Consolidated Financial Statements of
(Unaudited)

THERATECHNOLOGIES INC.

Three-month periods ended February 29, 2008 and February 28, 2007

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THERATECHNOLOGIES INC.

Consolidated Balance Sheets
(Unaudited)

February 29, 2008, with comparative figures as at November 30, 2007
(in thousands of dollars)

	February 29, 2008	November 30, 2007 (Audited)
Assets		
Current assets:		
Cash	$ 17,388	$ 2,578
Bonds	24,480	27,466
Accounts receivable	335	451
Tax credits receivable	1,906	1,418
Research supplies	1,160	2,110
Prepaid expenses	742	414
	46,011	34,437
Bonds	37,264	30,324
Investments in public companies	293	635
Property and equipment	1,655	1,722
Other assets (note 3)	7,323	7,472
	$ 92,546	$ 74,590
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,879	$ 8,613
Shareholders' equity:		
Capital stock (note 4)	268,888	238,842
Contributed surplus	4,962	4,807
Accumulated other comprehensive loss	(15)	(333)
Deficit	(190,168)	(177,339)
	(190,183)	(177,672)
Total shareholders' equity	83,667	65,977
	$ 92,546	$ 74,590

See accompanying notes to unaudited consolidated financial statements.

THERATECHNOLOGIES INC.

Notes to Consolidated Statements of Earnings
(Unaudited)

Three-month periods ended February 29, 2008 and February 28, 2007
(in thousands of dollars, except per share amounts)

	First quarter 2008	First quarter 2007
Revenues:		
Royalties, technologies and other	$ 5	$ 4
Interest	594	283
	599	287
Operating costs and expenses:		
Research and development	9,484	8,100
Tax credits	(488)	(762)
	8,996	7,338
General and administrative	1,841	1,798
Selling and market development	457	395
Patents and amortization of other assets	196	195
	11,490	9,726
Net loss	$ (10,891)	$ (9,439)
Basic and diluted loss per share (note 4 (c))	$ (0.20)	$ (0.20)
Weighted average number of common shares outstanding	55,260,757	47,025,731

Consolidated Statements of Comprehensive Earnings
(Unaudited)

Three-month periods ended February 29, 2008 and February 28, 2007
(in thousands of dollars)

	First quarter 2008	First quarter 2007
Net loss	$ (10,891)	$ (9,439)
Unrealized gains on available-for-sale financial assets	318	234
Comprehensive loss	$ (10,573)	$ (9,205)

See accompanying notes to unaudited consolidated financial statements.

THERATECHNOLOGIES INC.

Consolidated Statements of Shareholders' Equity
(Unaudited)

Three-month period ended February 29, 2008
(in thousands of dollars)

	Capital stock		Contributed	Accumulated other compre-hensive		
	Number	Dollars	surplus	income	Deficit	Total
Balance, November 30, 2007	54,531,133	$ 238,842	$ 4,807	$ (333)	$ (177,339)	$ 65,977
Issuance of share capital (noted 4)	3,500,000	29,750	–	–	–	29,750
Share issue costs	–	–	–	–	(1,938)	(1,938)
Exercise of stock options:						
Cash proceeds	68,332	242	–	–	–	242
Ascribed value	–	54	(54)	–	–	–
Stock-based compensation	–	–	209	–	–	209
Net loss	–	–	–	–	(10,891)	(10,891)
Unrealized gains on available-for-sale financial assets	–	–	–	318	–	318
Balance, February 29, 2008	58,099,465	$ 268,888	$ 4,962	$ (15)	$ (190,168)	$ 83,667

See accompanying notes to unaudited consolidated financial statements.

THERATECHNOLOGIES INC.

Consolidated Statements of Shareholders' Equity
(Unaudited)

Three-month periods ended February 28, 2007
(in thousands of dollars)

	Capital stock Number	Capital stock Dollars	Contributed surplus	Accumulated other compre-hensive income	Deficit	Total
Balance, November 30, 2006	46,775,359	$ 177,552	$ 3,486	$ –	$ (136,563)	$ 44,475
Issuance of share capital	6,875,000	57,750	–	–	–	57,750
Share issue costs	–	–	–	–	(3,238)	(3,238)
Exercise of stock options:						
Cash proceeds	203,499	763	–	–	–	763
Ascribed value		352	(352)	–	–	–
Stock-based compensation	–	–	1,635	–	–	1,635
Changes in accounting policies	–	–	–	79	–	79
Net loss	–	–	–	–	(9,439)	(9,439)
Unrealized gains on available-for-sale financial assets	–	–	–	234	–	234
Balance, February 28, 2007	53,853,858	$ 236,417	$ 4,769	$ 313	$ (149,240)	$ 92,259

See accompanying notes to unaudited consolidated financial statements.

THERATECHNOLOGIES INC.

Consolidated Statements of Cash Flows
(Unaudited)

Three-month periods ended February 29, 2008 and February 28, 2007
(in thousands of dollars)

	First quarter 2008	2007
Cash flows from operating activities:		
Net loss	$ (10,891)	$ (9,439)
Adjustments for:		
Depreciation of property and equipment	151	116
Amortization of other assets	134	126
Stock-based compensation	209	1,635
	(10,397)	(7,562)
Changes in operating assets and liabilities:		
Interest receivable on bonds	(53)	200
Accounts receivable	141	(258)
Tax credits receivable	(488)	341
Research supplies	950	(679)
Prepaid expenses	(328)	(115)
Accounts payable and accrued liabilities	(32)	(130)
	190	(641)
	(10,207)	(8,203)
Cash flows from financing activities:		
Share issuances	29,992	58,513
Share issue costs	(1,504)	(2,986)
	28,488	55,527
Cash flows from investing activities:		
Addition to property and equipment	(166)	(64)
Addition to other assets	(64)	(34)
Acquisition of bonds	(10,107)	
Disposal of bonds	6,866	7,775
	(3,471)	7,677
Net change in cash	14,810	55,001
Cash, beginning of period	2,578	16
Cash, end of period	$ 17,388	$ 55,017

See note 5 (a) for supplemental cash flow information.

See accompanying notes to unaudited consolidated financial statements.

1. Basis of presentation:

The financial statements included in this report are unaudited and reflect normal and recurring adjustments which are, in the opinion of the Company, considered necessary for a fair presentation. These financial statements have been prepared in conformity with Canadian generally accepted accounting principles. The same accounting policies as described in the Company's latest annual report have been used, except as described in note 2 below. However, these financial statements do not include all disclosures required under generally accepted accounting principles and, accordingly, should be read in connection with the financial statements and the notes thereto included in the Company's latest annual report. These interim financial statements have not been reviewed by auditors.

2. New accounting policies:

a) Adoption of new accounting standards:

Effective with the commencement of its 2008 fiscal year, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures*, CICA Handbook Section 3862, *Financial Instruments - Disclosures*, and CICA Handbook Section 3863, *Financial Instruments - Presentation*. The Sections relate to disclosure and presentation only and did not have an impact on our financial results (see notes 6 and 7).

(b) Future accounting changes:

Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section will apply to the Company's interim and annual financial statements beginning December 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on the consolidated financial statements.

(in thousands of dollars, except per share amounts)

2. New accounting policies (continued):

(b) Future accounting changes (continued):

Goodwill and intangible assets

In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard will apply to the Company's interim and annual financial statements beginning on December 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on the consolidated financial statements.

International Financial Reporting Standards

In 2005 the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The CICA has confirmed the changeover date from current Canadian GAAP to IFRS to be January 1, 2011.

3. Other assets:

			February 29, 2008
	Cost	Accumulated depreciation	Net book value
Intellectual property	$ 7,670	$ 2,810	$ 4,860
Patent costs	2,003	1,089	914
Research supplies	1,524	–	1,524
Other assets	25	–	25
	$ 11,222	$ 3,899	$ 7,323

(in thousands of dollars, except per share amounts)

3. Other assets (continued):

			November 30, 2007
	Cost	Accumulated depreciation	Net book value
Intellectual property	$ 7,670	$ 2,713	$ 4,957
Patent costs	1,993	1,052	941
Research supplies	1,524	–	1,524
Other assets	50	–	50
	$ 11,237	$ 3,765	$ 7,472

4. Capital stock:

On February 13, 2008, the Company completed a public offering for the sale and issue of 3,500,000 common shares, for cash proceeds, of $29,750. The issuance costs amounted to $1,938.

(a) Share option plan:

Changes in outstanding options granted under the Company's stock option plan for the year ended November 30, 2007 and the three-month period ended February 29, 2008 were as follows:

	Number	Weighted average exercise price
Options as at November 30, 2006 (audited)	2,551,000	$ 4.26
Granted	608,500	9.41
Cancelled	(84,167)	2.80
Expired	(867,700)	2.76
Options as at November 30, 2007 (audited)	2,207,633	6.32
Granted	81,000	8.63
Exercised	(68,332)	3.53
Options as at February 29, 2008	2,220,301	$ 6.49

(in thousands of dollars, except per share amounts)

4. Capital stock (continued):

(b) Stock-based compensation and other stock-based payments:

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Risk-free interest rate	3,53%	4.04%
Volatility	69%	68%
Average option life in years	6	6
Dividend yield	Nil	Nil

The risk-free interest rate is based on the implied yield on a Canadian Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected term of the option. The average life of the options is estimated considering the vesting period, the term of the option and historical exercise patterns. Dividend yield was excluded from the calculation, since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The following table summarizes the weighted average fair value of stock options granted during the periods ended February 29, 2008 and February 28, 2007:

	Number of options	Weighted average grant-date fair value
2008	81,000	$ 5.57
2007	288,500	5.31

(in thousands of dollars, except per share amounts)

4. Capital stock (continued):

(c) Diluted loss per share:

Diluted loss per share was not presented as the effect of 2,220,301 options and would have been anti-dilutive. Furthermore, the exercise of 631,500 options (2007 - 606,500 options and warrants) would not been considered in such computation, since their exercise prices were higher than the average market price during the reporting periods of 2008 and 2007.

5. Supplemental information:

(a) The following transactions were conducted by the Company and did not impact cash flow:

	February 29, 2008	November 30, 2007
Additions to property and equipment included in accounts payable and accrued liabilities	$ 65	$ 147
Additions to other assets financed included in accounts payable and accrued liabilities	10	64
Share issue costs included in accounts payable and accrued liabilities	434	–

(b) The Company has not reclassed any amount in the net loss in 2008 for realized losses on available-for-sale financial assets previously recorded in accumulated other comprehensive income ($23 in 2007).

6. Capital disclosures:

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents. The Company makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

6. Capital disclosure (continued):

To fund its activities, the Company has followed an approach that relies almost exclusively on the issuance of common equity. Since inception, the Company has financed its liquidity needs primarily through public offerings of common shares and private placements. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including investment tax credits, grants, interest income as well as proceeds and royalties from technologies.

The Company's policy is to maintain a minimum level of debt. The Company has a line of credit of $1,800 for its short-term financing needs. As at February 29, 2008, this line of credit has not been used.

The capital management objectives remain the same as for the previous fiscal year.

At February 29, 2008, cash and bonds amounted to $79,132 and tax credits receivable amounted to $1,906, for a total of $81,038. Reflecting the financing of February 2008, as disclosed in note 4 to the unaudited consolidated financial statements ("Capital stock"), the Company believes that its cash position will be sufficient to finance its operations and capital needs for at least one year.

The Company's general policy on dividends is to retain cash to keep funds available to finance the Company's growth. However, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances.

The Company is not subject to any capital requirements imposed by a regulator.

7. Financial risk management:

This note provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, and how the Company manages those risks.

(a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures from resulting in actual loss.

7. Financial risk management (continued):

(a) Credit risk (continued):

Financial instruments other than cash that potentially subject the Company to significant concentrations of credit risk consist principally of bonds. The Company invests its available cash in fixed income instruments from governmental, paragovernmental and municipal bonds ($54,721 as at February 29, 2008) as well as from corporations ($7,023 as at February 29, 2008) with high credit ratings (not less than BBB+).

As at February 29, 2008, the Company's maximum credit risk exposure corresponded to the carrying amount of the bonds.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 6 to the unaudited consolidated financial statements ("Capital Disclosures"). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors and/or the Audit Committee reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The Company has investment policies that ensure the safety and preservation of its principal to ensure the Company's liquidity needs are met.

The instruments are selected with regard to the expected timing of expenditures and prevailing interest rates. Bonds mature during the following fiscal years: $21,348 in 2008, $13,154 in 2009, $11,251 in 2010, $12,664 in 2011 and $3,327 in 2012.

The following are the contractual maturities of financial liabilities as of February 29, 2008:

(in thousands of dollars)	Carrying amount	Less than 1 year	1 to 3 years
Accounts payable and accrued liabilities	$ 8,879	$ 8,879	$ –
Operating leases	1,761	605	1,156
	$ 10,640	$ 9,484	$ 1,156

7. Financial risk management (continued):

(c) Foreign currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US dollars, EURO and GBP. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

The Company manages foreign exchange risk by maintaining US cash on hand to support US forecasted cash outflows over a 12-month time horizon at the beginning of the fiscal year. The Company does not currently view its exposure to the EURO and GBP as a significant foreign exchange risk due to the limited volume of transactions conducted by the Company in these currencies.

The Company believes that the results of operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its US dollar denominated obligations.

The following table provides significant items exposed to foreign exchange as at February 29, 2008:

(in thousands of Canadian dollars)			February 29, 2008
	$US	EURO	GBP
Cash	8,138	–	–
Accounts receivable	–	–	–
Accounts payable and accrued liabilities	(2,892)	(175)	(462)
	5,246	(175)	(462)

7. Financial risk management (continued):

(c) Foreign currency risk (continued):

The following exchange rates applied during the three-month period ended February 29, 2008:

	Average rate Q1 2008	Reporting date rate Q1 2008
$US - $CA	1.0048	0.9844
EUR - $CA	1.4749	1.4944
GBP - $CA	1.9932	1.9561

Based on the Company's foreign currency exposures noted above, varying the above foreign exchange rates to reflect a 5 percent strengthening of the Canadian dollar would have (increased) decreased the net loss as follows, assuming that all other variables remained constant:

(in thousands of Canadian dollars)	$US	EURO	GBB
Decrease (increase) net loss	(262)	9	23

An assumed 5 percent weakening of the Canadian dollar would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

7. Financial risk management (continued):

(d) Interest rate risk (continued):

Short-term bonds of the Company are invested at fixed interest rates and mature in the short-term. Long-term bonds are also instruments that bear interest at fixed rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its bonds is limited because these investments, although available for sale, are generally held to maturity.

Cash bears interest at a variable rate. Accounts receivable, accounts payable and accrued liabilities bear no interest.

Based on the value of variable interest-bearing cash during the three months ended February 29, 2008, an assumed 0.5% increase in interest rates during such period would have decreased the net loss by $6, with an equal but opposite effect for an assumed 0.5% decrease in interest rates.

8. Financial instruments:

(a) Carrying value and fair value:

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash, accounts receivable, as well as accounts payable and accrued liabilities, approximate their fair value because of the relatively short period to maturity of the instruments.

Bonds and investments in public companies are stated at estimated fair value.

(b) Interest income and expenses:

Interest income consists of interest earned on cash and bonds.

(c) Loss on exchange:

General and administrative expenses include a loss on foreign exchange of $97 ($13 in 2007) for the three-month period ended February 29, 2008.