Aeterna Zentaris Inc.
Form 6-K
April 02, 2008

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of April 2008

ÆTERNA ZENTARIS INC.

1405, boul. du Parc-Technologique

Québec, Québec

Canada, G1P 4P5

(Address of principal executive offices)

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

Form 20-F x Form 40-F o

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

Yes o No x

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

DOCUMENTS INDEX

Documents Description

1. Æterna Zentaris Annual Report for the year ended December 31, 2007

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.

ÆTERNA ZENTARIS INC.

Date: April 2, 2008

By: /s/Mario Paradis
Mario Paradis
Senior Vice President, Administrative and Legal Affairs and Corporate Secretary

ÆTERNA ZENTARIS IS A

GLOBAL BIOPHARMACEUTICAL

COMPANY FOCUSED ON

ENDOCRINE THERAPY AND

ONCOLOGY, WITH PROVEN

EXPERTISE IN DRUG

DISCOVERY, DEVELOPMENT

AND COMMERCIALIZATION

ÆTERNA ZENTARIS INC.

(NASDAQ: AEZS, TSX: AEZ)

Please note that all amounts are in US dollars

Corporate

JANUARY

- AEZS emerged as a pure-play biopharmaceutical company following the completion of the spin-off of our subsidiary, Atrium Biotechnologies (now known as Atrium Innovations)

MARCH

- Appointment of David J. Mazzo, PhD as President and CEO

MAY-AUGUST

- Appointment of three key executive management members:
- Ellen McDonald, MBA, SVP and Chief Business Officer
- Nicholas Pellicione, PhD, SVP, Regulatory Affairs and Quality Assurance
- Paul Blake, MD, SVP and Chief Medical Officer
- Appointment of Juergen Ernst as Chairman of the Board

OCTOBER

- Announcement of management s new corporate strategy

DECEMBER

- Opening of new office in Warren, New Jersey

- Divestiture of our subsidiary Echelon Biosciences

2007

HIGHLIGHTS

Drug Development

CETRORELIX

- Initiation of North American Phase 3 clinical program in BPH
- Positive Phase 2a trial results in BPH (by partner Shionogi in Japan)
- Initiation of a Phase 2b trial in BPH (by partner Shionogi in Japan)
- Regained exclusive worldwide rights (ex-Japan) from Solvay for endometriosis indication

AEZS-108

- Initiation of Phase 2 trial in endometrial and ovarian cancer

OZARELIX

- Initiation of Phase 2b trial in BPH by partner Spectrum

PERIFOSINE

- Positive interim data for ongoing Phase 2 trial in advanced renal cell carcinoma by partner Keryx
- Positive Phase 1 and Phase 2 trial results for multiple cancers by partner Keryx
- Completion of patient recruitment for AEZS-sponsored European Phase 2 trial in NSCLC

MESSAGE

TO SHAREHOLDERS

David J. Mazzo, PhD
President and CEO

In the Spring of 2007, I accepted the honor to lead the team at Æterna Zentaris as President and Chief Executive Officer. I have since come to regard the opportunity as a remarkable privilege. Very few companies our size offer such a rich, balanced and self-sustaining pipeline of innovative treatments. Innovation is what drives us and will continue to be the foundation on which we build benefit for patients and for you our shareholders. Furthermore, we represent a vibrant harmony of Canadian, European, and American cultures, and by virtue of wide-ranging yet profoundly focused competencies, we have charted a unique business path.

Company Evolution

In 2007, with the completion of the spin-off of our subsidiary Atrium Innovations, we fully realized our evolution into a research and development based, pure-play biopharmaceutical company. With a pipeline concentrated on urological and gynaecological benign and malignant diseases, we moved forward on the strength of promising late-stage products, increasingly valuable prospects for earlier-stage compounds, and a quickening sense of purpose in regard to the Company s expectations. 2007 was a challenging year, a year marked by an important metamorphosis of both our corporate structure and business plan, readying us for the execution of the programs so key to our near- term success.

One of the key transformative steps we took in 2007 involved the engagement of three highly experienced executives to complement the skills that already exist at Æterna Zentaris. Ellen McDonald, MBA, was appointed Senior Vice President, Business Operations and Chief Business Officer. Nicholas J. Pelliccione, PhD, accepted the post of Senior Vice President, Regulatory Affairs and Quality Assurance, while Paul Blake, MD, assumed the position of Senior Vice President and Chief Medical Officer.

With combined experience of over fifty years in the industry, and having been actively involved in the launch and marketing of some fifty pharmaceutical products, these three executives bring proven leadership credentials and compelling track records to Æterna Zentaris. Our Company now possesses enviable international expertise of the highest level in clinical research, regulatory affairs, business development, pharmaceutical discovery, development and commercialization vital assets for successful pre-launch activities for our lead compound, cetrorelix, as well as for the thrust of our entire pipeline.

A Year of Firsts

Our progress in 2007 involved a great deal of groundbreaking. For the first time, our team launched an international Phase 3 program for cetrorelix in BPH in the U.S. The first of our three planned trials in the program was launched early in the year. In addition, we conducted a rigorous review of our business operations, along with a market analysis of our pipeline portfolio and assigned the appropriate value and prioritization to each project. The result has given our stakeholders, partners, and the investment community a sharper image of our objectives as well as a clear understanding of our near-term priorities.

Another first for our company was the opening of an operations office in Warren, New Jersey. Since most major pharmaceutical companies have headquarters in the area, Æterna Zentaris is now a resident of what is known as Pharma Alley. As part of our strategy aimed at gaining more exposure in the United States, this step served to highlight the magnitude of benefits to be derived from alliances, business opportunities and potential new partnerships with leading pharmaceutical companies in the U.S. Our operations office in New Jersey also underlines the advantages of proximity to the world s financial center. Wall Street will play an increasingly significant role in the future of Æterna Zentaris.

A year of firsts can exert widely varying effects upon an organization and its people. In our case, it has created a winning environment and a sense of a shared emergent destiny that, in due time, will prove fundamental to our success going forward.

Priority: Cetrorelix

The decision in 2007 to invest heavily in our lead compounds resulted most significantly in the launch of the Phase 3 clinical program for our flagship product candidate and lead value driver, cetrorelix. Targeting benign prostatic hyperplasia, cetrorelix is our number one priority in the short term as it has the potential to provide patients with a novel, more convenient treatment with less sexual side-effects as seen with current drugs on the market. With patient recruitment ongoing, we are working hard to complete enrollment in two efficacy and one safety trials, involving approximately 1,500 patients, by mid-2008 in both North America and Europe. We are on track to disclose our Phase 3 results in the second half of 2009, as stated last fall.

Cetrorelix represents a huge market opportunity as BPH affects more than a third of men over 50. The market is currently $1.4 billion in the U.S. alone and is expected to increase significantly over the next few decades with the aging baby-boomer population.

Moving Other Drugs through the Pipeline

We also have several additional promising compounds moving through the pipeline to later-stage development and eventual registration. Each of them carries the potential to contribute substantially to the success of our Company. For example, AEZS-108, targeting ovarian and endometrial cancers, advanced into Phase 2 clinical trials in Europe. This innovative compound is our highest earlier-stage priority; we consider its market opportunity comparable to one of the premier chemotherapy agents, doxorubicin. Furthermore, we initiated a Phase 1 trial with AEZS-112, a treatment for solid tumors and lymphoma, delivering on our promise of taking at least one pre-clinical compound into the clinical stage every year.

In addition to our own in-house development programs mentioned above, other compounds are being developed through established alliances with other biopharmaceutical companies. These form part of our strategy to minimize risk as well as have the potential to generate revenue through upfront and future milestone payments.

Ozarelix, partnered with Spectrum Pharmaceuticals, is currently in Phase 2b trials targeting BPH and prostate cancer. Perifosine and AEZS-127, compounds to treat multiple cancers, are partnered with Keryx Biopharmaceuticals and are in Phase 2 and the pre-clinical stage, respectively. AEZS-130, targeting growth hormone deficiency disorders, is in Phase 1 and partnered with Ardana.

Moving Forward

Clearly, our drug development programs made important progress in the last year as we launched no less than four clinical trials and disclosed positive Phase 1 and Phase 2 results for four compounds. In 2008, we will further advance our products through the pipeline and we expect to have three products cetrorelix, ozarelix and perifosine in Phase 3 trials.

On the financial side, we are mindful that the decline of our stock price in 2007 was obviously disappointing. Additionally, the structural changes that occurred at Æterna Zentaris in the early part of this year with the divestiture of Atrium Innovations and the resulting new business model for our Company, along with the arrival of a new management team, contributed to the uncertainty surrounding the Company and formed a basis for the explanation for this decline. Perhaps the most telling factor however, was that life sciences companies in general experienced a difficult year. Exacerbating the situation, investors markedly withdrew from small cap companies in the biopharmaceutical sector. As a result and at this point, I feel our Company is significantly undervalued and that our 2007 performance on the Exchanges did not reflect the successes we attained, nor our potential. We have on our side what all indications show to be unimpeachable science, and therefore a high probability of achieving optimal outcomes.

Accordingly, for the benefit of patients, our shareholders, and our employees, 2008 will be a year of perseverance and staying the course a year when I am hopeful the external markets will finally begin to ascribe a value to our projects that truly reflects their intrinsic worth.

The foundation of our Company has always been the outstandingly skilled and dedicated people who have made Æterna Zentaris their home. I wish to thank them here for their contributions to our progress and immense potential.

We are daily mindful too of our reliance upon the shareholders of Æterna Zentaris, without whose trust none of our dreams could become reality. The timelines in biopharmaceutical research and development are long, the stakes high, the risks familiar. Our anticipated outcomes however, hold promise of generous and far-reaching reward. Thank you for your continued confidence. I ask you to remain patient as we weather the storm provided by the extremely turbulent and unpredictable recent markets. My promises to you as we embark on a new year are that we will deliver on our milestones, we will continue our excellence in science and we will continue to focus our efforts on getting to the finish line first with cetrorelix in BPH. I look forward to reporting on our progress in the year ahead.

David J. Mazzo, Ph.D.
President and CEO

ÆTERNA ZENTARIS PIPELINE ENCOMPASSES COMPOUNDS AT ALL STAGES OF DEVELOPMENT, FROM DRUG DISCOVERY THROUGH MARKETED PRODUCTS

THE TWO HIGHEST PRIORITY CLINICAL PROGRAMS ARE OUR LEAD VALUE DRIVER, CETRORELIX, FOR BENIGN PROSTATIC HYPERPLASIA AND OUR LEAD ONCOLOGY PROGRAM, AEZS-108, FOR ENDOMETRIAL AND OVARIAN CANCER.

Preclinical

AEZS-115

(endometriosis & urology)

AEZS-120

(oncology vaccine)

Erk/PI3K

INHIBITORS

(oncology)

GHRELIN

RECEPTOR

LIGANDS

(endocrinology)

AEZS-127

(oncology)

Partners:

AEZS-127:

Keryx

Discovery Unit: 120,000 compound library

Status as of December 31, 2007

Phase 1	Phase 2	Phase 3	Commercial
AEZS-112 (oncology) **AEZS-130** (endocrinology)	**AEZS-108** (endometrial and ovarian cancer) Initiated in the second half of 2007 with a study period of approximately 24 months **CETRORELIX** (endometriosis) (BPH in Japan) **OZARELIX** (BPH, prostate cancer) **PERIFOSINE** (multiple cancers)	**CETRORELIX** (benign prostatic hyperplasia) Initiated in the first half of 2007 with results expected in the second half of 2009	**CETROTIDE®** (*in vitro* fertilization) **IMPAVIDO®** (leishmaniasis, better known as black fever)
AEZS-130: Ardana	**CETRORELIX** Shionogi in Japan **OZARELIX** Spectrum in North America and India, Nippon Kayaku in Japan **PERIFOSINE** Keryx in North America		**CETROTIDE®** Merck Serono, World ex-Japan Shionogi & Nippon Kayaku in Japan

PARTNERED CLINICAL PROGRAMS

OZARELIX

Next generation LHRH antagonist with potential to treat both benign and malignant conditions

Ongoing Phase 2b trials in BPH and prostate cancer

PARTNER FOR BPH

- Spectrum - North America, India

PARTNERS FOR PROSTATE CANCER

- Spectrum - North America, India

Nippon Kayaku - Japan

PERIFOSINE

10+ ongoing Phase 1 and Phase 2 trials as monotherapy and in combination therapy for multiple types of cancer including prostate and lung cancer

Novel, first-in-class, oral anti-cancer agent

PARTNER

- Keryx - U.S., Canada,

Mexico

2008

MILESTONES

LOOKING FORWARD

Our drug development programs made important progress in the last year as we initiated four clinical trials and disclosed positive Phase 1 and Phase 2 results for four compounds. In 2008, we will further advance our products through the pipeline, continuing to prioritize our Phase 3 program in BPH with cetrorelix and our Phase 2 program with AEZS-108 in endometrial and ovarian cancer.

2008

Q1	**Q2**	**Q3**	**Q4**
• Initiate European efficacy trial for cetrorelix Phase 3 program in BPH	• Full recruitment for U.S. efficacy trial for cetrorelix Phase 3 program in BPH	• Full recruitment for EU efficacy trial for cetrorelix Phase 3 program in BPH	• QTc results for cetrorelix in BPH
• Initiate safety trial for cetrorelix Phase 3 program in BPH	• Initiate QTc study for cetrorelix in BPH	• Full recruitment for safety trial for cetrorelix Phase 3 program in BPH	• Initiate proof-of-concept trial for ghrelin antagonist
	• Preclinical results at AACR for Erk/PI3K		• IMPD* filing for AEZS-120
			• Top-line results for perifosine + radiotherapy Phase 2 program
			• Initiate Phase 2 trial for AEZS-112

** Investigational Medicinal Product Dossier*

2009

- Phase 2 trial results for AEZS-108

- Results from North American Phase 3 program for cetrorelix in BPH

- Results from EU Phase 3 program for cetrorelix in BPH

- Results from safety study from Phase 3 program for cetrorelix in BPH

EXPERIENCED

MANAGEMENT TEAM

Over the last year, we have assembled a management team with proven leadership credentials and successful track records. All together, they have been actively involved in the launch and marketing of over 75 pharmaceutical products globally. Our Company now possesses enviable international expertise of the highest level in clinical development, regulatory affairs, quality assurance, business development and product commercialization vital assets for a successful and sustained launch of our lead compound, cetrorelix, as well as for the thrust of our entire pipeline.

David J. Mazzo, PhD

President and CEO

25 years experience: Chugai Pharma USA,
Schering-Plough, Hoechst
Marion Roussel, Rhône-
Poulenc Rorer, Baxter, Merck

Paul Blake, MD

Senior VP and CMO

25+ years experience:
Avigenics, Cephalon,
SmithKline Beecham
(now GSK)

Jürgen Engel, PhD

Executive VP and CSO

30+ years experience:
ASTA Medica

Ellen McDonald, MBA

Senior VP, Business
Operations and CBO

18+ years experience:
Chugai Pharma USA,
Bristol Myers Squibb,
Johnson and Johnson

Mario Paradis, CA

Senior VP, Administrative & Legal
Affairs and Corporate Secretary

20 years experience:
Ætherna Zentaris,
Coopers & Lybrand (now PwC)

Nicholas J. Pelliccione, PhD

Senior VP, Regulatory Affairs
and Quality Assurance

20+ years experience:
Chugai Pharma USA,
Schering-Plough

Dennis Turpin, CA

Senior VP and CFO

20 years experience:
Ætherna Zentaris,
Coopers & Lybrand (now PwC)

COMPANY OVERVIEW

EXCHANGE/SYMBOL

- NASDAQ: AEZS
- TSX: AEZ

EMPLOYEES

- 130

OFFICES

- Warren, New Jersey, USA
- Québec City, Canada
- Frankfurt, Germany

CASH (12/31/07)

- $41.4 million

1405 Parc-Technologique Blvd.

Québec (Québec)

Canada G1P 4P5

20 Independence Blvd.

4th Floor

Warren, New Jersey

USA 07059

www.aezsinc.com

Printed in Canada

Management s Discussion and Analysis

of Financial Condition and Results of Operations

The following analysis provides a review of the Company s results of operations, financial condition and cash flows for the three-month period and full year ended December 31, 2007. In this Management s Discussion and Analysis (MD&A), the Company , we , us , and our mean Æterna Zentaris Inc. and its subsidiaries. This discussion should be read in conjunction with the information contained in Æterna Zentaris Inc. s annual consolidated financial statements and related notes for the years ended on December 31, 2007, 2006 and 2005. Our consolidated financial statements are reported in United States dollars and have been prepared in accordance with generally accepted accounting principles in Canada, or Canadian Generally Accepted Accounting Principles (Canadian GAAP). *All amounts are in US dollars unless otherwise indicated.*

Company Overview

Æterna Zentaris Inc. (TSX: AEZ, NASDAQ: AEZS) is a global biopharmaceutical company focused on endocrine therapy and oncology.

Our pipeline encompasses compounds at all stages of development, from drug discovery through marketed products. The two highest priority clinical programs are our lead value driver, cetrorelix for benign prostatic hyperplasia (BPH) and our lead oncology program, AEZS-108 for endometrial and ovarian cancers.

Key Developments for the Year Ended December 31, 2007

CORPORATE

In January 2007, we completed the spin-off of Atrium Biotechnologies Inc., now known as Atrium Innovations (Atrium) by distributing to our shareholders our remaining interest in Atrium.

In March 2007, the board of directors appointed David J. Mazzo, Ph.D. as new President and CEO of the Company.

Between May and August 2007, the Company appointed three key members to the executive management team:

- Ellen McDonald, M.B.A. SVP and Chief Business Officer

- Nicholas Pelliccione, Ph. D., SVP, Regulatory Affairs and Quality Assurance
- Paul Blake, M.D., SVP and Chief Medical Officer

On August the 14, 2007, the Board of Directors appointed Jürgen Ernst as Chairman of the Board, replacing the founder and former Executive Chairman, Éric Dupont, Ph.D.

In the autumn of 2007, the new management team completed a rigorous analysis of the drug development pipeline and business operations and disclosed the key priorities of the corporate drug development and the partnering strategy.

In November 2007, we completed the sale of our Utah-based subsidiary, Echelon Biosciences Inc. (Echelon), to Frontier Scientific Inc. for $3.2 million, including $2.6 million upfront payable upon signing and $0.6 million in contingent consideration based on specific sales levels to be reached in 2008 and 2009.

In December 2007, we opened our operational headquarters in Warren, New Jersey where the majority of the executive management team resides.

Subsequent to year-end, we entered into an agreement, on March 1, 2008, for the sale of our intangible property held for sale Impavido® (miltefosine) for approximately $9.2 million, subject to customary closing conditions.

DRUG DEVELOPMENT

Status of our Drug Pipeline as of December 31, 2007

Discovery	Preclinical	Phase 1	Phase 2	Phase 3	Commercial
120,000 compound library	AEZS-115 (endometriosis & urology)	AEZS-112 (oncology)	AEZS-108 (endometrial and ovarian cancers)	Cetrorelix (BPH)	Cetrotide® (*In vitro* fertilization)
		AEZS-130 (endocrinology)			
	AEZS-120 (oncology vaccine)		Cetrorelix (endometriosis) (BPH in Japan)		Impavido® (leishmaniasis)
	Erk & PI3K Inhibitors (oncology)		Ozarelix (BPH, prostate cancer)		
	Ghrelin receptor ligands (endocrinology)		Perifosine (multiple cancers)		
	AEZS-127 (oncology)				
Partners					
	AEZS-127: **Keryx**	AEZS-130: **Ardana**	Cetrorelix: **Shionogi** in Japan		Cetrotide®: **Merck Serono** (World ex-Japan)
			Ozarelix: **Spectrum** in North-America and India, **Nippon Kayaku** in Japan		**Shionogi and Nippon Kayaku** (Japan)
			Perifosine: **Keryx** in North-America		

CETRORELIX

In March 2007, our Japanese partner Shionogi & Co. (Shionogi) presented encouraging Phase 2a trial (performed in Japan) results with cetrorelix in BPH. Results showed that cetrorelix, the Company s lead luteinizing hormone-releasing hormone (LHRH) antagonist, was safe and well tolerated at all dosage regimens. Furthermore, Japanese patients responded to cetrorelix with a transient reduction of testosterone concentration in blood, which did not reach or remain at castration level. Additionally, none of the dosage regimens tested caused a suppression of prostate specific antigen (PSA) levels. Finally, data generated with Japanese patients showed that the bioavailability of cetrorelix was similar to that observed in non-Japanese patients. Following these results, our partner, Shionogi, initiated a 300-patient Phase 2b study with cetrorelix in BPH in Japanese patients. Shionogi is conducting and sponsoring this study.

In April 2007, we commenced dosing of cetrorelix in the first study of our sponsored Phase 3 program in BPH. This first study, a one-year placebo-controlled efficacy study, is assessing an intermittent dosage regimen of cetrorelix as a potential safe and tolerable treatment providing prolonged improvement in BPH-related signs and symptoms. This 600-patient Phase 3 study is being conducted in North America and Europe.

In May 2007, we regained exclusive worldwide rights (ex-Japan) for cetrorelix from Solvay for the endometriosis indication. The Company now owns worldwide ex-Japan rights for cetrorelix in BPH and endometriosis.

In the first quarter of 2008, we expect to initiate additional trials related to our Phase 3 program in BPH, including a second European efficacy trial as well as a long-term safety trial.

AEZS-108

In June 2007, we presented encouraging detailed Phase 1 results for AEZS-108, our cytotoxic conjugate (LHRH agonist linked to doxorubicin) in female patients with cancers expressing LHRH receptors.

The study conclusion was:

- AEZS-108 was well tolerated by patients with gynecological tumors;
- AEZS-108 is the first drug in a clinical study that targets the cytotoxic activity of doxorubicin specifically to LHRH-receptor expressing tumors;
- Signs of anti-tumor activity were observed in seven out of 13 patients treated with 160 or 267 mg/m(2) of AEZS-108, including three patients with complete or partial response; and

- Recommended dose for further clinical studies will be 267 mg/m(2) given once every three weeks.

At the end of December 2007, we commenced patient enrollment for our European open-label, non-comparative multi-center Phase 2 trial that will treat up to 82 women with LHRH-receptor positive ovarian and endometrial cancerous tumors.

AEZS-112

In January 2007, we announced the initiation of a Phase 1 trial for AEZS-112 in patients with solid tumors and lymphoma. This open-label, dose-escalation, multi-center, intermittent treatment Phase 1 trial is being conducted and sponsored by the Company in the United States. The trial will include up to 50 patients who have either failed standard therapy or for whom no alternative therapy exists. We expect progression of this trial in 2008 to identify maximum tolerated dose of AEZS-112.

OZARELIX

During 2007, our partner Spectrum Pharmaceuticals, Inc. (Spectrum) continued the development of ozarelix, a fourth generation LHRH antagonist, by conducting and sponsoring a North American Phase 2b trial in BPH. Spectrum is also conducting and sponsoring a program with ozarelix in prostate cancer. Additional results are expected in 2008.

PERIFOSINE

In November 2007, we completed patient recruitment for our Company-sponsored European multi-center Phase 2 trial with perifosine, an oral signal transduction inhibitor, combined with radiotherapy, in 160 patients with inoperable Stage III non-small cell lung cancer (NSCLC). We expect to announce results in the first quarter of 2009.

During 2007, our partner Keryx Biopharmaceuticals, Inc. (Keryx) continued the development of perifosine with multiple Phase 1 and Phase 2 studies in North America in multiple cancers. We expect Keryx to move perifosine into Phase 3 in at least one indication in North America in 2008.

Consolidated Results of Operations

On January 2, 2007, we completed the special distribution to all shareholders of our remaining position in Atrium. Since we disposed of our entire position in Atrium in January 2007, we had no access to liquidity or cash flows from Atrium in 2007 and we do not expect to access to cash flows from operations of Atrium in ensuing years. Since Atrium is renting space in our facility in Quebec City, we receive rent from Atrium and share administrative costs, which amount are not significant.

For the years ended December 31, 2006 and 2005, the previously consolidated revenues and expenses of Atrium, representing the former Active Ingredients & Specialty Chemicals Segment as well as the Health & Nutrition Segment, have been reclassified as discontinued operations.

On November 30, 2007, we disposed of our former subsidiary Echelon which was involved in the business of selling reagents. As a consequence, we have no access to liquidity or cash flows from Echelon since the end of November 2007 and we do not expect to access to cash flows from operations of Echelon in ensuing years, beyond possible contigent considerations payments based on Echelon s performance in 2008 and 2009.

For the years ended December 31, 2007, 2006 and 2005, the previously consolidated revenues and expenses of Echelon have been reclassified as discontinued operations.

The following table sets forth Canadian GAAP consolidated financial data in thousands of US dollars, except per share data.

	Years ended December 31,		
	2007	**2006**	**2005**
	$	**$**	**$**
Consolidated revenues			
Sales and royalties	**28,825**	25,123	21,252
License fees	**12,843**	13,652	23,530
Other	**400**	24	31
	42,068	38,799	44,813
Operating expenses			
Cost of sales, excluding depreciation and amortization	**12,930**	11,270	8,250
Selling, general and administrative (SG&A)	**20,403**	16,478	14,403
Research and development (R&D) costs	**39,248**	27,422	25,544
R&D tax credits and grants	**(2,060)**	(1,564)	(317)
Depreciation and amortization (D&A)	**5,566**	8,964	5,944
Impairment of long-lived asset held for sale	**735**		
	76,822	62,570	53,824
Loss from operations	**(34,754)**	(23,771)	(9,011)
Other revenues (expenses)			
Interest Income	**1,904**	1,441	1,235
Interest expense	**(85)**	(1,433)	(7,010)
Foreign exchange gain (loss)	**(1,035)**	319	(87)
Other	**(28)**	409	
	756	736	(5,862)
Share in the results of an affiliated company		1,575	
Loss before income taxes	**(33,998)**	(21,460)	(14,873)
Income tax recovery (expense)	**1,961**	29,037	(609)
Net earnings (loss) from continuing operations	**(32,037)**	7,577	(15,482)
Net earnings (loss) from discontinued operations	**(259)**	25,813	26,053
Net earnings (loss) for the year	**(32,296)**	33,390	10,571
Net earnings (loss) per share from continuing operations			
Basic	**(0.61)**	0.14	(0.34)
Diluted			