“Let’s talk business…”

2004 ANNUAL REPORT

Thera technologies

Theratechnologies (TSX:TH)

is a Canadian biopharmaceutical company engaged in the discovery and development of therapeutic peptides. With 72 dedicated employees, growing expertise across the full range of biopharmaceutical activities, strategic partners and a strong balance sheet, the Company is well positioned for growth.

contents

cash position

(Excluding Celmed, for the years ended November 30, in thousands of dollars)

	2004	2003	2002
R&D expenditures	**$ 14,380**	$ 16,963	$ 17,530
Liquidities *	**$ 42,808**	$ 43,226	$ 61,911
Burn rate **	**$ 15,941**	$ 17,044	$ 14,822
Years of cash	**3**	3	4

* Includes cash, cash equivalents, bonds, tax credits and grants receivable.

** Represented by cash flows from operating activities and excluding changes in operating assets and liabilities.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, which reflect the Company's current expectations regarding future events. Actual events or future results may differ materially from the Company's expectations and the Company does not undertake to update this information. Investors are cautioned against placing undue importance on forward-looking information contained herein and should consult the more exhaustive analysis of risks and uncertainties connected to the businesses of the Company, which appears on pages 18 and 19 of this report.

Dear Shareholder,

In last year's annual report we traced the history of Theratechnologies over its first 10 years. The progress continued apace in 2004, reaching an important milestone at mid-year when we selected HIV-associated lipodystrophy as the first indication we would pursue for the late-stage development of our lead compound, ThGRF (TH9507).

Relatively few Canadian biotechnology companies have celebrated their tenth anniversary and fewer still have successfully advanced a product into late-stage development. Underpinning Theratechnologies' success has been: quality science, sound financial management and the ability of the organization to re-invent itself at critical times, as it has steered a path from its scientific roots towards becoming a self-sustaining, product-focused business.

It was this evolution that led us to recruit the next leader of Theratechnologies from the pharmaceutical industry. Successful businesses know their markets well. They base decisions on market needs and market opportunities. They assess risks and they allocate capital on the basis of expected shareholder returns.

Chairman's message

A. JEAN DE GRANDPRÉ

When Yves Rosconi came on board as our new Chief Executive Officer in November, he brought with him 25 years of pharmaceutical industry experience; and he made his presence felt quickly. His first priority was to review the ThGRF regulatory strategy from a business perspective. Changes were made to lower the overall risk to the Company and the modified submission was delivered to the U.S. Food and Drug Administration (FDA) in December 2004. A meeting with the FDA will take place in March 2005.

Also in December, we re-assessed our three co-development projects using the Macroflux® technology of ALZA Corporation. Most advanced was the parathyroid hormone program, which had reached a critical stage and would have required significant investments in 2005 and beyond. After careful consideration, management concluded that our capital was better invested in proprietary projects and proceeded to negotiate the receipt of US $12 million in return for terminating the three co-development projects. This agreement served to eliminate a substantial amount of risk for the Company while tightening its focus on core development programs.

The proceeds from the ALZA transaction combined with $15.8 million from the issuance of common shares and $2.5 million received from the sale of investments during the year have put us in a very sound financial position. We are currently in the process of selling our interests in Andromed and Celmed

BioSciences, which are expected to provide additional funds that are non-dilutive to shareholders and can be re-invested in core programs.

Change is also occurring at the Board of Directors. In addition to Yves Rosconi, we recently welcomed Robert Goyer to the Board. Mr. Goyer is recognized for his broad expertise in drug development and has served on the boards of several companies and governmental organizations. We are looking forward to his contribution to our boardroom deliberations.

On behalf of the Board, I would like to take this opportunity to pay special tribute to Luc Tanguay, who provided strong leadership to Theratechnologies from May 2002 to November 2004 and who continues to make a major contribution to our Company. I would also like to express my sincere appreciation to all of our employees, to fellow members of the Board and members of our Scientific Advisory Board and to our many collaborators around the globe for their valuable contributions to the continued progress of Theratechnologies in 2004.

A. Jean de Grandpré
March 1, 2005

2004 milestones

Appointments

Yves Rosconi, B.Sc. Pharm, M.B.A.
President and CEO, and member of the Board of Directors

Robert G. Goyer, Ph.D.
Member of the Board of Directors

Financial Activities

Equity financing of $15.8 million

Sale of investments for $2.5 million

Receipt of US $12 million for terminating three co-development projects with ALZA Corporation

Clinical Development

Positive Phase II clinical results with lead compound ThGRF (TH9507) in HIV-associated lipodystrophy

Positive Phase I results on transdermal PTH

Decision to advance ThGRF into late-stage development in HIV-associated lipodystrophy

Phase I trial with TH0318, a first GLP-1 analogue

Submission of request for a meeting with the FDA to discuss advancing ThGRF

Scientific Excellence

Six poster presentations at the Endocrine Society's Annual Meeting, two posters at the American Association of Pharmaceutical Sciences Meeting, and one poster at the Society of Toxicology Meeting

Results from HIV-associated lipodystrophy Phase II study presented at scientific conferences in United States, Italy and Portugal

Theratechnologies receives distinction Merit for the Development of Research in Biotechnology from the International Institute for Promotion and Prestige (Geneva)

Yves Rosconi, President and Chief Executive Officer

Yves Rosconi, B.Sc. Pharm., M.B.A., brings more than 25 years of global pharmaceutical experience to Theratechnologies. He began his career with Abbott Laboratories and went on to spend 21 years with Rhône-Poulenc Rorer in Canada and Australia with increasing responsibilities, ultimately becoming President and General Manager of Canadian operations. After leaving Rhône-Poulenc Rorer, he spent the next two years as Chief Operating Officer of Æterna Laboratories before joining Paris-based Aventis as Senior Vice President, responsible for Africa and the Middle East.

Let's talk business

QUESTIONS	ANSWERS
You must have had options at this stage of your career, why Theratechnologies?	I did have options but my principal objective was to find a position in biotech where I could have a direct, measurable impact on the value of a company. For me, that meant a good-quality business that was either in late-stage clinical development or commercialization since that is where most of my experience is. Prior to accepting the position, I gathered opinions from outside observers and interviewed key managers within the Company. I quickly became convinced that Theratechnologies fit the bill – it was exactly what I was looking for.
What are your first impressions of the Company?	Over the past few months, I have spent a lot of time with our employees, getting to know them and getting to know the Company. I am truly impressed by our team – by their abilities and their dedication to the Company. These meetings have strengthened my conviction that we have a great opportunity to create value at Theratechnologies. In particular, in ThGRF we have a compound that has broad therapeutic application, and is on the verge of entering late-stage development; we have an impressive discovery capability that is turning out more active molecules than we can ever use; and last but certainly not least, we have the cash we need to get the job done. These are excellent assets to work with.

I have also spent time with investors, who generally feel that the company has an excellent scientific base but needs to be more market oriented. I couldn't agree more, and that shift in orientation is already happening.

What will you tackle first?

First and foremost, we need to concentrate on advancing ThGRF into late-stage clinical development – it's the biggest near-term opportunity we have to build value for our shareholders. At the same time, we need to maintain a sound financial position – that gives us flexibility and the freedom to do what's needed to build longer-term value. And, we need to strengthen our product pipeline because, in the coming years, this Company needs to be much more than ThGRF. In this regard, I just mentioned our discovery capacity, which has already produced promising preclinical results in several novel diabetes targets. We need to develop a coherent product development strategy that links our discovery capabilities with market opportunities.

The choice of HIV-associated lipodystrophy for ThGRF's late-stage development was made before you arrived on the scene. Are you satisfied that this was the right decision?

Absolutely, and for several reasons. First, and perhaps most important, this is an unmet medical need with no approved therapy available. This presents us with the opportunity to be among the first on the market. In terms of market share and financial returns, this can be a very big advantage in pharmaceuticals.

That being said, we are not alone in pursuing this indication. There is a company about a year ahead of us with a similar program testing recombinant human growth hormone. Because HIV-associated lipodystrophy is a relatively new disease, it is advantageous to have someone else pave the clinical and regulatory way for us – it reduces our risk significantly.

What's more, recombinant human growth hormone, if approved, will establish the price point for treating HIV-associated lipodystrophy. This is very important for us because it strengthens the potential for achieving good margins with ThGRF.

And finally, we believe that ThGRF could have some clinical advantages over the competition. For example, we have clinical evidence that we can safely treat diabetic and pre-diabetic patients, which growth hormone cannot do. That's huge, because we're talking about roughly 35 to 40% of the target patient population.

Are you seeking a partner to help complete the clinical development and marketing?

That's a very important point. Looking first at clinical development, we believe that HIV-associated lipodystrophy is manageable for a biotech company such as Theratechnologies, in terms of trial size and trial length. We are talking about hundreds of patients being treated for a number of months, not thousands of patients over a number of years.

Moreover, the audience we are targeting commercially is a relatively small number of specialists who treat HIV patients. This is important when considering the type of partner that is best suited to help us market the product. We believe that there is an opportunity in this indication to generate more value for shareholders by dealing with sales and marketing partners rather than giving the store away to a large pharmaceutical company.

So, even though ThGRF has therapeutic potential across a number of indications that are potentially larger than HIV-associated lipodystrophy, from a business and risk-management perspective, we look upon this indication as a very good place to start. But it won't stop there! We are already evaluating a possible second indication.

This time next year, where you would like Theratechnologies to be?

We want to be in late-stage testing for HIV-associated lipodystrophy – that's number one on the list. We should also have identified a second indication for ThGRF and we should have a well-thought-out plan to generate value from our diabetes program. Our cash position should continue to be strong, and perhaps most important for the longer term, we should have a maturing management team, made up of the many talented individuals we now have, plus some new faces from the industry who will add strength and bring new perspectives to our efforts.

Any final words?

Let's go!

Yves Rosconi
President and Chief Executive Officer
March 1, 2005

ThGRF is an analogue of the growth hormone-releasing factor (GRF), a natural hormone that stimulates growth hormone (GH) secretion by the pituitary gland.

Growth hormone controls fundamental activities in the body. In early years, it stimulates growth. However, growth hormone secretion declines with age. It begins decreasing as early as age 20 and drops by 60% at around 65 years of age. This can lead to loss of muscle, fat accumulation, bone demineralization and a reduced capacity to regenerate tissue.

As such, there are a number of potential indications for ThGRF, including metabolic syndrome (fat accumulation and related complications) as well as wasting (muscle depletion) associated with chronic disease.

ThGRF for HIV-associated lipodystrophy

What we've learned about ThGRF and HIV-associated lipodystrophy

Prior to investigating efficacy in HIV-associated lipodystrophy, we conducted a study in the United States to verify the safety of ThGRF in patients with type 2 diabetes, an important segment of the metabolic syndrome market. The 53-patient study was double-blind, randomized, parallel-design and placebo-controlled. The results revealed that ThGRF has a good safety profile, is well tolerated and does not interfere with glycemic control in diabetic patients.

These safety data supported our decision to test ThGRF in HIV-associated lipodystrophy patients. The next step was to test efficacy. The results of a Phase II clinical trial announced in 2004 confirmed the product's potential as a treatment for the management of HIV-associated lipodystrophy patients. The double-blind, randomized, placebo-controlled study enrolled 61 subjects in seven centres in Canada and the United States. Study highlights included a 15.7% reduction in visceral fat versus baseline while treatment with placebo resulted in a 5.4% reduction versus baseline. Once again ThGRF was well tolerated.

STEVE GRINSPOON, M.D.
Director, Program in Nutritional Metabolism, Massachusetts General Hospital, Associate Professor of Medicine, Harvard Medical School and Lead Investigator for the US

JULIAN FALUTZ, M.D.
Director, HIV Metabolic Clinic, Montréal General Hospital, Assistant Professor, McGill University Medical School, and Lead Investigator for Canada.

HIV has become a chronic disease affecting approximately one million patients in North America, with 40,000 new cases diagnosed each year. A growing number of these patients is likely to develop a condition know as HIV-associated lipodystrophy. This syndrome develops primarily in patients who are otherwise successfully treated with the recent anti-HIV drug combinations and is often characterized by an accumulation of visceral fat or lipohypertrophy, as well as important metabolic problems, including dyslipidemia and glucose intolerance. The condition is a risk factor for cardiovascular disease and type 2 diabetes. In addition to these direct health risks, the resulting body abnormalities can stigmatize patients and discourage compliance with their HIV regimens. Approximately 148,000 men and women currently suffer from HIV-associated lipohypertrophy in North America.

There is currently no approved treatment for lipohypertrophy and this condition remains an important unmet medical need. The two most advanced products in clinical development are recombinant human growth hormone and Theratechnologies' ThGRF. An interesting aspect of ThGRF is that it has been shown to be safe in glucose intolerant and diabetic patients, which represent approximately 35 to 40% of all HIV-associated lipodystrophy patients.

A market opportunity for Theratechnologies

Our clinical results clearly indicate that ThGRF is a potential treatment for HIV-associated lipodystrophy patients. But does it make sense from a business perspective? The answer is yes, and here's why:

- HIV-associated lipodystrophy is an important unmet medical need, providing an opportunity to be among the first therapies offered to these patients.
- The late-stage development program is expected to be affordable and manageable for a company of our size.
- The market is readily accessible, because the patients are treated by a relatively small number of HIV specialists.
- ThGRF's safety profile, particularly in diabetic and pre-diabetic patients, is likely to be an important advantage.
- The market potential is attractive in dollar terms.

It was these arguments and the positive clinical results that led us to choose HIV-associated lipodystrophy for the late-stage development of ThGRF in June 2004. We submitted a request for a meeting with the United States Food and Drug Administration (FDA) in December and a meeting with the regulators has been scheduled for March 2005. Subject to the FDA's response to our submission, our objective is to begin an initial late-stage clinical trial by mid-2005.

Theratechnologies is actively working on several novel compounds targeting type 2 diabetes. The most advanced project is focused on glucagon-like peptide-1 (GLP-1). Our discovery team has produced over 100 analogues of natural GLP-1 in order to generate a portfolio of compounds, each of which exhibits a unique set of properties making it suitable for a specific therapeutic regimen.

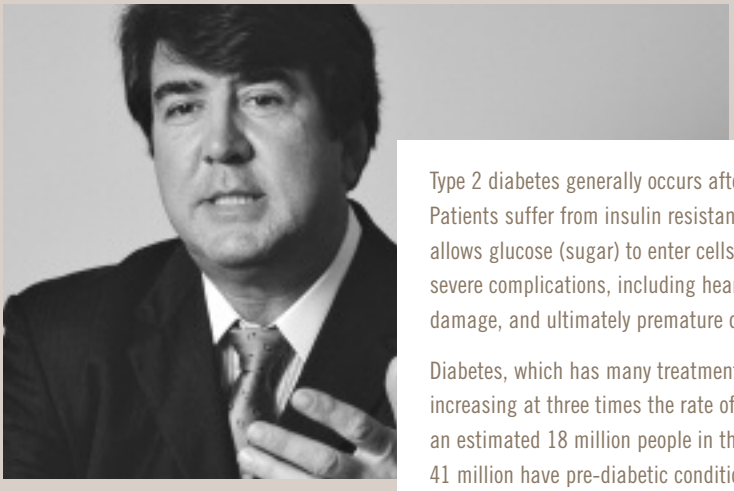
For example, TH0318 is a GLP-1 analogue that was developed as a potential candidate for replacement therapy. GLP-1 has been stabilized by binding it to a small molecule. By so doing, TH0318 effectively becomes superior to natural GLP-1 because it does not degrade as rapidly in the blood. The modified GLP-1 is otherwise identical to the natural hormone, which reduces the chances of provoking an immune reaction by the patient.

Type 2 diabetes

Theratechnologies and type 2 diabetes

We didn't stop there. TH0318 was further modified in a number of ways to increase its duration of action beyond that of natural GLP-1. Several additional analogues were produced, the most exciting of which is TH0396. In testing with diabetic animals, TH0396 was more potent than natural GLP-1 and had a duration of action of more than 12 hours compared to two to three hours for the natural hormone. The longer duration of action means that TH0396 has the potential to be administered once a day.

While GLP-1 is our most advanced project in diabetes, there are several other interesting and innovative compounds in the preclinical pipeline. An example is our sodium dependent glucose transporter (SGLT) project. SGLT's are found in the kidneys, where they recover glucose from the urine and return it to the bloodstream. Using a proprietary discovery technology, we have designed antagonists that inhibit SGLT activities, thereby lowering glucose levels in the blood.



Bruno Lussier, M.D., M.B.A.
Medical Director, Theratechnologies

Type 2 diabetes generally occurs after age 40 and is the most common form of diabetes. Patients suffer from insulin resistance or insufficient production of insulin, a hormone that allows glucose (sugar) to enter cells and be converted into energy. Diabetes often leads to severe complications, including heart disease, stroke, blindness, kidney disease, nerve damage, and ultimately premature death.

Diabetes, which has many treatments but no definitive cure, is approaching epidemic status, increasing at three times the rate of the population growth in North America. There are an estimated 18 million people in the United States suffering from diabetes and another 41 million have pre-diabetic conditions that put them at risk. The aging population, sedentary life styles, and obesity are fuelling the rapid growth of diabetes.

While there are several long-established treatments on the market, there are still therapeutic gaps and important unmet needs in the treatment of diabetes. One of the most promising potential new therapies for diabetes is GLP-1. This hormone, produced by the intestine, induces insulin secretion in a glucose-dependent manner, controls gastric emptying and inhibits food intake. And unlike other diabetes treatments now on the market which are associated with weight gain, GLP-1 seems to produce weight loss!

Where do we go from here?

The type 2 diabetes market is growing rapidly and the GLP-1 development space, in particular, is very busy as major pharmaceutical companies jockey for position in this promising new therapeutic class.

Theratechnologies' approach has been to apply its expertise in peptides to the development of a portfolio of GLP-1 analogues; each compound in the portfolio has a distinct pharmacodynamic profile. Our goal, now, is to combine these strengths with the development and commercialization capabilities of a major pharmaceutical company, in order to bring a non-injectable GLP-1 therapeutic to the market.

In parallel with the GLP-1 program, we continue to develop our earlier-stage compounds. The goal is to identify innovative drug candidates that can drive us to the forefront in the field of type 2 diabetes.

A. Jean de Grandpré, C.C., Q.C.
Chairman of the Board,
Theratechnologies

A. Jean de Grandpré contributed to Bell Canada's exceptional growth as Chairman of the Board and Chief Executive Officer and went on to become the founding Chairman of the Board and CEO of BCE. In recognition of these achievements, he was inducted into the Canadian Business Hall of Fame. Mr. de Grandpré also served as a member of the boards of directors of other important Canadian and US corporations, namely Northern Telecom Limited, Chrysler Corporation, Sun Life and TD Bank. He has been a member of the Board of Theratechnologies since its founding in October 1993 and was appointed Chairman in 1996.

Yves Rosconi, B.Sc. Pharm., M.B.A.
President and Chief Executive Officer,
Theratechnologies

Yves Rosconi brings more than 25 years of global pharmaceutical experience to Theratechnologies. He began his career with Abbott Laboratories and went on to spend 21 years with Rhône-Poulenc Rorer in Canada and Australia with increasing responsibilities, ultimately becoming President and General Manager of Canadian operations. After leaving Rhône-Poulenc Rorer, he spent the next two years as Chief Operating Officer of Æterna Laboratories before joining Paris-based Aventis as Senior Vice President, responsible for Africa and the Middle East.

Board of Directors

Luc Tanguay, M.Sc., CFA
Senior Executive Vice President and
Chief Financial Officer, Theratechnologies

Luc Tanguay has been active in the biotechnology industry for over 15 years. As a member of senior management at Theratechnologies since 1996, he has contributed to the Company's growth by facilitating access to public and private capital funding. A member of the Board of Directors since 1993, he has held various management posts since joining the Company. Prior to joining Theratechnologies, Mr. Tanguay had a successful career in investment banking at Lévesque Beaubien (now National Bank Financial) where he helped several organizations establish themselves as public companies.

Gilles Cloutier, Ph.D.
Chairman,
URRMA Biopharma

Dr. Gilles Cloutier is founder and Chairman of URRMA Biopharma. He has over thirty years of experience in the pharmaceutical industry including five years with contract research organizations, providing strategic support to the biotechnology and pharmaceutical industry. Dr. Cloutier has also held key positions with large North-American pharmaceutical companies where he developed expertise in the field of clinical research. His experience includes the development and approval of several drugs in Canada, the United States and Europe.

André Delambre, CA
Executive Vice President, Finance and Administration, Les Productions Feeling

A member of Theratechnologies' Board since 2000, André Delambre is Executive Vice President of Les Productions Feeling Inc., managing the affairs of popular artist Céline Dion. Previously, Mr. Delambre was partner with the accounting firm Samson, Belair, Deloitte et Touche. Mr. Delambre was also actively involved in various foundations as Director and canvasser and created the Fondation André Delambre in 2003, dedicated to helping people suffering from amyotrophic lateral sclerosis.

Robert G. Goyer, Ph.D.
Emeritus professor, Faculty of Pharmacy of Université de Montréal

Dr. Robert Goyer has more than 40 years of experience in the pharmaceutical field. Former President of Jouveinal Canada and of Clinipharm Inc., Dr. Goyer is also a former dean of the Faculty of Pharmacy of Université de Montréal. Recognized for his broad expertise in drug development, he has served on the boards of several companies and governmental organizations. He was notably Chairman of the Advisory Committee on drug approval procedures of Health Canada's Therapeutic Products Directorate and a member of the board of directors of the Régie de l'assurance maladie du Québec. Most recently, he was Chairman of the Conseil du médicament (Québec).

Paul Pommier, M.B.A.
Corporate Director

Paul Pommier worked for more than 25 years at National Bank Financial, most recently as Senior Executive Vice President, Corporate and Government Finance. Throughout his career, he oversaw public and private financings, mergers and acquisitions, as well as the marketing of investment offerings. Under his leadership, National Bank Financial developed notable expertise in tax-shelter financings. Retired since 1997, Mr. Pommier remains a director of various companies.

Jean-Denis Talon
Chairman,
AXA Canada

Jean-Denis Talon had a successful career with AXA Insurance over a period of more than 20 years ultimately becoming President and Chief Executive Officer. He is currently Chairman of the Board of AXA Canada. Mr. Talon is also former President of the Financial Affairs Committee at the Insurance Bureau of Canada and a director of various companies.

Management's discussion and analysis of results of operation and financial condition

The following discussion and analysis provides the management's point of view of the financial position and of the results of operations of Theratechnologies Inc. ("Theratechnologies" or the "Company"), on a consolidated basis for the twelve-month periods ended November 30, 2004 ("2004") and November 30, 2003 ("2003"). This information is dated January 14, 2005 and should be read in conjunction with the Consolidated Financial Statements and accompanying notes, which have been prepared by management in conformity with Canadian generally accepted accounting principles. Unless specified otherwise, the amounts are in Canadian dollars.

Overview

Theratechnologies is a Canadian biopharmaceutical company engaged in the discovery and development of innovative medicines. The Company's core scientific expertise is in a class of molecules known as peptides, which are small proteins with therapeutic potential. Theratechnologies' product portfolio currently includes a number of peptides at various stages of development.

ThGRF ("TH9507") is Theratechnologies' most clinically advanced product. In April 2004, the Company announced results of a Phase II study, testing ThGRF in patients suffering from HIV-associated lipodystrophy, a medical condition characterized by body composition changes and metabolic abnormalities. Highlights of this study included a good safety profile, a clear positive effect on body composition and a clinically relevant reduction in visceral fat while subcutaneous fat was preserved.

Based on the encouraging clinical results and the attractiveness of the indication, in June the Company selected HIV-associated lipodystrophy as the first indication for the late-stage development of ThGRF. Preparations for a meeting with the U.S. Food and Drug Administration ("FDA") were then completed and the request for a meeting was submitted in December. The FDA meeting will take place in March 2005.

Theratechnologies also continued to build its franchise in type 2 diabetes in 2004. The most advanced project is focused on a natural hormone known as glucagon-like peptide-1 ("GLP-1"). The Company's discovery group has created over a hundred analogues of GLP-1. Each analogue exhibits a unique set of properties, which may make it suitable for a specific therapeutic regimen. One of the analogues, TH0318, was entered into Phase I clinical development in October 2004, with preliminary results expected in the first quarter of 2005.

Theratechnologies' equity positions in Celmed BioSciences and Andromed are in the process of being sold. These decisions support the Company's strategy of devoting all available resources to its core business.

Selected annual information

CONSOLIDATED STATEMENTS OF EARNINGS
Years ended November 30 (Restated, note 2 (B))
(in thousands of Canadian dollars, except per share amounts)

	2004	2003	2002
Revenues	**$ 2,649**	$ 4,006	$ 8,571
Research and development before tax credits and grants	**$ 18,439**	$ 22,562	$ 23,716
Operating loss before restructuring costs, gains and proportionate share in loss of Andromed	**$ (22,870)**	$ (26,235)	$ (21,319)
Gains on investments in companies and gains on dilution	**$ 5,808**	$ 772	$ 8,488
Loss from continuing operations	**$ (24,929)**	$ (29,062)	$ (14,320)
Net loss	**$ (22,816)**	$ (33,799)	$ (14,764)
Basic and diluted loss per share (note 8 (F)):			
Continuing operations, net of non-controlling interest	**$ (0.66)**	$ (0.83)	$ (0.41)
Discontinued operations, net of non-controlling interest	**–**	(0.27)	(0.07)
Net loss	**(0.66)**	(1.10)	(0.48)

See accompanying notes to consolidated financial statements.

Management's discussion and analysis of results of operation and financial condition

CONSOLIDATED BALANCE SHEET
At November 30
(in thousands of Canadian dollars)

	2004	2003	2002
Liquidities (cash, cash equivalents and bonds)	**$ 42,054**	$ 73,840	$ 102,907
Tax credits and grants receivable	**$ 754**	$ 1,117	$ 2,135
Investments in companies	**$ 1,362**	$ 2,395	$ 3,517
Total assets	**$ 67,950**	$ 94,592	$ 140,498
Capital-stock	**$ 155,594**	$ 139,791	$ 139,223
Shareholders' equity	**$ 62,954**	$ 70,434	$ 102,636

Summary of operating results

CONSOLIDATION AND INVESTMENTS
On July 2, 2004, Celmed BioSciences Inc. ("Celmed") acquired NewBiotics Inc. and issued shares from its capital stock to the shareholders of the acquired company. Consequently, Theratechnologies' interest in Celmed decreased from 59.7% to 42%. An adjustment clause in connection with the interests of founding investors could reduce the Company's interest to 37.3%. Since that date, the Company no longer exercises control over Celmed and the interest in this company is accounted for by the equity method. Theratechnologies' consolidated financial results therefore include Celmed's results until July 2, 2004 (See note 2 (A) in the notes to the consolidated financial statements).

REVENUES
Theratechnologies' consolidated revenues for the year ended November 30, 2004 totaled $2,649,000 ($2,093,000 without Celmed), compared to $4,006,000 ($2,603,000 without Celmed) in 2003. This decrease in revenues reflects a reduction of the liquidities (cash and cash equivalents, and bonds), and lower investment yields caused by declining interest rates.

R&D ACTIVITIES
Consolidated research and development (R&D) expenditures, before tax credits and grants, totaled $18,439,000 ($14,380,000 without Celmed) for the year ended November 30, 2004, compared to $22,562,000 ($16,963,000 without Celmed) in 2003. The higher level of expenditures in 2003 is related to the ThGRF Phase II studies, which were completed during the second quarter of 2004.

OTHER EXPENSES
General and administrative expenses, selling and market development expenses, patents and amortization of other assets ("SG&A") were $8,552,000 ($6,535,000 without Celmed) for the year ended November 30, 2004, compared to $9,155,000 ($5,520,000 without Celmed) in 2003. The increase in SG&A expenses is mainly due to the preparations required for late-stage development of ThGRF and its future commercialization, as well as an increase in patent investments due to the maturity and growth of the patent portfolio.

RESTRUCTURING COSTS
Celmed's strategic reorientation, launched in March 2003, to focus on its clinical activities, generated certain non-recurring costs recorded under "Restructuring costs". These costs totalled $1,837,000.

Management's discussion and analysis of results of operation and financial condition

PROPORTIONATE SHARE IN LOSS OF COMPANIES UNDER SIGNIFICANT INFLUENCE
The proportionate share in loss of Celmed and Andromed was $7,867,000. At November 30th, 2004, Celmed reviewed the book value of the intellectual property acquired with the acquisition of NewBiotics, as per the Handbook of the Canadian Institute of Chartered Acountants. Pursuant to this analysis, Celmed recorded a write-down of these assets and a related decrease in future income taxes, resulting in a non-recurring loss of $11,117,000, of which Theratechnologies' proportionate share was $4,670,000.

GAINS ON INVESTMENTS IN COMPANIES AND GAINS ON DILUTION
During the year ended November 30, 2004, the Company realized gains on investments in companies and gains on dilution of $5,808,000. These gains are detailed in note 6 of the consolidated financial statements.

DISCONTINUED OPERATIONS
During the first quarter, Celmed examined the relevance of pursuing its activities in the treatment of Parkinson's disease. Subsequently, Celmed discontinued its development activities for this program. In April 2004, Celmed disposed of the shares of its US subsidiary in the field of neurology. Consequently, operating results for these activities have been reclassified under item "Discontinued operations".

NET RESULTS
For the year ended November 30, 2004, the Company recorded an operating loss $22,870,000, before restructuring costs, proportionate share in loss of companies under significant influence, gains on investments in companies and gains on dilution, discontinued operations, and non-controlling interest, compared to $26,235,000 in 2003. The net loss amounted to $22,816,000 in 2004, compared to $33,799,000 in 2003. This variance is due to a certain number of elements, including the end of the ThGRF Phase II program, which was completed in the second quarter of 2004, gains on investments in companies and gains on dilution, as well as the reduction, during the year, of the Company's interest in Celmed.

Quarterly financial information

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters. This quarterly information has been restated pursuant to the change in accounting policy described below, and in order to account for discontinued operations. This information includes Celmed's results until July 2, 2004. (See note 2 (A) in the notes to the consolidated financial statements).

(In thousands of Canadian dollars, except per share amounts)

	2004				2003			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 503**	**$ 585**	**$ 782**	**$ 779**	$ 897	$ 941	$ 1,028	$ 1,140
Operating loss [1]	**$ (4,655)**	**$ (4,289)**	**$ (6,832)**	**$ (7,094)**	$ (7,805)	$ (6,694)	$ (6,513)	$ (5,223)
Loss from continuing operations [2]	**$ (10,873)**	**$ (4,137)**	**$ (6,139)**	**$ (1,731)**	$ (7,771)	$ (6,232)	$ (6,571)	$ (4,988)
Net loss	**$ (10,873)**	**$ (4,150)**	**$ (5,910)**	**$ (1,883)**	$ (14,080)	$ (6,580)	$ (7,388)	$ (5,751)
Basic and diluted loss per share:								
Continuing activities [2]	**$ (0.31)**	**$ (0.12)**	**$ (0.17)**	**$ (0.06)**	$ (0.25)	$ (0.20)	$ (0.21)	$ (0.16)
Net loss	**$ (0.31)**	**$ (0.12)**	**$ (0.17)**	**$ (0.06)**	$ (0.46)	$ (0.21)	$ (0.24)	$ (0.19)

(1) Before restructuring costs, proportionate share in loss of companies under significant influence, gains on investments in companies and gains on dilution, discontinued operations and non-controlling interest

(2) Net of non-controlling interest

Management's discussion and analysis of results of operation and financial condition

Fourth quarter

Theratechnologies' consolidated revenues for the three-month period ended November 30, 2004 amounted to $503,000, compared to $897,000 ($589,000 without Celmed) for the same period in 2003. Revenues for 2004 were lower due to a reduction of the liquidities and lower investment yields caused by declining interest rates.

Consolidated research and development (R&D) expenditures, before tax credits and grants, for the fourth quarter of 2004, totaled $3,563,000, compared to $6,882,000 ($5,446,000 without Celmed) in 2003. The higher level of expenditures in 2003 is related to the ThGRF Phase II studies, which were completed during the second quarter of 2004.

For the fourth quarter, general and administrative expenses, selling and market development expenses, patents and amortization of other assets (SG&A) were $1,908,000, compared to $2,277,000 ($1,178,000 without Celmed) for the same period in 2003. The increase in SG&A expenses is mainly due to the preparations required for late-stage development of ThGRF and its future commercialization, as well as an increase in patent investments due to the maturity and growth of the patent portfolio.

Consequently, the Company's operating loss for the fourth quarter ended November 30, 2004, was $4,655,000 before proportionate share in loss of a company under significant influence, restructuring costs, gains on investments in companies and gains on dilution, non-controlling interest and discontinued operations, compared to $7,805,000 for the same period in 2003. The net loss for the fourth quarter amounted to $10,873,000, compared to $14,080,000 in 2003.

For the three months ended November 30, 2004, the burn rate relating to operating activities, excluding changes in operating assets and liabilities, was $4,286,000, compared to $6,999,000 ($5,363,000 without Celmed) in 2003, reflecting lower R&D expenses as described previously.

Liquidity and capital resources

The Company's basic capital needs consist of financing its research and development activities, working capital and capital expenditures. Since inception, the Company has financed these needs primarily through public offerings of common shares, private placements, investment tax credits, grants, interest income as well as proceeds and royalties from non-core technologies.

Theratechnologies maintained an adequate cash position in 2004. At November 30, 2004, liquidities (cash and cash equivalents as well as bonds) amounted to $42,054,000 and tax credits and grants receivable amounted to $754,000, for a total amount of $42,808,000.

The Company has a line of credit of $1,800,000 for its short-term capital needs. As at November 30, 2004, $693,000 of this amount was being used to secure a letter of credit related to lease commitments.

The Company invests its available cash in fixed income instruments which have varying terms to maturity from municipal and paragovernmental bodies as well as from companies with high credit ratings and which are readily convertible into cash. These instruments are selected with regard to the expected timing of expenditures and prevailing interest rates.

For the year ended November 30, 2004, the burn rate, represented by cash flows from operating activities and excluding changes in operating assets and liabilities, was $20,776,000 ($15,941,000 without Celmed), compared to $23,654,000 ($17,044,000 without Celmed) in 2003.

In the first quarter of 2004, Theratechnologies issued 4,542,500 common shares for cash consideration of $15,672,000, including the over-allotment option. During the year ended November 30, 2004, the Company also issued 52,418 common shares for cash consideration of $131,000.

On October 7, 2004, Andromed, a company under significant influence, announced a value-building and restructuring plan aimed at increasing its technological and strategic value on a short-time basis, in preparation for a merger or sale, in whole or in part, of the company. In order to obtain the necessary funds to implement this plan, Andromed also proceeded on October 6, 2004, with a private offering with four major shareholders who acquired 7,222,222 shares of Andromed's capital stock for a total amount of $1,300,000. To ensure that all its shareholders were provided an opportunity to participate in the private offering on comparable terms and conditions, Andromed proceeded to issue share rights for a maximum value of $944,000. In connection with these transactions, Theratechnologies acquired 1,939,864 shares of Andromed for a total of $349,000.

The Company believes that its cash position will be sufficient to finance its operations and capital needs for at least two years. However, considering the risks and uncertainties outlined below, the Company may be required to secure further financing to support its operations in the future.

Management's discussion and analysis of results of operation and financial condition

Subsequent event

In December 2004, the Company completed an agreement to terminate three co-development projects using ALZA Corporation's Macroflux® transdermal technology. The Company retains the rights to develop its molecules with all other means of delivery and ALZA retains the commercialization rights to Macroflux® with other molecules. In this regard, the Company received a payment of US $12 million. Including this amount, on a *pro forma* basis, liquidities, including tax credits and grants receivable, would have amounted to nearly $58 million at year end, thereby increasing the Company's ability to finance its activities.

Contractual obligations

As at November 30, 2004, Theratechnologies' commitments are principally obligations under an operating lease related to its premises (refer to note 10 to the consolidated financial statements). Required payments under the operating lease agreement are presented below.

PAYMENTS REQUIRED BY DUE DATE
(in thousands of Canadian dollars)

	Total	Less than one year	1 to 3 years	4 to 5 years	Over 5 years
Operating lease	$ 4,403	$ 872	$ 2,374	$ 1,157	$ –

Off-balance sheet agreements

The Company was not involved in any off-balance sheet financing as at November 30, 2004.

Related party transactions

In 2004, a portion of the offices were occupied by Celmed, a company under significant influence, and an amount of $154,000 was deducted from rental fees in the consolidated results.

In 2004, the Company purchased leasehold improvements from Celmed for $323,000 in accordance with an agreement to terminate the sub-lease in 2005. The Company has further agreed to purchase additional leasehold improvements made by Celmed to the premises for the amount of $106,000 in 2005.

These transactions took place within the Company's normal course of operations and were evaluated based on amounts agreed upon by both parties.

Projected transactions

In January 2005, the Company announced that, together with other shareholders, it was evaluating strategic alternatives related to Celmed, including the sale of the company to new owners. In October 2004, Andromed announced a value-building and restructuring plan aimed at increasing its technological and strategic value, in preparation for a merger or sale, in whole or in part, of the company. Theratechnologies currently owns 42% of Celmed and 21% of Andromed. These decisions support the Company's strategy of devoting all available resources to its core business. These transactions should not negatively affect the Company's cash position nor is it expected that they will result in a significant gain or loss.

Critical accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A change in the facts and circumstances of the underlying transaction could significantly change the application of the accounting policies and the resulting financial statement impact. Discussed below are those policies that are judged to be critical and require the use of complex judgment in their application.

Management's discussion and analysis of results of operation and financial condition

PROPERTY, PLANT AND EQUIPMENT AND OTHER ASSETS

Property, plant and equipment and other assets are stated at cost. Depreciation and amortization are provided using methods and annual rates which are expected to reflect their economic and useful life. The Company tests the assets for impairment each time events or changes of situation indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimates of non-discounted future cash flows that should result from the use of the asset and its contingent disposal are less than its carrying value. As previously mentioned, in 2003, the Company recorded a provision in connection with Celmed's intellectual property related to the field of neurology.

INCOME TAXES

Income taxes are accounted for by using the asset and liability method. Future income tax assets and liabilities are recognized in the balance sheet to account for the future tax consequences attributable to temporary differences between the respective accounting and taxable value of balance sheet assets and liabilities. Future income tax assets and income tax liabilities are measured using the income tax rates that are expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. In estimating the realization of future income tax assets, management considers whether a portion or all future tax assets is more likely than not to be realized. Realization is subject to future taxable income and development of a tax planning strategy. As at November 30, 2004, the Company determined that a tax valuation allowance for the full amount of future tax assets was necessary.

GOVERNMENT CONTRIBUTION

The government contribution which consists of research tax credits and grants and is applied against related expenses and the cost of the asset acquired. Tax credits are available based on eligible research and development expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. The government contribution is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Change in accounting policies

In accordance with amendments made to Section 3870 of the Canadian Institute of Chartered Accountants Handbook, the Company implemented by anticipation the recommendation to account for stock option awards to employees using the fair value method on a retroactive basis and by restating the comparative figures for 2003 (see note 2 (B) in the notes to the consolidated financial statements).

Recent accounting pronouncements

The Company will adopt the new recommendations of the Canadian Institute of Chartered Accountants issued Handbook Section EIC-142, Revenue Arrangements with Multiple Deliverables, which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities. It contains guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and if so, how to allocate the arrangement consideration to each unit.

Financial instruments

The Company owns financial assets and liabilities in foreign currency. However, the value of these assets and liabilities is low and, consequently, the risk related to foreign currency fluctuations is practically nil.

Outstanding share data

At March 1, 2005, the number of shares issued and outstanding was 35,513,549 common shares, while outstanding options granted under the stock option plan were 2,731,499. In addition, 3,800,000 warrants were outstanding.

Management's discussion and analysis of results of operation and financial condition

Risks and uncertainties

RESEARCH
The Company conducts research activities in order to feed its therapeutic pipeline. Although the Company considers that it possesses adequate resources in this regard, research may prove unsuccessful, and therefore, may not lead to the advancement of new molecules to a further development stage.

PATENTS
Patents provide to their owners the exclusive right to use and commercialize the claimed inventions in the given territories. The Company's success will depend in part on its ability to obtain patents, maintain their registration and defend their validity. However, there is no guarantee that any patent granted to the Company will bring it any competitive advantage that will not be contested by third parties, or that the patents of competitors will not be detrimental to the Company's commercial activities. Furthermore, competitors may independently develop products similar to the Company's or copy the Company's products by circumventing the Company's patents.

PRECLINICAL AND CLINICAL STUDIES
The Company is presently conducting various preclinical and clinical studies for its products. These studies may take several years to complete and, thus, require considerable resources from the Company. Obtaining positive, timely and conclusive results from these studies is an essential condition of regulatory approval and, therefore, product commercialization. There can be no assurance of satisfactory results and the lack thereof may considerably hinder the development, approval and commercialization of the Company's products.

REGULATORY APPROVALS
In order to commercialize its products and, hence, generate revenues, the Company must first obtain the approval of regulatory agencies in each of the countries where it wishes to sell its products. The Company's products may not meet the safety and effectiveness criteria established by the various agencies and, consequently, may not obtain required approvals for commercialization for any or all targeted indications.

COMMERCIALIZATION
Once commercialized, the Company's products could potentially compete with existing products on the market. Various intermediaries in the healthcare sector, such as those who may prescribe or dispense the new drugs commercialized by the Company and the parties responsible for drug reimbursement, may select other treatments than those offered by the Company. Furthermore, the prices of medical products are increasingly being regulated. Therefore, there can be no assurance that the Company will be able to maintain price levels sufficient for the realization of an appropriate return on the Company's investment in product development.

PRODUCT LIABILITY
A risk of product liability claims is inherent in the development of human therapeutic products. Product liability insurance is expensive and its coverage is limited. A product liability claim against the Company could potentially be greater than the coverage offered and, therefore, have a material adverse effect upon the Company and its financial position.

CAPITAL RESOURCES
In order to achieve its long-term development and commercialization strategy, the Company may need to raise additional capital through share issues, grants, collaboration or partnership agreements that would allow the Company to finance its activities, in whole or in part. Nothing guarantees that additional funds will be available or that they may be acquired on acceptable terms and conditions, allowing the Company to successfully market its products. If adequate funding is not available, the Company may be required to delay, reduce, or eliminate one or more of its research programs.

Management's discussion and analysis of results of operation and financial condition

COMPETITION

The Company is subject to competition from pharmaceutical companies, biotechnology companies, academic and research institutions as well as government agencies which concentrate in the same areas as the Company. Some have greater capital resources, research and development staffs and facilities superior to the Company's and may be able to develop and commercialize more rapidly alternative forms of medical treatment, which would potentially compete with the products of the Company.

HUMAN RESOURCES

Members of management and scientists are highly qualified individuals who are essential to operations and the successful research and development of the Company's products. Loss of services from a large part of this group or the inability of the Company to attract highly qualified personnel could compromise the Company's growth.

VOLATILITY OF SHARE PRICE

The market price of the Company's shares is subject to volatility. General market conditions as well as differences between the Company's financial, scientific and clinical results and the expectations of investors as well as securities analysts can have a significant impact on the trading price of the Company's shares. In recent years, the stocks of many biopharmaceutical companies have experienced extreme price fluctuations, which have been unrelated to the operating performance of the affected companies.

There can be no assurance that the market price of the common shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

Additional information about Theratechnologies

Additional information relating to Theratechnologies, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Management's certification of financial statements

The consolidated financial statements of Theratechnologies Inc. presented in the following pages and all information in this annual report are the responsibility of management and are subject to approval by the Board of Directors of the Company.

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. They include amounts based on judgment and estimates. Management has established these amounts reasonably to ensure that financial results are presented accurately in all material respects. The other financial information included in the annual report is consistent with that of the financial statements.

In order to ensure accuracy and objectiveness of information included in the financial statements, the Company's management maintains internal accounting and administrative control systems. Management is of the opinion that these controls provide reasonable assurance regarding the adequacy of the accounting records for the preparation of the financial statements and the adequacy of the recording and safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and none of its members is involved in the daily operations of the Company. All the members of this Committee have financial skills and at least one member has financial expertise. The Committee meets periodically with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements with the external auditors.

The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the re-appointment of the external auditors.

The financial statements have been audited on behalf of the shareholders by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to the Audit Committee with respect to their findings concerning the fairness of the financial reporting and the adequacy of internal controls.

Yves Rosconi
President and Chief Executive Officer

Luc Tanguay
Senior Executive Vice President
and Chief Financial Officer

Montréal, Canada

January 14, 2005

Consolidated Financial Statements of

THERATECHNOLOGIES INC.

Years ended November 30, 2004 and 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Theratechnologies Inc. as at November 30, 2004 and 2003 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada

January 14, 2005

THERATECHNOLOGIES INC.

Consolidated Financial Statements

Years ended November 30, 2004 and 2003

Financial Statements

Consolidated Balance Sheets

NOVEMBER 30 (in thousands of dollars)	2004	2003 (Restated, note 2 (B))
Assets		
Current assets:		
Cash and cash equivalents	**$ 436**	$ 53
Bonds	**17,513**	39,303
Accounts receivable	**395**	463
Tax credits and grants receivable	**754**	1,117
Research supplies	**1,542**	990
Prepaid expenses	**202**	597
	20,842	42,523
Bonds	**24,105**	34,484
Investment in public companies (market value: $3,026 in 2004; $5,876 in 2003)	**1,362**	2,395
Investment in a private company (note 2 (A))	**11,367**	–
Property, plant and equipment (note 3)	**2,234**	5,324
Other assets (note 4)	**8,040**	9,866
	$ 67,950	$ 94,592
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 4,996**	$ 7,132
Deferred gain	**–**	3,762
Non-controlling interest	**–**	13,264
Shareholders' equity		
Capital stock (note 8)	**155,594**	139,791
Contributed surplus (note 2 (B))	**2,257**	1,565
Deficit	**(94,897)**	(70,922)
	62,954	70,434
Commitments (note 10)		
Subsequent event (note 16)		
	$ 67,950	$ 94,592

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Paul Pommier
Director

André Delambre
Director

Consolidated Statements of Earnings

YEARS ENDED NOVEMBER 30 (in thousands of dollars, except per share amounts)	**2004**	2003 (Restated, note 2 (B))
Revenues:		
Royalties, technologies and other	**$ 269**	$ 197
Interest	**2,380**	3,809
	2,649	4,006
Operating costs and expenses:		
Research and development	**18,439**	22,562
Tax credits and grants	**(1,472)**	(1,476)
	16,967	21,086
General and administrative	**6,640**	7,561
Selling and market development	**1,016**	886
Patents and amortization of other assets	**896**	708
	25,519	30,241
Operating loss before undernoted items	**(22,870)**	(26,235)
Restructuring costs (note 5)	**–**	(1,837)
Proportionate share in loss of companies under significant influence	**(7,867)**	(1,762)
Gains on investments in companies and gains on dilution (note 6)	**5,808**	772
Loss from continuing operations before non-controlling interest	**(24,929)**	(29,062)
Gain (loss) from discontinued operations (note 7)	**109**	(13,371)
Non-controlling interest	**2,004**	8,634
Net loss	**$ (22,816)**	$ (33,799)
Basic and diluted loss per share (note 8 (F)):		
Continuing operations, net of non-controlling interest	**$ (0.66)**	$ (0.83)
Discontinued operations, net of non-controlling interest	**–**	(0.27)
Net loss	**(0.66)**	(1.10)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Deficit

YEARS ENDED NOVEMBER 30 (in thousands of dollars)	**2004**	2003
Deficit, beginning of year, restated (note 2 (B))	**$ (70,922)**	$ (37,123)
Net loss	**(22,816)**	(33,799)
Share issue costs	**(1,159)**	–
Deficit, end of year	**$ (94,897)**	$ (70,922)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED NOVEMBER 30 (in thousands of dollars)	**2004**	2003 (Restated, note 2 (B))
Cash flows from operating activities:		
Net loss	**$ (22,816)**	$ (33,799)
Adjustments for:		
Depreciation of property, plant and equipment	**779**	2,475
Depreciation of other assets	**523**	807
Stock-based compensation	**792**	1,136
Proportionate share in loss of companies under significant influence	**7,867**	1,762
Gains on investments in companies and gains on dilution	**(5,808)**	(772)
(Gain) loss from discontinued operations	**(109)**	13,371
Non-controlling interest	**(2,004)**	(8,634)
	(20,776)	(23,654)
Change in operating assets and liabilities:		
Interest receivable on bonds	**210**	576
Accounts receivable	**(20)**	145
Tax credits and grants receivable	**(541)**	1,018
Research supplies	**304**	(981)
Prepaid expenses	**(173)**	(109)
Accounts payable and accrued liabilities	**(556)**	(1,190)
	(776)	(541)
Cash used in discontinued operations	**(449)**	(3,181)
	(22,001)	(27,376)
Cash flows from financing activities:		
Share issue	**15,803**	568
Share issue costs	**(1,159)**	–
	14,644	568
Cash flows from financing activities:		
Addition to property, plant and equipment	**(646)**	(1,368)
Disposal of property, plant and equipment	**122**	25
Addition to other assets	**(728)**	(338)
Acquisition of bonds	**(29,339)**	(16,716)
Disposal of bonds	**37,559**	45,064
Acquisition of shares in public companies	**(349)**	–
Disposal of shares in public companies	**2,481**	132
Net investments related to discontinued operations	**10**	(134)
	9,110	26,665
Cash and cash equivalents relating to Celmed (note 2 (A))	**(1,370)**	–
Net change in cash and cash equivalents	**383**	(143)
Cash and cash equivalents, beginning of year	**53**	196
Cash and cash equivalents, end of year	**$ 436**	$ 53

See note 15 for supplemental cash flow information.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

1. Organization and business activities

The Company is incorporated under Part 1A of the Québec Companies Act. The Company's principal business activity is to carry out research and development in the field of healthcare and biotechnology. The Company's research focuses on the development of therapeutic peptides targeting endocrine and metabolic disorders.

2. Significant accounting policies

A) CONSOLIDATION AND INVESTMENTS

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

The investment in public companies is composed of the investment in Andromed Inc. ("Andromed") and in Ecopia BioSciences Inc. ("Ecopia").

The investment in Andromed Inc. ("Andromed"), a company under significant influence, has been accounted for by the equity method. The investment in Ecopia BioSciences Inc., a portfolio investment, is recorded at cost.

On July 2, 2004, Celmed BioSciences Inc. ("Celmed") acquired NewBiotics Inc. and issued shares from its capital stock to the shareholders of the acquired company. Consequently, Theratechnologies' interest in Celmed decreased from 59.7% to 42%. Since that date, the Company no longer exercises control over Celmed and the interest in this company is accounted for by the equity method.

Celmed's assets and liabilities as of the date of the transaction were as follows:

Cash and cash equivalents	$ 1,370
Bonds	23,739
Accounts receivable	88
Tax credits and grants receivable	904
Research supplies	426
Prepaid expenses	503
Property, plant and equipment	2,793
Other assets	1,564
Accounts payable and accrued liabilities	2,502

B) STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

On December 1, 2001, the Company early implemented the recommendations of Section 3870 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "Stock-Based Compensation and Other Stock-Based Payments". Only awards granted as of the implementation date were covered by the new standard. Under this standard, awards of stock options to non-employees must be accounted for on a fair value basis. No compensation cost was recognized for stock option awards to employees. However, the *pro forma* information on the net loss and net loss per share was disclosed as if the Company had accounted for these awards to employees on a fair value basis for options granted since the implementation date. Any consideration resulting from the exercise of stock options was credited to capital stock.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30
(in thousands of dollars, except per share amounts)

2. Significant accounting policies (cont'd)

B) STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS (cont'd)
In accordance with the subsequent changes made to Section 3870, the Company early implemented the recommendation to account for stock option awards to employees using the fair value method on a retroactive basis and by restating the comparative figures for 2003 in order to take into account the cost relating to these awards, which had been included in the *pro forma* information note for prior periods since December 1, 2001. Consequently, the deficit at the beginning of 2004 and 2003 increased by $1,457 and $428, respectively. The effects of the restated results for 2003 are presented below:

		2003
Costs and expenses:		
General and administrative	$	732
Research and development		289
Selling and market development		115
		1,136
Non-controlling interest		(107)
Increase in net loss	$	1,029

C) CASH EQUIVALENTS
Cash equivalents are restricted to investments that are readily convertible into cash, having a term to maturity not exceeding three months and whose value is not likely to change significantly. These investments are recorded at cost. As at November 30, 2004 and 2003, there were no cash equivalents.

D) BONDS
Bonds that are classified in current assets based on their maturity date or on management's estimate of cash flow requirements for the next year are stated at the lower of cost and fair market value. Bonds that are classified in long-term assets are stated at cost. These investments, which are made with institutions having a high credit rating, are readily convertible into cash.

E) PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost. Depreciation is provided using the following methods and annual rates:

Asset	Method	Rate/period
Computer equipment	Declining balance	50%
Laboratory equipment	Declining balance	20%
	and straight-line	5 years
Office equipment and furniture	Declining balance	20%
Leasehold improvements	Straight-line	Term of lease

The Company tests the assets for impairment each time events or changes of situation indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when the recoverable value of the capital asset is less than the carrying amount. Fair value, at which the capital asset would be measured, can be established on a quotation price basis or by other valuation methods.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

2. Significant accounting policies (cont'd)

F) RESEARCH AND DEVELOPMENT
Research expenditures, net of related research tax credits and grants, are charged to earnings in the year in which they are incurred. Development expenditures, net of tax credits, if any, are capitalized when they meet the appropriate criteria for capitalization in accordance with generally accepted accounting principles. During years ended November 30, 2004 and 2003, no development expenditures were capitalized.

G) OTHER ASSETS
Other assets consist, namely, of the values related to intellectual property, deferred development costs and patent costs.

The value related to intellectual property is amortized over a period of 2 to 17 years.

The cost of the patents does not necessarily reflect their present or future value and the amount ultimately recoverable is dependent upon the successful commercialization of the related products. Amortization of patent costs is calculated over their estimated useful lives, varying from 5 to 17 years, using the straight-line method.

Deferred development costs are amortized using the straight-line method over a period of 2 to 5 years, beginning in the year of commercialization.

Management reviews unamortized costs annually or each time events or changes of situation indicate that the carrying value may not be recoverable, and records any impairment in the carrying value in the year when the loss occurs.

An impairment would be recognized when the recoverable value of the asset is less than its carrying amount. The fair value, at which the asset would be measured, can be established on the basis of comparable information or transaction or by other valuation method.

H) DEFERRED GAINS
Deferred gains are represented by the gain on dilution related to the interest in Celmed BioSciences Inc. ("Celmed") (see note 6).

I) INCOME TAXES
The Company uses the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized in the balance sheet to account for the future tax consequences attributable to temporary differences between the respective accounting and taxable value of balance sheet assets and liabilities. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. Future income tax assets and income tax liabilities are measured using the income tax rates that are expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the year during which these rates change.

J) EARNINGS PER SHARE
The earnings per share are determined using the weighted average number of outstanding shares during the period.

The treasury stock method is used for the computation of the diluted earnings per share. For this method, a number of additional shares, if they are dilutive, are calculated assuming that the outstanding stock options and warrants are exercised, and that the proceeds from the transactions are used to purchase common shares at the average market price during the period.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

2. Significant accounting policies (cont'd)

K) REVENUE RECOGNITION

Revenue from research contracts is recognized when services to be provided are rendered and all conditions under the terms of the underlying agreement are met. Revenue subject to the achievement of milestones is recorded only when the specified events have occurred and collectibility is assured.

Upfront payments and initial technology access fees are deferred and recognized as revenue on a systematic basis over the period during which the related products or services are delivered and all obligations are performed.

License fees are recorded when conditions and events under the license agreement have occurred and collectibility is reasonably assured.

L) GOVERNMENT CONTRIBUTION

The government contribution, which consists of research tax credits and grants, is applied against related expenses and cost of net asset acquired. The government contribution is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

M) FOREIGN EXCHANGE

The Company's foreign subsidiaries are considered to be integrated foreign operations. Foreign denominated monetary assets and liabilities of the Canadian and foreign operations are translated in Canadian dollars at the rates of exchange prevailing at the balance sheet dates. Other assets and liabilities are translated at the exchange rates prevailing when the assets were acquired or the liabilities incurred. Revenues and expenses are translated at the average exchange rate prevailing during the year, except for depreciation and amortization which are translated at the same rates as those used in the transition of the corresponding assets. Foreign exchange gains and losses are included in the determination of net earnings or net loss.

N) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items for which management must make estimates relate to the valuation and assessment of recoverability of research tax credits and grants, future income taxes, as well as patents and intellectual property. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

3. Property, plant and equipment

			2004
	Cost	Accumulated depreciation and amortization	Net book value
Computer equipment	**$ 545**	**$ 423**	**$ 122**
Laboratory equipment	**1,403**	**743**	**660**
Office equipment and furniture	**806**	**423**	**383**
Leasehold improvements	**1,520**	**451**	**1,069**
	$ 4,274	**$ 2,040**	**$ 2,234**

			2003
	Cost	Accumulated depreciation and amortization	Net book value
Computer equipment	$ 1,416	$ 1,070	$ 346
Laboratory equipment	4,396	2,071	2,325
Office equipment and furniture	1,197	477	720
Leasehold improvements	2,837	904	1,933
	$ 9,846	$ 4,522	$ 5,324

As at November 30, 2003, Celmed, which was a subsidiary of the Company, had fixed assets held for resale bearing a net book value of $206; these fixed assets are included in "laboratory equipment".

4. Other assets

			2004
	Cost	Accumulated depreciation and amortization	Net book value
Intellectual property	**$ 7,670**	**$ 1,555**	**$ 6,115**
Patent costs	**1,870**	**839**	**1,031**
Deferred development costs	**262**	**70**	**192**
Research supplies	**702**	**–**	**702**
	$ 10,504	**$ 2,464**	**$ 8,040**

			2003
	Cost	Accumulated depreciation and amortization	Net book value
Intellectual property	$ 21,038	$ 14,539	$ 6,499
Patent costs	2,055	864	1,191
Deferred development costs	262	70	192
Research supplies	1,984	–	1,984
	$ 25,339	$ 15,473	$ 9,866

As at November 30, 2003, the accumulated depreciation and amortization related to intellectual property includes an impairment of $12,325 (see note 7).

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

5. Restructuring costs and impairment of depreciable assets

In March 2003, Celmed's board of directors approved a strategic reorientation to intensify clinical development activities with regard to its two technological platforms: Theralux™, designed to treat certain cancers, and Neuro, for the treatment of Parkinson's disease. This restructuring was done in order to prioritize the advancement of the clinical development program. Celmed rapidly implemented an action plan that led to a reduction of its personnel. Furthermore, within the framework of the plan, Celmed recognized an impairment of $90 for certain intangible assets, as well as $1,186 for leasehold improvements and equipment. This impairment was calculated according to the recoverable amount on the basis of information obtained from suppliers and other companies working in the same industry segment. Restructuring costs totaled $1,837.

6. Gains on investments in companies and gains on dilution

During the fiscal year ended November 30, 2004, the Company realized gains on investments in companies of $2,018, resulting from the disposal of shares in public companies.

In January and February 2004, Celmed's institutional investors exercised adjustment clauses in relation to their investment, thus reducing the Company's interest in Celmed from 61.6% to 56.1%. In February 2004, Celmed proceeded with the redemption for a nominal amount of shares of certain shareholders because the milestones related to these shares were not achieved. In April 2004, Celmed proceeded with the redemption of shares of a non-controlling shareholder in connection with the sale of a US subsidiary. These redemptions resulted in an increase of Theratechnologies' interest in Celmed to 59.7%.

Consequently, the deferred gain of $3,762 was attributable to non-controlling interests, and the adjustment to their interest resulted in a gain of $2,725, which was recorded in the statements of earnings.

In connection with the transaction described in note 2 (A), Theratechnologies' interest in Celmed was reduced from 59.7% to 42%. An adjustment clause in connection with the interest of founding investors could reduce the Company's interest to 37.3%. The Company recognized a gain of $1,046 on the transaction in the third quarter. An additional gain of up to $2,332 could be recognized if the adjustment clause is not exercised.

The Company realized a $19 gain ($772 in 2003) related to the issuance of shares by Andromed to third parties.

7. Discontinued operations

During the first quarter of 2004, Celmed studied the relevance of pursuing its activities in the treatment of Parkinson's disease. In this context, Celmed discontinued its development activities for this program. In April 2004, Celmed disposed of the shares of its US subsidiary in the field of neurology.

Due to the uncertainty related to the pursuit of the above-mentioned activities and the lack of additional information on the value of the intellectual property, in 2003, the Company recorded a write-down of $12,325 of its book value. A write-down of $645 on the value of its assets, was also recorded on the basis of recoverable value based on future cash flows, information from suppliers and other companies operating in a future income tax provisions of $3,075 relating to intellectual property were reversed.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

7. Discontinued operations (cont'd)

Consequently, operating results for these activities have been reclassified under item "Discontinued operations". The results are shown below:

	2004	2003
Costs and expenses:		
General and administrative	**$ (20)**	$ 500
Selling and market development	**–**	(2)
Research and development	**322**	1,982
Patents and amortization of other assets	**21**	716
Restructuring costs	**–**	13,323
Gain on disposal of a subsidiary	**(432)**	–
Future income taxes	**–**	(3,148)
Gain (loss) from discontinued operations	**$ 109**	$ (13,371)
Gain (loss) from discontinued operations attributable to parent company	**$ 64**	$ (8,237)
Non-controlling interest before discontinued activities	**$ 2,049**	$ 3,500
Loss from continuing operations, net of non-controlling interest	**$ (22,880)**	$ (25,562)

As at November 30, 2003, the principal assets and liabilities related to the discontinued operations were as follows:

Prepaids	$ 65
Property, plant and equipment	201
Accounts payable and accrued liabilities	52

8. Capital stock

	2004	2003
Authorized in unlimited number and without par value:		
Common shares		
Preferred shares issuable in one or more series		
Issued:		
35,513,549 common shares (30,918,631 in 2003)	**$ 155,594**	$ 139,791

A) CHANGES IN THE ISSUED AND OUTSTANDING CAPITAL STOCK WERE AS FOLLOWS:

	Number	Dollars
Balance as at November 30, 2002	30,785,813	$ 139,223
Shares issued upon exercise of stock options	107,000	441
Shares issued to employees	25,818	127
Balance as at November 30, 2003	30,918,631	139,791
Shares issued pursuant to an offering	4,542,500	15,672
Shares issued to employees	52,418	131
Balance as at November 30, 2004	35,513,549	$ 155,594

All shares were issued for a cash consideration.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

8. Capital stock (cont'd)

B) THE COMPANY'S STOCK OPTION PLAN

The Company has established a stock option plan under which it can grant to its directors, officers, employees, researchers and consultants non-transferable options for the purchase of common shares. The exercise date of an option may not be later than 10 years after the date it is granted. A maximum number of 3,500,000 options can be granted under the plan. Generally, the options vest at the date of the grant or over a period of 3 to 5 years.

Changes in the number of options outstanding during the past two fiscal years were as follows:

	Options	Weighted average exercise price per share
Options as at November 30, 2002	2,562,498	$ 8.09
Granted	295,000	5.47
Exercised	(107,000)	4.12
Cancelled	(98,999)	10.50
Options as at November 30, 2003	2,651,499	7.87
Granted	355,000	2.87
Cancelled	(224,999)	7.28
Options as at November 30, 2004	2,781,500	$ 7.28

The following table provides stock option information as at November 30, 2004:

	Options outstanding			Exercisable options	
Price range	Number of options outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
$ 2.35 - $ 2.75	255,000	9.85	$ 2.55	–	$ –
2.76 - 3.75	220,000	5.39	3.57	155,000	3.54
3.76 - 4.60	430,000	2.07	4.53	430,000	4.53
4.61 - 6.00	565,000	5.75	5.56	444,998	5.58
6.01 - 9.00	365,000	6.23	8.03	228,332	8.04
9.01 - 13.50	770,000	6.24	10.52	619,992	10.53
13.51 - 20.00	176,500	6.08	15.24	174,100	15.24
	2,781,500			2,052,422	

C) 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 options pricing model with the following assumptions for Theratechnologies: risk free interest rate ranging from 3.65% to 4.07%, expected dividend yield of nil, expected volatility ranging from 52% to 55% and expected average option life of 6 years. The weighted average fair value of the 355,000 options granted during the twelve-month period ended November 30, 2004 is $1.55 per option. In regard to Celmed, a private company, the stock option awards to non-employees are accounted for in Theratechnologies' results using the fair value method until July 2, 2004. The assumptions are as follows: risk free interest rate of 3.98%, expected dividend yield of nil, no expected volatility and expected option life of 6 years. Celmed granted 580,000 options with a weighted-average fair value of $1.04 for the seven-month period ended July 2, 2004.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

8. Capital stock (cont'd)

C) STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS (cont'd)
The Black-Scholes model, used by the Company to calculate option values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values.

D) WARRANTS

i) In connection with shares issued pursuant to offerings, the Company also granted warrants for the purchase of shares. As at November 30, 2004, there were 200,000 outstanding warrants for the purchase of 200,000 common shares at a price of $15 per share until October 2005.

ii) The Company entered into an incentive agreement with certain non-controlling shareholders for Celmed to proceed with an initial public offering. In connection therewith, the Company issued to these non-controlling shareholders 1,440,000 warrants for the purchase of 1,440,000 common shares. The warrants, vesting at various dates mentioned below, will be exercisable if Celmed is not a publicly traded company or a wholly-owned subsidiary. These warrants will then reduce the number of issued warrants mentioned in the following paragraph.

Date	Warrants	Exercise period	Exercise price
June 21, 2003	360,000	2 years	$ 15.73
June 21, 2004	360,000	2 years	17.30
June 21, 2005	720,000	1 year	17.30

Furthermore, the Company has an option to purchase ("purchase option") all the shares of Celmed held by third parties ("non-controlling shareholders") at specific dates until June 2005. This option expires automatically if Celmed is then a company registered on a recognized stock exchange. In connection with the option, the Company issued to the non-controlling shareholders 3,600,000 warrants for the purchase of 3,600,000 common shares at prices per share varying from $14.30 to $24.17 which are related to the date of exercise of the option of the Company. These warrants expire automatically at the earlier of (i) June 21, 2006 (ii) the date when common shares of Celmed are traded on a recognized stock exchange, provided that the Company has not exercised its purchase option or (iii) after a period of one year or two years following the exercise of the purchase option.

E) EARNINGS PER SHARE
Diluted loss per share was not presented as the effect of options and warrants would have been anti-dilutive. Furthermore, the exercise of options and warrants would not have been considered in such computation since their exercise prices were higher than the average market price during the reporting period of 2004.

F) WEIGHTED AVERAGE NUMBER OF SHARES
The weighted average number of outstanding shares was 34,476,299 shares in 2004 and 30,821,947 shares in 2003.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

9. Future income taxes

Items relating to income taxes are as follows:

	2004	2003
Loss before discontinued operations and non-controlling interest	**$ (24,929)**	$ (29,062)
Basic income tax rate	**31%**	33%
Computed income tax provision	**(7,728)**	(9,590)
Increase (decrease) in income taxes resulting from:		
Unrecorded potential tax benefit of current period losses	**6,733**	7,724
Non-taxable items and others	**995**	1,866
	$ –	$ –

The tax incidence of temporary differences resulting in significant portions of future income tax assets is as follows:

	2004	2003
Future income tax assets:		
Losses carried forward	**$ 10,012**	$ 13,835
Unused research and development expenses	**18,173**	18,859
Property, plant and equipment	**195**	33
Share issue costs	**320**	660
Investments	**9,750**	385
Intellectual property – Canada	**–**	4,054
Available deductions and other	**250**	196
	38,700	38,022
Future income tax liabilities:		
Intellectual property	**(1,378)**	(1,376)
	37,322	36,646
Less provision	**(37,322)**	(36,646)
Net future income tax asset	**$ –**	$ –

In estimating the realization of future income tax assets, management considers whether a portion or all future tax assets is more likely than not to be realized. Realization is subject to future taxable income and development of a tax planning strategy.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

9. Future income taxes (cont'd)

As at November 30, 2004, the Company had available the following deductions, losses and credits:

	Federal	Provincial
Research and development expenses, without time limitation	$ 50,744	$ 78,092
Losses carried forward, until:		
2005	$2,831	$2,105
2006	2,895	2,338
2007	736	726
2008	–	3,539
2009	5,721	4,430
2010	10,593	10,447
2014	9,593	8,453
	$ 32,369	$ 32,038
Unused tax credits expiring in:		
2005	$ 973	
2006	487	
2007	640	
2008	611	
2009	446	
2010	737	
2011	1,581	
2012	2,626	
2013	1,570	
2014	1,597	
	$ 11,268	

	Federal	Provincial
Share issue costs	$ 1,027	$ 1,027
Excess of tax value of investments over book value	50,827	50,827
Deficit of tax value of intellectual property over carrying value	(7,185)	(7,185)
Excess of tax value of property, plant and equipment over carrying value	667	537
Other	645	564

10. Commitments

A) RENTAL OF PREMISES
The Company rents premises under operating leases expiring in March 2010. The minimum payments required under the terms of the lease are as follows:

2005	$ 872
2006	780
2007	787
2008	807
2009	817
Thereafter	340
	$ 4,403

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

10. Commitments (cont'd)

A) RENTAL OF PREMISES (cont'd)
The Company has to maintain an irrevocable letter of credit amounting to $693 ($729 in 2003), along with a first rank movable mortgage, which can be subordinated with regard to lending institutions, of $1,150 covering the Company's tangible assets located in the rented premises. This contract comprises progressive reduction clauses with respect to the amount of the letter of credit beginning in 2004 and an option for the purchase of a building and the related land.

B) The Company has agreed to purchase for the amount of $106, leasehold improvements made by Celmed to the premises.

C) CREDIT MARGIN
The Company has a credit margin extending to $1,800, bearing interest at prime plus 0.50% and guaranteed by bonds. The market value of the investments should always be equivalent to 150% of advances used on the credit margin. If the market value falls below $7,000, the Company will agree to give the bank a first rank movable hypothec of $1,850 affecting securities judged satisfactory by the bank.

As at November 30, 2004, with the exception of the letters of credit mentioned in A) above, the credit margins available to the Company and its subsidiary were not utilized.

11. Licenses

The Company has certain exclusive licenses to market or commercialize intellectual property from research activities performed by certain research facilities. Under these licenses, the Company is committed to pay royalties on the net sales of the products commercialized by the Company, or, if applicable, on the amounts received from sub-licenses, subject to the application of the clauses of such agreements.

12. Related party transactions

In 2004, part of the premises was used by Celmed and a reduction of $154 in rental fees has been recorded in the consolidated statements.

In 2004, the Company purchased leasehold improvements from Celmed in the amount of $323.

As of November 30, 2004, the accounts payable and accrued liabilities included an amount of $172 owed to Celmed.

These transactions were in the ordinary course of business and have been valued in accordance with amounts agreed upon by the parties.

13. Financial instruments

A) FAIR VALUE

The Company has determined that the carrying value of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, tax credits and grants receivable as well as accounts payable and accrued liabilities, approximates their fair value because of the relatively short periods to maturity of these instruments.

Bonds are comprised of fixed income instruments from municipal and paragovernmental bodies as well as from companies with a high credit rating (not less than BBB+). The weighted average effective interest rate of the bonds is approximately 4%. Long-term bonds mature as follows: $5,810 in 2006, $13,153 in 2007, $4,677 in 2008 and $465 in 2009.

The fair market value of the bonds amounts to $41,222 as at November 30, 2004 ($74,115 in 2003). The fair value of the bonds classified in the short-term assets approximates cost at these dates.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
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13. Financial instruments (cont'd)

B) FOREIGN CURRENCY
The Company owns financial assets and liabilities in foreign currency. However, the value of these assets and liabilities is low and, consequently, the risk of loss related to foreign currency fluctuations is limited. General and administrative expenses include a gain on exchange of $122 for the year ended November 30, 2004 ($275 in 2003).

14. Segmented information

The Company conducts its activities in essentially two segments: the development of therapeutic peptides and cellular therapy. Development of therapeutic peptides is carried out by Theratechnologies whereas, since June 21, 2001, the cellular therapy activities are performed by Celmed, which, as of July 2, 2004 is no longer controlled by Theratechnologies (see note 2 (A)). Furthermore, Andromed, a company under significant influence, conducts its activities in the field of medical devices and is presented under "other segments".

The Company's reportable segments are strategic operating units which focus on research and development activities and the commercialization of innovative products dedicated to the healthcare and biotechnology industries. They are managed separately because each segment requires different technologies and marketing strategies.

The accounting policies of the various segments are the same as those described in the summary of significant accounting policies.

The following schedules contain the segmented information:

					2004
	Therapeutic peptides	Cellular therapy	Other segments	Intersegment adjustments and eliminations	Total
Revenue from external customers	$ 242	$ –	$ –	$ –	$ 242
Intersegment revenues	85	–	–	(58)	27
Research and development, net amount	13,237	3,730	–	–	16,967
Other expenses	6,535	2,075	–	(58)	8,552
Loss from continuing operations	(17,624)	(11,933)	(939)	7,616	(22,880)
Net loss	(17,624)	(11,869)	(939)	7,616	(22,816)
Total assets	55,238	11,367	1,408	(63)	67,950
Cash and cash equivalents	436	–	–	–	436
Bonds	41,618	–	–	–	41,618
Cash flows:					
Operations	(17,125)	(4,876)	–	–	(22,001)
Investment	2,909	6,201	–	–	9,110
Financing	14,644	–	–	–	14,644
Addition to property, plant and equipment	572	233	–	–	805

Depreciation and amortization related to therapeutic peptides and cellular therapy segments amount to $1,033 and $269, respectively, and are included in research and development expenses and other expenses.

Notes to Consolidated Financial Statements

YEARS ENDED NOVEMBER 30, 2004 AND 2003
(in thousands of dollars, except per share amounts)

14. Segmented information (cont'd)

					2003
	Therapeutic peptides	Cellular therapy	Other segments	Intersegment adjustments and eliminations	Total
Revenue from external customers	$ 197	$ –	$ –	$ –	$ 197
Intersegment revenues	152	–	–	(152)	–
Research and development, net amount	16,182	4,904	–	–	21,086
Other expenses	5,521	3,786	–	(152)	9,155
Loss from continuing operations	(18,951)	(14,254)	(1,762)	9,405	(25,562)
Net loss	(18,951)	(22,491)	(1,762)	9,405	(33,799)
Total assets	56,251	36,065	2,395	(119)	94,592
Cash and cash equivalents	7	46	–	–	53
Bonds	42,674	31,113	–	–	73,787
Cash flows:					
Operations	(17,993)	(9,383)	–	–	(27,376)
Investment	17,394	9,271	–	–	26,665
Financing	568	–	–	–	568
Addition to property, plant and equipment	307	982	–	–	1,289

Depreciation and amortization related to therapeutic peptides and cellular therapy amount to $1,051 and $2,232, respectively, and are included in research and development expenses and other expenses.

15. Supplemental cash flow information

The Company conducted the following transactions not affecting cash.

	2004	2003
Addition to property, plant and equipment and other assets financed by accounts payable and accrued liabilities	**$ 1 085**	$ 111

Tax credits received by the Company during the year amounted to $924 ($1,892 in 2003).

16. Subsequent event

In December 2004, the Company completed an agreement to terminate three co-development projects using ALZA Corporation's Macroflux® transdermal technology. The Company retains the rights to develop its molecules with all other means of delivery and ALZA retains the commercialization rights to Macroflux® with other molecules. In this regard, the Company received a payment of US $12,000. Including this amount, on a *pro forma* basis, liquidities, tax credits and grants receivable, would have amounted to approximately $58,000 at year end.

management

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President and Chief Executive Officer

Luc Tanguay, M.Sc., CFA
Senior Executive Vice President and Chief Financial Officer

Marie-Noël Colussi, CA
Vice President, Finance

Geneviève Dubuc, B. Com., LL.L.
Director, Legal Services and Secretary

Eckhardt S. Ferdinandi, Ph.D.
Vice President, Preclinical Research

Peter McBride, B.A.
Vice President, Investor Relations and Public Affairs

Pierre Perazzelli, B.Sc.
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Krishna Peri, Ph.D.
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Design: Cabana Séguin inc.

corporate information

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BANK
National Bank of Canada

ANNUAL MEETING OF SHAREHOLDERS
Wednesday, April 13, 2005
at 10:00 a.m.
Centre Mont-Royal
2200 Mansfield Street
Montréal, Québec

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