

Edgar Filing: Aeterna Zentaris Inc. - Form 6-K

T 418 652-8525 F 418 652-0861
www.aeternazentaris.com

PRESS RELEASE
For Immediate Release

AETERNA ZENTARIS REPORTS 2006 FIRST QUARTER FINANCIAL AND OPERATING RESULTS

COMPANY REITERATES COMMITMENT TO ADVANCING PIPELINE

ALL AMOUNTS ARE IN U.S. DOLLARS

QUEBEC CITY, CANADA, MAY 3, 2006 - AETerna Zentaris Inc. (TSX: AEZ; NASDAQ: AEZS) today reported financial and operating results for the first quarter ended March 31, 2006. Consolidated revenues for the first quarter 2006 were \$84.5 million, an increase of 36.5% compared to total revenues of \$61.9 million for the same period in 2005. Consolidated R&D expenses net of tax credits amounted to \$6.9 million for the first quarter of 2006 compared to \$6.4 million for the same period in 2005. The Company's consolidated net loss was \$2.6 million for the first quarter of 2006, or \$0.05 per share, compared to net earnings of \$0.1 million for the same period in 2005. This \$2.7 million variation is mainly attributable to a decrease in license revenues in the Company's Biopharmaceutical segment, increased R&D investments and interest expense, partly offset by its 48.29%-owned subsidiary Atrium Biotechnologies' net earnings. The consolidated cash and short-term investments were \$46.9 million on March 31, 2006.

The Company highlighted first quarter 2006 advancements with respect to its product development pipeline, Corporate Affairs and recent events:

PRODUCT DEVELOPMENT PIPELINE ADVANCEMENTS

- >> Initiation of Phase 2, Multi-Center study of perifosine for the treatment of refractory multiple myeloma;
- >> Initiation of Phase 2, Multi-Center study of perifosine for the treatment of refractory leukemia;
- >> Disclosure of preclinical results on various drug candidates at the American Association for Cancer Research (AACR) Meeting in Washington, including tubulin inhibitors, signal transduction inhibitors and cytotoxic conjugates; and
- >> Regained the exclusive worldwide (ex-Japan) rights for cetorelix in benign prostate hyperplasia.

CORPORATE AFFAIRS

- >> The Solidarity Fund QFL and SGF Sante Inc. converted their term loans into common shares;
- >> Former Abbott Vice President, Gerald J. Martin appointed to AETerna Zentaris Board.

RECENT EVENTS

- >> Gained market approval for Cetrotide(R) (cetorelix) in Japan for IN VITRO fertilization.

Gilles Gagnon, AETerna Zentaris' President and Chief Executive Officer said, "We

Edgar Filing: Aeterna Zentaris Inc. - Form 6-K

progressed on multiple fronts throughout the quarter as we strengthened our financial position and continued to advance our development pipeline. The preclinical results on different anti-cancer agents presented at the American Association for Clinical Research (AACR) meeting in Washington, are indicative of the depth of our pipeline and its potential to yield novel products to treat cancer. Furthermore, we were very pleased to have regained the worldwide, ex-Japan rights for cetorelix in BPH, and are presently in the process of designing a protocol to conduct a late-stage study with cetorelix in BPH in the United States, upon discussions with the United States Food and Drug Administration. We believe we will initiate our late-stage development program this year, in line with our strategy. Finally, we continue to see progress with our lead signal transduction inhibitor, perifosine as two Phase 2 trials were initiated this quarter with our partner, Keryx, in leukemia and multiple myeloma. We are committed to driving our strategy forward as we aggressively move our promising product candidates through our pipeline."

Dennis Turpin, Vice President and Chief Financial Officer of AETerna Zentaris, commented: "We were very pleased with SGF and FTQ's decision to convert the entirety of their convertible term loans into AETerna Zentaris common shares. This conversion, along with Atrium's continued growth, further strengthened our balance sheet in the first quarter. Furthermore, we will continue to see an increase in our R&D investment in 2006, clearly reflecting our commitment to our focused strategy to advance and expand our clinical-stage pipeline, in particular, the oncology proprietary products while maintaining a solid financial position."

APPOINTMENT TO COMPANY MANAGEMENT

Mario Paradis, CA, has been promoted from Senior Director, Finance and Corporate Secretary to Vice President, Finance, Administration and Corporate Secretary. Former Senior Manager at PricewaterhouseCoopers, within the Audit and Assurance Group, Mr. Paradis joined AETerna Zentaris in 1999.

"Mario Paradis has been a great asset for our Company over the last seven years," said Gilles Gagnon, President and Chief Executive Officer at AETerna Zentaris. "In addition to his current financial and legal functions, he will be in charge of overall administrative affairs of the Company and its subsidiaries."

2

CONFERENCE CALL INFORMATION

Management will be hosting a conference call for the investment community beginning at 3:30 p.m. Eastern Time today, Wednesday, May 3, to discuss 2006 first quarter financial and operating results, followed by a question and answer session.

To participate in the live conference call by telephone, please dial 514-807-8791, 416-644-3424 from Canada or 800-796-7558 from outside Canada. Individuals interested in listening to the conference call on the Internet may do so by visiting www.aeternazentaris.com. A replay will be available on the Company's Web site for 30 days.

ABOUT AETERNA ZENTARIS INC.

AETerna Zentaris Inc. is a growing global biopharmaceutical company focused on oncology and endocrine therapy with proven expertise in drug discovery, development and commercialization.

Edgar Filing: Aeterna Zentaris Inc. - Form 6-K

AEterna Zentaris also owns 48.29% of the equity of Atrium Biotechnologies Inc. (TSX: ATB.sv) and 64.7% of its voting rights. Atrium is a developer, manufacturer and marketer of science-based products for the cosmetics, pharmaceutical, chemical and nutritional industries.

News releases and additional information are available at www.aeternazentaris.com.

FORWARD-LOOKING STATEMENTS

This press release 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.

-30-

CONTACTS

MEDIA RELATIONS

Paul Burroughs
(418) 652-8525 ext. 406
paul.burroughs@aeternazentaris.com

INVESTOR RELATIONS

Jenene Thomas
(418) 655-6420 or (908) 996-3154
jenene.thomas@aeternazentaris.com

ATTACHMENT: Financial summary

3

(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE
AND PER SHARE DATA)

CONSOLIDATED RESULTS UNAUDITED	THREE-MONTH PERIODS ENDED MARCH 31,	
	2006	2005
REVENUES	\$ 84,477	\$ 61,000
OPERATING EXPENSES		
Cost of sales	57,196	37,000
Selling, general and administrative	13,567	9,000
R&D costs, net of tax credits and grants	6,901	6,000
Depreciation and amortization	2,381	1,000

Edgar Filing: Aeterna Zentaris Inc. - Form 6-K

	80,045	55,
EARNINGS FROM OPERATIONS	4,432	6,
Interest income	420	
Interest expense	(3,223)	(2,
Foreign exchange gain	212	
EARNINGS BEFORE THE FOLLOWING ITEMS	1,841	4,
Current income taxes	(1,996)	(2,
Future income taxes	1,189	(1,
Loss on dilution of investments	(54)	
Non-controlling interest	(3,560)	(1,
NET EARNINGS (LOSS) FOR THE PERIOD	(2,580)	
NET EARNINGS (LOSS) PER SHARE		
Basic	(0.05)	
Diluted	(0.05)	
Weighted average number of shares		
Basic	50,327,227	45,799,
Diluted	50,864,878	46,238,
Issued and outstanding shares	53,133,681	46,139,

4

BIOPHARMACEUTICAL SEGMENT - SELECTED FINANCIAL INFORMATION
(IN THOUSANDS OF US DOLLARS)
UNAUDITED

	THREE-MONTH PERIODS ENDED MARCH 2006	2005
	\$	\$
REVENUES		
Sales and royalties	6,575	6,898
License fees	2,173	6,849
	8,748	13,747
R&D EXPENSE, NET OF TAX CREDITS AND GRANTS	6,804	6,350

Edgar Filing: Aeterna Zentaris Inc. - Form 6-K

EARNINGS (LOSS) FROM OPERATIONS	(6,105)	135

CASH FLOWS GENERATED (USED) BY OPERATING ACTIVITIES	(3,524)	1,322

CONSOLIDATED BALANCE SHEET UNAUDITED	As at March 31, 2006	As at Decembe 2005
	\$	\$
Cash and short-term investments	46,917	52,705
Other current assets	112,177	108,998
	-----	-----
Long term assets	159,094	161,703
	264,409	263,835
	-----	-----
Total assets	423,503	425,538
	-----	-----
Current liabilities	57,888	62,201
Long-term debt	105,954	135,743
Other long-term liabilities	52,773	53,532
Non-controlling interest	68,699	64,531
	-----	-----
Shareholders' equity	285,314	316,007
	138,189	109,531
	-----	-----
Total liabilities and shareholders' equity	423,503	425,538
	-----	-----

5

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AETERNA ZENTARIS INC.

DATE: MAY 8, 2005

By: /s/ MARIO PARADIS

Mario Paradis
Vice President, Finance, Administration
and Corporate Secretary