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second acquisition in Europe within a year. Furthermore, we completed a successful private placement of \$57 million with quality partners. Finally, the Data Safety Monitoring Board (DSMB), an independent committee of experts, confirmed Neovastat's safety profile and concluded that our current phase III clinical studies in kidney and lung cancer could be pursued without any adjustments. The phase III trial in kidney cancer could represent our first opportunity to commercialize Neovastat.

### SIGNIFICANT MILESTONES

#### ATRIUM RESULTS

During the second quarter, consolidated sales of AETerna's subsidiary, Atrium, reached \$23.4 million compared to \$2.7 million for the same period of 2001. The consolidated net earnings reached \$1.66 million during the second quarter compared to \$1.08 million last year, an increase of 54%.

#### ACQUISITION OF ADF CHIMIE S.A. BY ATRIUM

Atrium acquired the privately-owned French company ADF Chimie S.A. for \$3 million. ADF is a distributor of active and specialty ingredients for the French cosmetic industry to some 50 clients, including L'Oreal, L.V.M.H. and Chanel.

#### PRIVATE PLACEMENT

On April 9, 2002, AETerna concluded a private placement of \$57 million at a price of \$7.50 per share. SGF Sante and Solidarity Fund QFL acquired 7.3 million subordinate voting shares, at a price of \$7.50 per share, as well as 7.3 million warrants exercisable at \$13 and \$20 per share maturing on March 31 and December 31, 2003, under certain conditions. Also, Acqua Wellington Private Placement Fund, Ltd. acquired 266,667 subordinate voting shares, at a price of \$7.50 per share, as well as 133,333 warrants exercisable at \$13 per share, maturing on March 31, 2003.

#### NEOVASTAT'S FAVORABLE SAFETY PROFILE CONFIRMED

Independent oncology and statistical experts from the Data Safety Monitoring Board (DSMB) confirmed Neovastat's favourable safety profile.

#### SCIENTIFIC ARTICLES

CLINICAL CANCER RESEARCH recently published an article on the biological activities linked to Neovastat's inhibition of the Vascular Endothelial Growth Factor (VEGF), while MOLECULAR CANCER THERAPEUTICS will shortly publish an article on Neovastat's proven ability to induce apoptosis of endothelial cells. These two peer reviews are published by the American Association for Cancer Research (AACR), one of the most prominent cancer research organizations in the United States.

#### OUTLOOK

These developments give us continued confidence to pursue our phase III trials with Neovastat for its eventual commercialization, and to maintain our growth objectives according to the strategy already in place.

Dr. Eric Dupont

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Chairman of the Board and Chief Executive Officer

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

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 interim consolidated financial statements and related notes for the six-month period ended June 30, 2002 and 2001. All figures are in Canadian dollars.

### RESULTS OF OPERATIONS

#### REVENUES

Company revenues are generated by the subsidiary Atrium Biotechnologies Inc. (Atrium) whose consolidated sales reached \$23.4 million, compared to \$2.7 million for the corresponding quarter last year. For the six-month period ended June 30, 2002, the consolidated revenues were \$48.8 million compared to \$5.4 million in 2001. This increase for the quarter as well as for the first half of the year can be primarily attributed to the sales generated by Unipex Finance S.A. (Unipex), a French company acquired by Atrium in July 2001.

#### OPERATING EXPENSES

The cost of sales during this quarter amounted to \$17.8 million compared to \$0.4 million for the same quarter in 2001. For the six-month period ended June 30, 2002, the cost of sales has gone up from \$0.9 million to \$37.5 million, an increase of \$36.6 million. These costs are in direct proportion to corresponding revenues and the percentage of these costs against revenues has varied significantly as a result of the acquisition of Unipex.

Selling and administrative expenses amounted to \$2.4 million during this quarter compared to \$0.9 million in 2001. Regarding the six-month period, selling and administrative expenses were \$4.7 million compared to \$1.7 million in 2001. The acquisition of Unipex explains these variations compared to last year.

R&D investments amounted to \$7.7 million during this quarter in comparison with \$6.7 million last year. For the six-month period ended June 30, 2002, R&D investments reached \$15.1 million in comparison to \$13.9 million in 2001. This increase in expenses can be attributed to the costs related to the follow-up of patients enrolled in our Phase III clinical studies and also to the costs incurred for the preparation of Neovastat's Basic International Registration dossier.

R&D tax credits and grants reached \$0.6 million for this quarter compared with \$2.6 million in 2001. The decrease in the eligible expenses of current grant programs explains this situation. As of June 30, 2002, R&D tax credits and grants totalled \$1.1 million compared to \$4.6 million for the same period last year.

Interest income was \$0.8 million for the three-month period ended June 30, 2002 in comparison with \$1 million for the same period last year. For the cumulative period of six months, interest income reached \$1.3 million, compared to \$2.1 million for the same period in 2001. Cash used in R&D investments as well as for the Unipex' acquisition explains the decrease of interest income for the six-month period ended June 30, 2002.

The income tax expense for this first six-month period comes from Atrium and its

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subsidiaries. No income tax expense was recorded for the corresponding period last year.

The loss before the gain on dilution for this second quarter amounted to \$5.9 million or 15 cents per share compared to a loss before the gain on dilution of \$2.7 million or 9 cents per share for the same quarter in 2001. For the six-month period ended June 30, 2002, the loss before the gain on dilution increased by \$5.7 million and has gone up from \$5.9 million to \$11.6 million. The increase of the loss before the gain on dilution for this quarter as well as for the six-month period, is mainly due to larger investments in R&D net of grants.

### LIQUIDITY AND CAPITAL RESOURCES

The cash position of the Company as at June 30, 2002 remains strong with \$92.2 million in cash and short-term investments compared with \$54.1 million as at December 31, 2001. The private placement of \$57 million concluded in this second quarter strengthens the growth objectives of the Company.

During this period of six months, an amount of \$12.4 million was used in operating activities while \$54.7 million was provided through financing activities mainly by the private placement. Regarding investment activities, \$12.5 million was invested in short-term investments whereas acquisition of long-lived assets amounted to \$4.5 million.

### RISK FACTORS

Economic and sector related risks are the same as those identified in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's 2001 Annual Report.

Dennis Turpin, CA  
Vice President and Chief Financial Officer

This report contains forward-looking statements, which are 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 the business opportunities in the pharmaceutical industry, uncertainties related to the regulatory process and general changes in economic conditions. Investors should consult the Company's ongoing 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.

AETERNA LABORATORIES INC.

CONSOLIDATED BALANCE SHEETS  
(expressed in Canadian dollars)

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	AS AT JUNE 30, 2002	AS AT DECEMBER 31, 2001
----- (UNAUDITED)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 37,594,495	\$ 11,993,502
Short-term investments	54,572,735	42,070,976
Accounts receivable	30,060,778	23,361,630
Income taxes recoverable	249,760	154,684
Research and development tax credits recoverable	2,100,139	1,295,000
Inventory	8,119,562	8,303,697
Prepaid expenses	1,721,281	1,161,587
	-----	-----
	134,418,750	88,341,076
PROPERTY, PLANT AND EQUIPMENT	17,538,180	15,403,984
INTANGIBLE ASSETS AND GOODWILL	26,703,484	24,252,487
FUTURE INCOME TAX ASSETS	5,182,171	6,354,170
	-----	-----
	\$183,842,585	\$134,351,717
=====		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 25,045,577	\$ 23,429,717
Income taxes	312,111	-
Current portion of long-term debt	2,893,312	3,447,688
	-----	-----
	28,251,000	26,877,405
LONG-TERM DEBT	12,054,194	10,400,969
EMPLOYEE FUTURE BENEFITS	140,659	115,952
NON-CONTROLLING INTEREST	20,487,172	18,338,602
	-----	-----
	60,933,025	55,732,928
-----		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	152,323,666	97,513,214
CONTRIBUTED SURPLUS	853,699	-
DEFICIT	(30,632,593)	(19,082,451)
CUMULATIVE TRANSLATION ADJUSTMENT	364,788	188,026
	-----	-----
	122,909,560	78,618,789
	-----	-----
	\$183,842,585	\$134,351,717
=====		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

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AETERNA LABORATORIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS  
FOR THE PERIODS ENDED JUNE 30, 2002 AND 2001  
(expressed in Canadian dollars)

UNAUDITED	QUARTERS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
REVENUES	\$23,440,112	\$2,668,278	\$48,788,883	\$5,434,112
OPERATING EXPENSES				
Cost of sales	17,803,052	411,613	37,485,846	855,112
Selling and administrative	2,424,247	861,010	4,673,627	1,694,112
Research and development costs	7,688,457	6,675,681	15,131,802	13,889,112
Research and development tax credits and grants	(603,055)	(2,528,560)	(1,100,136)	(4,570,112)
Depreciation and amortization				
Property, plant and equipment	497,455	305,897	829,185	597,112
Intangible assets and goodwill	102,609	80,717	203,639	164,112
	27,912,765	5,806,358	57,223,963	12,631,112
OPERATING LOSS	(4,472,653)	(3,138,080)	(8,435,080)	(7,196,112)
INTEREST INCOME	793,979	980,562	1,324,575	2,056,112
INTEREST EXPENSE	(336,269)	(174,733)	(519,025)	(436,112)
LOSS BEFORE THE FOLLOWING ITEMS	(4,014,943)	(2,332,251)	(7,629,530)	(5,577,112)
INCOME TAX EXPENSE	(973,577)	-	(2,138,313)	-
GAIN ON DILUTION	-	10,223,567	-	10,223,112
NON-CONTROLLING INTEREST	(910,217)	(350,233)	(1,782,299)	(350,112)
NET EARNINGS (LOSS) FOR THE PERIOD	\$ (5,898,737)	\$ 7,541,083	\$ (11,550,142)	\$ 4,296,112
BASIC AND DILUTED NET EARNINGS (LOSS) PER SHARE	\$ (0.15)	\$ 0.25	\$ (0.30)	\$ 0.10
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	40,452,019	30,271,295	38,552,019	30,192,112

CONSOLIDATED STATEMENTS OF DEFICIT  
FOR THE PERIODS ENDED JUNE 30, 2002 AND 2001  
(expressed in Canadian dollars)

UNAUDITED	SIX MONTHS ENDED JUNE 30,	
	2002	2001

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BALANCE - BEGINNING OF PERIOD		\$ (19,082,451)	\$ (15,6
Net earnings (loss) for the period		(11,550,142)	4,2
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BALANCE - END OF PERIOD		\$ (30,632,593)	\$ (11,3
=====			

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AETERNA LABORATORIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED JUNE 30, 2002 AND 2001  
(expressed in Canadian dollars)

UNAUDITED	QUARTERS ENDED		SIX MONTHS
	JUNE 30,		JUNE 30
	2002	2001	2002
-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings (loss) for the period	\$ (5,898,737)	\$ 7,541,083	\$ (11,550,142)
Items not affecting cash and cash equivalents			
Depreciation and amortization	600,064	386,614	1,032,824
Interest expense	-	174,733	-
Future income taxes	469,204	(138,162)	1,173,673
Employee future benefits	180	-	17,252
Gain on dilution	-	(10,223,567)	-
Non-controlling interest	910,217	350,233	1,782,299
Stock-based compensation	53,516	-	53,516
Change in non-cash operating working capital items			
Accounts receivable	3,178,002	60,659	(4,276,091)
Income taxes recoverable	(250,221)	-	(94,919)
Research and development tax credits recoverable	(300,000)	(581,892)	(700,000)
Inventory	(655,077)	(223,758)	600,661
Prepaid expenses	(85,195)	46,431	(543,572)
Accounts payable and accrued liabilities	(2,983,521)	457,293	(175,274)
Income taxes	177,783	(71,127)	294,662
	(4,783,785)	(2,221,460)	(12,385,111)
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long-term debt	-	(96,000)	(895,950)
Issuance of warrants	746,667	-	746,667
Issuance of share capital, net of related expenses	54,803,518	768,581	54,863,968
	55,550,185	672,581	54,714,685
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CASH FLOWS FROM INVESTING ACTIVITIES

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Change in short-term investments	(20,522,026)	17,841,802	(12,501,759)	25
Purchase of shares of subsidiary less cash acquired	(1,316,396)	-	(1,316,396)	
Purchase of a product line	(185,644)	-	(185,644)	
Purchase of property, plant and equipment	(1,499,998)	(178,256)	(2,895,833)	
Additions to intangible assets and goodwill	(41,400)	(19,064)	(128,702)	
	(23,565,464)	17,644,482	(17,028,334)	25
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,200,936	16,095,603	25,301,240	17
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	422,648	-	299,753	
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	9,970,911	8,613,227	11,993,502	7
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$37,594,495	\$24,708,830	\$37,594,495	\$24
ADDITIONAL INFORMATION				
Interest paid	\$ 50,287	\$ -	\$ 103,443	\$
Income taxes paid	\$ 46,836	\$ 122,125	\$ 248,567	\$

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AETERNA LABORATORIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED JUNE 30, 2002 AND 2001  
(expressed in Canadian dollars)

UNAUDITED

1 BASIS OF PRESENTATION

These interim financial statements as at June 30, 2002 and for the periods ended June 30, 2001 and 2002, are unaudited. They have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows for these periods have been included.

The accounting policies and methods of computation adopted in these financial statements are the same as those used in the preparation of the Company's most recent annual consolidated financial statements. All disclosures required for annual financial statements have not been included in these financial statements. These consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim results of operations are not necessarily indicative of the results for the full year.



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### 2 NEW ACCOUNTING STANDARDS

The Company adopted on January 1st, 2002, section 3062 issued by the CICA "Goodwill and Other Intangible Assets". This section broadens criteria for recording intangible assets separately from goodwill. Section 3062 requires the use of a non-amortization approach to account for purchased goodwill and indefinite-lived intangibles. Under the non-amortization approach, goodwill and indefinite-lived intangibles will not be amortized, but instead would be reviewed annually for impairment, and writedowns are charged to earnings in the period in which the recorded value of goodwill and indefinite-lived intangibles exceeds their fair value. The amortization of the goodwill for the six months ended June 30, 2001 amounted to approximately \$44,000.

The Company also adopted on January 1st, 2002, section 3870 issued by the CICA "Stock-Based Compensation and Other Stock-Based Payments". The new section applies to awards granted on or after the date of adoption, and requires that stock-based payment to non-employees be accounted for using a fair value-based method. For awards to employees, the CICA recommends their accounting using a fair value-based method without rendering it mandatory. The Company not having adopted this method is nevertheless 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 adoption of this standard does not have a significant impact on the Company's financial statements and that is why the pro-forma information is not provided.

AETERNA LABORATORIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED JUNE 30, 2002 AND 2001  
(expressed in Canadian dollars)

UNAUDITED

### 3 ACQUISITION OF A COMPANY

On May 1st, 2002, Unipex Finance S.A., a subsidiary of Atrium Biotechnologies inc., acquired 100 % of the issued and outstanding common shares of ADF Chimie S.A. for a total consideration of \$2,986,493. ADF Chimie S.A. is a distributor of active and specialty ingredients for the cosmetics industry. The results of operations have been consolidated from the date of acquisition and the fair value of net assets is as follows:

Current assets	\$1,880,533
Property, plant and equipment	7,139
Current liabilities	(665,172)
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Net identifiable assets	1,222,500
Goodwill	1,763,993
-----	
Purchase price	2,986,493
Less: Cash and cash equivalents acquired	(548,106)
Balance of purchase price	(1,121,991)
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Cash paid	\$1,316,396

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 The goodwill is not deductible for income tax purposes over the following years.

4 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.

	QUARTERS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30	
	2002	2001	2002	2001
REVENUES				
Cosmetics and nutrition	\$ 2,972,232	\$ 2,668,278	\$ 6,155,565	\$ 5,434,9
Distribution	20,539,987	-	42,705,425	
Biopharmaceutical	-	-	-	
Consolidated adjustments	(72,107)	-	(72,107)	
	\$23,440,112	\$ 2,668,278	\$48,788,883	\$ 5,434,9
NET EARNINGS (LOSS) FOR THE PERIOD				
Cosmetics and nutrition	\$ 589,323	\$ 1,134,022	\$ 1,381,866	\$ 2,552,0
Distribution	459,561	-	789,177	
Biopharmaceutical	(6,955,335)	6,407,061	(13,748,296)	1,744,1
Consolidated adjustments	7,714	-	27,111	
	\$ (5,898,737)	\$ 7,541,083	\$ (11,550,142)	\$ 4,296,2

SIGNATURE  
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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 LABORATORIES INC.

Date: August 21, 2002  
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By: /s/ Claude Vadboncoeur  
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Claude Vadboncoeur  
 Vice President, Legal Affairs and  
 Corporate Secretary