

Aeterna Zentaris Inc.
Form 20-F
March 31, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 20-F

- o Registration Statement Pursuant to Section 12(b) or 12(g) of The Securities Exchange Act of 1934**
OR
- ý Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010**
OR
- o Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
OR
- o Shell Company Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
Commission file number 0-30752

AETERNA ZENTARIS INC.

(Exact Name of Registrant as Specified in its Charter)

Not Applicable

(Translation of Registrant's Name into English)

Canada

(Jurisdiction of Incorporation)

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

(Address of Principal Executive Offices)

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1405 du Parc-Technologique Blvd.

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Quebec City, Quebec
Canada, G1P 4P5

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

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

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as at the close of the period covered by the annual report: 83,429,914 common shares as at December 31, 2010.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Basis of Presentation

General

Except where the context otherwise requires, all references in this annual report on Form 20-F ("Form 20-F") to the "Company", "Aeterna Zentaris Inc.", "we", "us", "our" or similar words or phrases are to Aeterna Zentaris Inc. and its subsidiaries, taken together. In this annual report, references to "\$" and "US\$" are to United States dollars and references to "CAN\$" are to Canadian dollars. Unless otherwise indicated, the statistical and financial data contained in this annual report are presented as at December 31, 2010.

Forward-Looking Statements

This annual report contains forward-looking statements made pursuant to the safe harbor provisions of the U.S. Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which could cause the Company's actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, among others, the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of the Company to take advantage of business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. Investors should consult the Company's quarterly and annual filings with the Canadian and U.S. securities commissions for additional information on risks and uncertainties relating to the forward-looking statements. Investors are cautioned not to rely on these forward-looking statements. The Company does not undertake to update these forward-looking statements and we disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except if we are required to do so by a governmental authority or applicable law.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

A. *Directors and senior management*

Not applicable.

B. *Advisors*

Not applicable.

C. *Auditors*

Not applicable.

Item 2. Offer Statistics and Expected Timetable

A. *Offer statistics*

Not applicable.

B. *Method and expected timetable*

Not applicable.

Item 3. Key Information

A. *Selected financial data*

The consolidated statement of operations data set forth in this Item 3.A with respect to the years ended December 31, 2010, 2009 and 2008, and the consolidated balance sheet data as at December 31, 2010 and 2009, have been derived from the audited consolidated financial statements listed in Item 18, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), except as otherwise described therein. The consolidated statement of operations data set forth in this Item 3.A with respect to the years ended December 31, 2007 and 2006, and the consolidated balance sheet data as at December 31, 2008, 2007 and 2006, have been derived from other consolidated financial statements not included herein and have been prepared in accordance with Canadian GAAP, except as otherwise described therein. The selected financial data should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report, and "Item 5. Operating and Financial Review and Prospects" of this annual report.

Table of Contents**Consolidated Statements of Operations Data***(in thousands of US dollars, except share and per share data)*

Canadian GAAP

	Years Ended December 31,				
	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$
Revenues	27,703	63,237	38,478	42,068	38,799
Operating expenses					
Cost of sales, excluding depreciation and amortization	18,700	16,501	19,278	12,930	11,270
Research and development costs	20,546	44,217	57,448	39,248	27,422
Research and development tax credits and grants	(687)	(403)	(343)	(2,060)	(1,564)
Selling, general and administrative expenses	11,875	16,040	17,325	20,403	16,478
Depreciation and amortization					
Property, plant and equipment	1,005	3,285	1,515	1,562	2,816
Intangible assets	1,492	7,555	5,639	4,004	6,148
Impairment of long-lived assets held for sale				735	
	52,931	87,195	100,862	76,822	62,570
Loss from operations	(25,228)	(23,958)	(62,384)	(34,754)	(23,771)
Other income (expenses)					
Unrealized gain on held-for-trading financial instrument	687				
Interest income	207	349	868	1,904	1,441
Interest expense					
Long-term debt and convertible term loans				(85)	(1,270)
Other	(26)	(5)	(118)		(163)
Foreign exchange gain (loss)	1,170	(1,110)	3,071	(1,035)	319
Loss on disposal of long-lived assets held for sale			(35)		
Loss on disposal of equipment	(28)		(44)	(28)	
Gain on disposal of long-term investment					409
	2,010	(766)	3,742	756	736
Share in the results of an affiliated company					1,575