

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2008 was quite a challenging year at both the business and drug development levels, and we must say that we are very proud of what we achieved over the course of the past year and during the first few months of 2009. During that period, we were able to generate close to \$100 million through non-dilutive transactions and a key strategic alliance with sanofi-aventis, while making major progress in our two top priority drug development programs: our Phase 3 program with cetorelix in benign prostate hyperplasia (BPH) - commonly known as enlarged prostate - and our Phase 2 program in advanced ovarian and endometrial cancer with AEZS-108.

BUSINESS DEVELOPMENT

Recently, on March 5, 2009, we entered into an agreement with sanofi-aventis for the development, registration and marketing of our lead compound, cetorelix, in BPH for the U.S. market. This agreement provided us with an initial upfront payment of \$30 million, and we are also entitled to receive up to \$135 million in additional payments upon achieving certain pre-established regulatory and commercial milestones. Furthermore, we will be entitled to

receive escalating double-digit royalties on future net sales of cetorelix for BPH in the United States. Sanofi-aventis will be responsible for the commercialization and booking of sales in the U.S.; however, we retained certain rights to co-promote cetorelix for BPH in this market.

We are delighted to have a partner such as sanofi-aventis, one of the leading pharmaceutical companies in the world, with a proven track record in urology. This partnership marks an important milestone in our quest to bring cetorelix to market which could provide millions of men with a novel treatment for BPH. Furthermore, we believe that this compound could generate significant long-term revenue for the Company - BPH represents a \$3 billion market - while building value for you, our shareholders.

In addition to the sanofi-aventis partnership, we were able to generate close to \$70 million through the sale of our Cetrotide[®] royalty stream, our anti-infective marketed product Impavido[®] (miltefosine) and our Québec City property, as well as through the licensing-out of cetorelix and ozarelix in BPH to Handok for the Korean market.

DRUG DEVELOPMENT

Cetrorelix

Cetrorelix is the first LHRH (luteinizing hormone-releasing hormone) blocker under development for the treatment of symptoms in patients with BPH. In our previous broad Phase 2 program, cetrorelix was administered as a special sustained release formulation and demonstrated that it combines the clinical activities of existing standard therapies - alpha-blockers and 5 alpha-reductase inhibitors - such as rapid relief of symptoms and control/reduction of prostate volume.

During 2008, we completed patient recruitment, as scheduled, for all three trials of our extensive Phase 3 program in BPH with cetrorelix, which encompasses more than 1,600 men in North America and Europe. This program is in full gear, progressing well, and remains on track with results for our North American efficacy study expected in Q3 2009. We anticipate disclosing results for our European efficacy study and our safety study in Q4 2009. These results could be followed by the filing of a New Drug Application in 2010, with a possible launch in 2011.

We would like to acknowledge the tremendous work that was achieved by our employees and collaborating investigators involved in completing patient recruitment and we look forward to the results.

Ozarelix

Last September, our partner Spectrum initiated an extensive 860 patients study with ozarelix in patients suffering from symptoms due to BPH.

AEZS-108

Our lead oncology compound, AEZS-108, a LHRH agonist linked to doxorubicin, jointly developed with the Nobel Prize laureate Dr. Andrew V. Schally, represents a new targeting approach in cancer. AEZS-108 is currently in a Phase 2 program for advanced ovarian and endometrial cancer which will involve up to 82 women. In October, we entered the second stage of patient recruitment for the trial in ovarian cancer, following first stage data reporting two partial responses among patients. In November, we entered the second stage of patient recruitment, this time for the trial in endometrial cancer of this very same program, after first stage data had shown one complete and two partial responses.

We are encouraged by the early signal of potential efficacy of AEZS-108, and believe that using a specifically LHRH-receptor targeted therapeutic approach with this compound, is key to achieving increased clinical benefit for the patients. Results of our Phase 2 program are expected in Q4 2009.

Perifosine

Perifosine, the first-in-class AKT inhibitor in multiple Phase 2 studies, is being developed as an orally active radio-enhancer and anticancer agent.

We advanced our Phase 2 trial in non-small cell lung cancer with perifosine in combination with radiotherapy to prove its activity as a radio-enhancer, and we expect to disclose results in Q2 2009. In addition, our partner, Keryx, disclosed Phase 2 results for this compound in various cancer indications, and we look forward to seeing Keryx move ahead with a Phase 3 trial in multiple myeloma.

Our deep pipeline also encompasses other novel and promising compounds in earlier stage of development that made significant progress in 2008. One of those is AEZS-112, our anticancer drug in development, involving three mechanisms of action. This orally active compound is currently in a Phase 1 trial for solid tumors and lymphoma in the U.S. First results will be reported during the American Association for Cancer Research (AACR) meeting in Denver, in late April 2009.

MOVING FORWARD

The non-dilutive transactions and the recent partnership with sanofi-aventis have improved our overall financial position and provided us with the necessary funds to pursue our growth strategy.

Moving forward, we will continue to concentrate our efforts on bringing cetorelix closer to market in collaboration with sanofi-aventis, and we look forward to disclosing results by the end of 2009. We will also continue to evaluate other strategic partnerships for the final stage of development and commercialization of cetorelix in BPH.

With our strengthened financial position, we will also be able to push forward our promising drug candidates in oncology like AEZS-108 and AEZS-112. In collaboration with our partners, we expect to move perifosine and ozarelix to the final development stages.

2009 could prove to be a very exciting year for Æterna Zentaris, and we believe that we have the necessary expertise at all levels to reach our goals.

In closing, we would like to thank all our employees and collaborators for their dedicated contribution and you, our shareholders, for your continued support and belief in us.

Sincerely,



Juergen Ernst, Executive Chairman of the Board



Juergen Engel, Ph.D., President and CEO

**All amounts are in U.S. dollars*