

EXHIBIT 4

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING ANALYSIS EXPLAINS THE VARIATIONS IN THE COMPANY'S RESULTS OF OPERATIONS, FINANCIAL CONDITION AND CASH FLOW. THIS DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE INFORMATION CONTAINED IN AETERNA LABORATORIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES FOR THE YEARS ENDED ON DECEMBER 31, 2002, 2001 AND 2000. ALL FIGURES ARE IN CANADIAN DOLLARS.

OVERVIEW

AEterna and its subsidiaries operate in three distinct segments. The biopharmaceutical segment is dedicated to the development of new therapeutic approaches to the treatment of several illnesses, mainly in cancer and endocrinology. The cosmetics and nutritional segment is dedicated to the development, manufacturing and marketing of cosmetic, nutritional and nutraceutical products. Finally, the third segment is specialized in value-added services in supporting innovation, importing and distributing raw materials and high-end brand-name activities. All of these segments are headquartered in Quebec City, Canada, and are performed on an international basis through our subsidiaries based in Quebec City, Canada, Frankfurt, Germany, Paris, France and Fairfield, New Jersey, U.S.A.

As part of our growth strategy, we acquired, on December 30, 2002, all of the outstanding shares of Zentaris AG, a biopharmaceutical company based in Frankfurt, Germany, which develops and manufactures innovative therapeutics in oncology, endocrinology and anti-infectives.

With this acquisition, we now benefit from a deeper pipeline, thus adding value for our shareholders. First, in oncology, our new combined product pipeline encompasses six clinical stage products, including Neovastat, our lead compound in Phase III, and two preclinical stage products. Secondly, in endocrinology, one product, Cetrotide(R), is already approved and marketed for IN VITRO fertilization and is close to receiving market approval for Japan in 2003. Another product is currently in clinical stage and two are at preclinical stage. Thirdly, in anti-infectives, one product is already approved and at clinical stage for another indication. Finally, we now benefit from an important library of more than 100,000 compounds, which will be useful in identifying and developing future products.

More than ten strategic pharmaceutical partners have signed licensing agreements in order to optimize development and commercialization of existing and future products from our comprehensive product pipeline.

Atrium Biotechnologies Inc. has also acquired ADF Chimie S.A., on May 1, 2002, which is located in Poitiers, France. ADF is a distributor of active and specialty ingredients for

the French cosmetics industry. This transaction follows the successful acquisition of Unipex Finance S.A., which was concluded in July 2001.

Atrium also benefits from an important international network of major players to market its codeveloped and manufactured products.

We intend to pursue our acquisition program in all three segments.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared according to generally accepted accounting principles in Canada. Furthermore, we are required to reconcile these financial statements to take into account the important differences with generally accepted accounting principles in the United States, as indicated in Note 20 of the financial statements for the year ended December 31, 2002. These accounting principles require that management make estimates that could have an impact on assets and liabilities in the financial statements. The significant accounting policies which the Company believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

BASIS OF CONSOLIDATION

The consolidated financial statements of AEterna Laboratories Inc. include the accounts of the Company and all of its subsidiaries, accounted for using the full consolidation method. Intercompany transactions and related balances have been eliminated. The subsidiaries and the Company's percentage of interest are as follows:

	PERCENTAGE OF INTEREST	
	2002	2001
	%	%

SUBSIDIARIES

AEterna GmbH	100.00	-
Zentaris AG	100.00	-
Atrium Biotechnologies Inc. ("Atrium")	61.76	63.64
Atrium Biotech U.S.A	100.00	100.00
Unipex Finance S.A.	70.28	70.20

REVENUE RECOGNITION AND DEFERRED INCOME

In our biopharmaceutical segment, in which there are existing agreements with strategic partners, revenues will be increasing in 2003. The existing cooperation and royalty agreements usually provide for upfront, codevelopment and milestone payments, as well as royalties on sales.

Payments received at the beginning of research cooperation agreements (upfront payments) are not recorded as revenue when received but are amortized based on the progress of the research and development work concerned. Milestone payments are recognized when appropriate development results are achieved and agreed by the customer. Royalty receipts for marketing products are only to be paid by commercial partners when product revenues are actually achieved and are accordingly first recorded as revenues by the company at such time.

RESEARCH AND DEVELOPMENT COSTS

All research and development costs, which do not meet generally accepted criteria for deferral, are expensed as incurred. Development costs, which meet generally accepted criteria for deferral, are capitalized and amortized against earnings over the estimated period of benefit. To date, no costs have been deferred.

GOODWILL AND INTANGIBLE ASSETS

On January 1, 2002, we adopted the new recommendations and discontinued the amortization of goodwill accordingly. Prior to this date, goodwill was amortized on a straight-line basis over its expected useful life of fifteen and twenty years. Goodwill is tested annually for impairment in relation to the fair value of each reporting unit to which goodwill applies. An impairment charge is recorded for any goodwill that is considered impaired. Based on the impairment test performed as of December 31, 2002, we concluded that no goodwill impairment charge was required.

Intangible assets consist mainly of patents, trademarks, licenses, and distribution agreements. They are amortized on a straight-line basis over their estimated useful lives of three to fifteen years. Intangible assets with definite lives are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. At year-end, there were no events or circumstances indicating that the carrying value may not be recoverable.

As part of the Zentaris' acquisition, the total cost will be allocated to the underlying net assets based on their respective estimated fair value. Therefore, we must identify and attribute values and estimate lives of the intangible assets acquired. While we may employ an expert to assist us with these matters, such determination involves considerable judgment, and often involves the use of significant estimates and assumptions, including those with respect to future cash flows and outflows, discount rates, and asset lives. These determinations will affect the amount of amortization expense recognized in future periods.

RESULTS OF OPERATIONS BY SEGMENT

Biopharmaceutical Segment

We invite you to read this section in conjunction with the Segment Information (note 17) of our consolidated financial statements.

REVENUES

During the year, we received an amount of $315,000 representing the first revenues of this segment pursuant to our strategic alliances. Revenues from this sector will be higher in 2003, following the recent acquisition of Zentaris AG, which revenues have reached $31.7 million in 2002. These revenues will be composed of upfront and milestone payments, as well as royalties.

OPERATING EXPENSES

RESEARCH AND DEVELOPMENT (R&D) EXPENSES totalled $25.3 million in 2002 in comparison with $22.1 million in 2001 and $16.1 million in 2000. This increase of $3.2 million for 2002 is attributable to the two ongoing Phase III clinical trials for lung and kidney cancer. Moreover, during the year, we commenced preliminary work regarding the preparation of the new drug application with regulatory authorities. We expect a significant increase in R&D costs in the future, as a result of the acquisition of Zentaris AG in December 2002 whose R&D costs amounted to $26 million for that year.

R&D TAX CREDITS AND GRANTS amounted to $1.6 million in 2002 compared to $5.8 million in 2001 and $6.7 million in 2000. The decrease in 2002 is explained by the fact that, during 2001, the maximum limit for eligible expenses was reached for the oncology project within the Technology Partnerships Canada (TPC) program. No contribution was made by TPC during 2002, whereas the contributions amounted to $4.3 million for 2001 and $5.5 million for 2000. We believe that R&D tax credits and grants will be maintained during 2003 because of the level of continuing eligible expenses.

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES increased by $1 million going from $6.5 million in 2001 to $7.5 million in 2002. In 2000, these expenses reached $6 million. A large portion of the increase for 2002 resulted from normal salary raises, and significant professional fees related to our acquisition program, which triggered several due diligences and consulting fees. In 2001, the increase of $0.6 million is mainly related to salaries and represents personnel recruitment for Communications, Investor Relations and Business Development departments. We expect a significant increase in G&A costs in the future as a result of the acquisition in December 2002 of Zentaris AG, which had G&A expenses amounting to $5.6 million.

DEPRECIATION AND AMORTIZATION amounted to $2 million in 2002 in comparison with $1.4 million for 2001 and 2000. The increase is mainly due to the amortization of capital assets as a result of major investments made in 2002, amounting to $5 million, for the

scale-up of the production line in view of the commercialization of Neovastat. Furthermore, following the acquisition of Zentaris AG and the corresponding allocation of purchase price to intangible assets, we expect to increase significantly the amortization expenses for 2003.

INTEREST INCOME for 2002 remained the same as for 2001 amounting to $2.5 million, in comparison with $2.7 million in 2000. The private placement of April 2002, amounting to $57 million, enabled us to maintain the same level of short-term investments as in 2001.

COSMETICS AND NUTRITION SEGMENT
AND DISTRIBUTION SEGMENT

REVENUES

Revenues in these segments are derived from products intended for the cosmetics, pharmaceutical, nutritional and fine chemical markets. In 2002, revenues reached $100.9 million, which represents an increase of $57.1 million in comparison with the prior year. In 2001, the sales amounted to $43.8 million in comparison with $8.4 million in 2000. This increase results from the acquisition of the French company, Unipex Finance S.A.,whose revenues amounted to $87.9 million in 2002 compared to $32.6 million in 2001, as the acquisition took place on July 2, 2001. Should we have considered the sales of Unipex for a period of twelve months in 2001, we would have had an increase of 36% with revenues totalling $64.4 million in 2001. This increase is mainly related to the successful integration of Unipex's operations, the intensification and focus of our sales forces, as well as the good market conditions of that segment. Furthermore, revenues in the cosmetics and nutrition segment have increased by $2.0 million in 2002, whereas in the prior year, the increase was $3 million.

OPERATING EXPENSES

THE COST OF GOODS SOLD amounted to $77.4 million in 2002 compared to $30 million in 2001 and $1.1 million in 2000. These costs are directly proportional to sales to which they are related, and vary significantly according to the products sold since the acquisition of Unipex in July 2001, which operates in a market where profit margins are relatively lower. Margins obtained in 2002 should substantially reflect what we should expect in 2003.

SELLING AND ADMINISTRATIVE EXPENSES amounted to $10.2 million in comparison with $6.5 million in 2001 and $2.6 million in 2000. The increase of $3.7 million in 2002 results from the distribution segment amounting to $3.4 million, whereas the cosmetics and nutrition segment has realized an increase of $0.3 million. The increase of $3.4 million of the distribution segment is due to the fact that there were only six months of operations in 2001.

The increase of $3.9 million in 2001 is attributable to the acquisition of Unipex during 2001, for an amount of $2.5 million. An amount of $1.4 million is attributed to the growth in the sales teams of the cosmetics and nutrition segment, to higher marketing and travel expenses, as well as to the creation of a management team fully dedicated to Atrium. In 2003, we will continue our efforts in accordance with our growth strategy by investing in business development activities.

INTEREST INCOME amounted to $0.4 million in 2002 in comparison with $1.3 million in 2001 and $0.9 million in 2000. This decrease is due to an amount of $21 million of short-term investments used for the acquisition of Unipex in July 2001.

INTEREST EXPENSES are directly related to the existing long-term debt and other current operations of Unipex.

INCOME TAX EXPENSE amounted to $4.4 million in 2002 compared to an income tax recovery of $4.8 million recorded in 2001. This variation of $9.2 million is attributable to $7.4 million of income tax recovery related to future income tax assets recorded in 2001, and the balance of $1.8 million corresponds to income taxes related to increased earnings in 2002. This 2001 income tax recovery accrual was recorded, as it is more likely than not that Atrium will realize this future income tax asset.

CONSOLIDATED INFORMATION

NET LOSS for 2002 was $25.8 million or $0.67 per share in comparison with net losses of $3.5 million or $0.11 per share in 2001, and $9.7 million or $0.33 per share in 2000. This increase of $22.3 million is mainly due to an income tax recovery accrual and a gain on dilution in 2001, amounting to $18.9 million, while the balance of $3.4 million results principally from the increase of R&D investments net of related grants.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity consists of cash, cash equivalents and short-term investments. As at December 31, 2002, the liquidity amounted to $81.6 million in comparison with $54.1 million as of December 31, 2001. The working capital amounted to $44 million as at December 31, 2002, while it was at $61.5 million in 2001. A promissory note of $43 million, issued for the acquisition of Zentaris AG, was reimbursed in January 2003, which brought our liquidity to $38.5 million at the beginning of 2003.

OPERATING ACTIVITIES
The cash flow used in our operational activities amounted to $21.9 million in 2002 compared to $15.8 million in 2001 and to $6.2 million in 2000. This situation is primarily attributable to increased R&D expenses in the biopharmaceutical segment and to increases contained in the working capital accounts.

FINANCING ACTIVITIES
The cash flow from financing activities amounted to nearly $100 million for 2002 and is explained by a private placement of $57 million concluded in April 2002, and a promissory note of $43 million issued for the acquisition of Zentaris AG in December 2002. For the years 2001 and 2000, cash flows from financing activities were essentially proceeds from AEterna's public financings, from shares issued in relation to the exercise of the Company's stock option and from shares issued by Atrium in 2000.

INVESTING ACTIVITIES
The cash flow used in investing activities (excluding change in short-term investments) amounted to $50.5 million in 2002. An amount of $45.3 million was used for acquisitions of companies, intangible assets and product lines, as well as for distribution agreements for the cosmetics and nutrition segment. Furthermore, an amount of $5.1 million represented capital investments mainly for the scale-up of the production line for Neovastat. In 2001, cash flows used in investing activities amounted to $14.4 million, from which an amount of $13.5 million was used to acquire Unipex while the purchase of long-term assets incurred a disbursement of $0.9 million. In 2000, cash flows used in investing activities amounted to $3.2 million, of which an amount of $2.1 million was used to purchase a product-line and $1.1 million was used to purchase long-term assets.

We have certain contractual obligations and commercial commitments. The following table indicates our cash requirements to respect these obligations:

	Payments due by period			
	Total	Less than 1 year	1-3 years	4-5 years
Long-term debt	12,372	3,202	7,499	1,671
Operating leases	5,820	2,928	2,092	-
Total contractual cash obligations	18,192	6,130	10,391	1,671

OUTLOOK

In 2003, we expect to achieve an important step in the development of Neovastat with the Phase III results in the renal cell carcinoma study. Should these results demonstrate a significant increase in survival time and achieve established endpoints, we would be in a position to file a new drug application (NDA) with health authorities.

Furthermore, we expect to finalize strategic alliances for the commercialization of Neovastat on a worldwide basis. Cetrotide(R) is pending approval in Japan, Cetrorelix is to obtain Phase II results and seek the beginning of a Phase III trial in endocrinology, and Miltefosine is to start commercialization in India. Globally, we expect to continue our acquisition program of technologies and/or companies in our three segments of operations.

Risk Factors

RISKS ASSOCIATED WITH OPERATIONS

We have identified the following risks and uncertainties associated with our operations, and have implemented a strategy aimed at managing them:

>> Our ability to complete the development program of Neovastat and to market this product successfully;

>> Our ability to ensure that Neovastat will acquire acceptance from doctors, patients, the medical community and health-care payment organizations;

>> Our ability to manufacture Neovastat in commercial quantities in accordance with regulatory requirements and at an acceptable cost;

>> Our ability to adequately protect intellectual property through the use of patents, commercial secrets, and other measures;

>> Our ability to forge and maintain strategic alliances to develop and market products in our current pipeline;

>> Our ability to realize successful integration of acquired businesses.

CASH FLOW AND FINANCIAL RESOURCES

We believe that we would be able to obtain long-term capital, if necessary, to support our corporate objectives, including the clinical development program of Neovastat. However, it is impossible to guarantee the availability of additional financial resources or that these will be available under acceptable conditions.

We have not entered into any significant forward currency contracts or other financial derivatives to hedge foreign exchange risk and, therefore, we are subject to foreign currency transaction and translation gains and losses. Foreign exchange risk is managed primarily by satisfying foreign denominated expenditures with cash flows or assets denominated in the same currency.

Depending on the overall structure of current and future strategic alliances, we may have additional capital requirements related to the further development of existing or future products.

KEY PERSONNEL

Our success is also dependent upon our ability to attract and retain a highly qualified work force, and to establish and maintain close relations with research centres. Competition is very strong and AEterna's success will depend, to a great extent, on its senior executives, scientific staff and collaborators. The loss of key personnel could compromise the rhythm and success of product development.

ACQUISITION PROGRAM

We intend to continue to acquire new technologies and/or corporations. There is no assurance that the Company will make certain acquisitions or that it will succeed in integrating the newly-acquired technologies or corporations into its operations.

VOLATILITY OF SHARE PRICES

Share prices are subject to changes because of numerous different factors related to its activity including reports of new information, changes in the Company's financial situation, the sale of shares in the market, the Company's failure to obtain results in line with the expectations of analysts, an announcement by the Company or any of its competitors concerning technological innovation, etc. During the past few years, shares of AEterna, other biopharmaceutical companies and the investment market in general have been subjected to extreme fluctuations that were unrelated to the operational results of the companies affected. There is no guarantee that the market price of the Company's shares will be protected from any such fluctuations in the future.

SAFE HARBOUR STATEMENT

Except for historical data, this report contains statements that, by their very nature, are projections involving time periods, risks and other factors, known or unknown, which are beyond the Company's control.

Each of these factors may produce results or performances that differ significantly from expectations. For example, the results of current clinical trials cannot be foreseen, nor can changes in policy or actions taken by such regulatory authorities as the U.S. Food and Drug Administration and the Therapeutic Products Directorate of Health Canada, or any other organization responsible for enforcing regulations in the pharmaceutical industry.

On behalf of management,

Dennis Turpin, CA
Vice President and Chief Financial Officer

EXHIBIT 5

[LOGO]

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F of AEterna Laboratories Inc. for the year ended December 31, 2002 of our report dated January 31, 2003 relating to the consolidated financial statements for the three-years ended December 31, 2002.

[SIGNATURE]

CHARTERED ACCOUNTANTS

Quebec, Quebec, Canada
May 12, 2003

EXHIBIT 6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AEterna Laboratories Inc. (the "Company") on Form 40-F for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gilles Gagnon, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ GILLES GAGNON
- ------------------------------------
Gilles Gagnon
President and Chief Executive Officer

Dated: May 15, 2003

A signed original of this written statement required by ss. 906 has been provided to AEterna Laboratories Inc. and will be retained by AEterna Laboratories Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AEterna Laboratories Inc. (the "Company") on Form 40-F for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis Turpin, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ DENNIS TURPIN
- ----------
Dennis Turpin
Vice President and Chief
Financial Officer

Dated: May 15, 2003

A signed original of this written statement required by Section 906 has been provided to AEterna Laboratories Inc. and will be retained by AEterna Laboratories Inc. and furnished to the Securities and Exchange Commission or its staff upon request.