

**FOR IMMEDIATE RELEASE****Theratechnologies: Financial results for the second quarter and recent operating highlights**

- *ThGRF advances in HIV-associated lipodystrophy*
- *Positive preliminary results with ThPTH for osteoporosis*
- *Senior management reorganization: preparing for the next steps*
- *Sound financial position*

**Montréal, July 13, 2004** – Theratechnologies (TXS:TH) reviews recent highlights and presents its consolidated financial statements and Management's Discussion and Analysis for the second quarter ended May 31, 2004.

"We have made solid progress on building our business in endocrinology and metabolism", said Mr. Luc Tanguay, President and Chief Executive Officer. "Exciting Phase II results for ThGRF in HIV-related lipodystrophy, including potential advantages over competitive therapies, prompted us to select this indication for the continued development of our lead compound. The regulatory package for an end-of-Phase II meeting is presently being prepared in anticipation of a meeting in the fall. This important event will allow us to establish the late-stage development path for ThGRF in HIV-associated lipodystrophy. Our ThPTH program in osteoporosis is also progressing, with positive preliminary results in a first Phase I clinical trial. To have successfully administered a peptide of this size transdermally is a major achievement. And our ThGLP-1 in type II diabetes is expected to enter Phase I in the second half of the year. "

"Considering our progress in the clinics and the challenges that lie ahead, we have initiated a senior management reorganization in order to prepare the Company for the next steps, notably the beginning a Phase III program with ThGRF. On the financial side, the Company has maintained a sound position with \$49 million on a non-consolidated basis, sufficient to fund 2.5 years of operations at the current burn rate", he added.

**Recent highlights****▪ ThGRF Program**

In June 2004, the Company selected HIV-associated lipodystrophy as the first indication to be pursued in late-stage development with ThGRF. This decision was based on positive Phase II clinical results in HIV-associated lipodystrophy announced on April 15, 2004. ThGRF was shown to be effective in reducing visceral fat, which is a risk factor for cardiovascular disease, while not affecting subcutaneous fat. Moreover, lipodystrophy patients are prone to developing type II diabetes and, in this study, patients with impaired glucose tolerance or type II diabetes did not present clinically relevant safety concerns.

HIV-associated lipodystrophy is a medical condition characterized by body composition changes and metabolic abnormalities that affects up to 200,000 people in North America and in Europe.

**▪ Osteoporosis Program**

During the second quarter, the Company announced positive preliminary results in a Phase I clinical study for ThPTH, its transdermal formulation of parathyroid hormone (PTH) being developed in collaboration with ALZA Corporation for the treatment of osteoporosis. This first-in-humans Phase I study showed that delivery of ThPTH using ALZA's Macroflux® technology allows for rapid delivery of PTH, good bioavailability, biologic activity and a good safety profile.

**Theratechnologies Inc.**

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- **Type II diabetes program**

Preclinical development of ThGLP-1, a stabilized analogue of glucagon-like peptide-1, is nearing completion and the Company expects to begin the clinical development of this product in the second half of the year.

- **Senior management reorganization**

In order to position the Company for late-stage development and the commercialization of ThGRF, senior management functions are being reorganized. To lead the transition to a late-stage biopharmaceutical enterprise, the Company is recruiting a new President and Chief Executive Officer with relevant pharmaceutical expertise and background. Luc Tanguay continues in his current role until the new CEO is in place. Thereafter, he will assume the role of Senior Executive Vice President and Chief Financial Officer. Under the reorganization, Thierry Aribat, Ph.D., previously Vice President and Chief Scientific Officer, has become Executive Vice President, Business Development, and Luc Vachon, Ph.D., previously Vice President, Drug Development, has become Executive Vice President, Research and Development.

- **Six presentations at Endo 2004 in New Orleans**

In June, the Company presented six scientific posters at the 86th Annual Meeting of the Endocrine Society, the world's largest and most active professional organization of endocrinologists. During the conference, Theratechnologies and its scientific team disclosed for the first time pharmacological results for eight new molecules discovered by the Company, including several new long-acting GLP-1 analogues for the treatment of type II diabetes.

- **Sound financial position**

On May 31, 2004, cash and cash equivalents as well as bonds, tax credits and grants receivable amounted to \$ 49,236,000 on a non-consolidated basis. With a very full clinical program in the months ahead and a lot of upside potential, the Company considers that it has the funding it needs to pursue its development strategy.

- **Celmed BioSciences acquires NewBiotics**

On July 2, 2004, Celmed BioSciences completed the acquisition of NewBiotics Inc., a biopharmaceutical developer of cancer therapies. This acquisition broadens Celmed's technology base and diversifies its product pipeline in the oncology sector. As a result of the all-share transaction, Theratechnologies' ownership in Celmed was reduced from 59.7% to 42%.

### **Summary of operating results**

Consolidated revenues for the three months ended May 31, 2004 amounted to \$782,000, compared to \$1,028,000 for the same period in 2003. For the six-month period ended May 31, 2004, consolidated revenues were \$1,561,000, compared to \$2,168,000 for the same period in 2003. These variances reflect a reduction in interest revenues due to diminution of the liquidities (cash and cash equivalents, and bonds), and a reduction in investment yields due to declining interest rates.

Consolidated research and development (R&D) expenditures, before tax credits and grants, totaled \$5,675,000 for the second quarter of 2004, compared to \$5,275,000 in 2003. For the six-month period ended May 31, 2004, R&D expenditures amounted to \$11,565,000 compared to \$10,151,000 for the same period in 2003, reflecting a relatively steady level of development activities. Theratechnologies and Celmed invested \$3,914,000 and \$1,761,000 respectively in R&D during the second quarter of 2004.

General and administrative expenses, selling and market development expenses, patents and amortization of other assets (SG&A) were \$2,525,000 for the second quarter, compared to \$2,576,000 for the same period in 2003. The Company maintained these expenses at a stable level, amounting to 30.8% of costs and expenses (before tax credits and grants), compared to 32.7% for the same period in 2003. Theratechnologies' SG&A expenses amounted to \$1,684,000 (30.1%), while Celmed's amounted to

\$841,000 (32.3%). For the six-month period ended May 31, 2004, the SG&A expenses were \$4,841,000 (29.5%) compared to \$4,475,000 (30.6%) for the same period in 2003.

During the first quarter of 2004, Celmed examined the relevance of pursuing its activities in the treatment of Parkinson's disease. Subsequently, Celmed discontinued this program and reclassified related expenses under "Discontinued operations". In April 2004, Celmed disposed of the shares of its US subsidiary in the field of neurology. In exchange, the buyer, a non-controlling shareholder, gave up its 430,000 shares in Celmed. These shares were cancelled which increased Theratechnologies' interest in Celmed to 59.7%.

During the six-month period ended May 31, 2004, the Company realized gains on investments in companies and gains on dilution of \$4,743,000. These gains are detailed in note 4 of the consolidated financial statements.

Consequently, the operating loss for the quarter ended May 31, 2004, was \$6,832,000 (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 \$6,513,000 for the same period in 2003. The net loss for the second quarter was \$5,910,000, compared to \$7,388,000 in 2003. For the six-month period, the net loss amounted to \$7,793,000 compared to \$13,139,000 in 2003.

#### 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.

	2004		2003				2002	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$ 782	\$ 779	\$ 897	\$ 941	\$ 1,028	\$ 1,140	\$ 1,206	\$ 1,381
Loss from continuing operations (1)	\$ (6,139)	\$ (1,731)	\$ (7,771)	\$ (6,232)	\$ (6,571)	\$ (4,988)	\$ (7,029)	\$ (4,405)
Net loss	\$ (5,910)	\$ (1,883)	\$ (14,079)	\$ (6,581)	\$ (7,388)	\$ (5,751)	\$ (7,925)	\$ (4,930)
Basic and diluted loss per share:								
Continuing operations (1)	\$ (0,17)	\$ (0,06)	\$ (0,25)	\$ (0,20)	\$ (0,21)	\$ (0,16)	\$ (0,23)	\$ (0,14)
Net loss	\$ (0,17)	\$ (0,06)	\$ (0,46)	\$ (0,21)	\$ (0,24)	\$ (0,19)	\$ (0,26)	\$ (0,16)

(1) Net of non-controlling interest

#### Financial position

Theratechnologies has maintained an adequate cash position. At May 31, 2004, consolidated cash and cash equivalents as well as bonds amounted to \$74,148,000 and tax credits and grants receivable amounted to \$2,030,000, for a total of \$76,178,000. Liquidities, tax credits and grants were \$49,236,000 for Theratechnologies and \$26,942,000 for Celmed. Celmed's liquidities are restricted to the support of its own activities.

For the three months ended May 31, 2004, the burn rate, excluding changes in operating assets and liabilities, was \$6,138,000, that is \$4,101,000 for Theratechnologies and \$2,037,000 for Celmed. For the six months ended May 31, 2004, the burn rate was \$12,608,000, that is \$8,389,000 for Theratechnologies and \$4,219,000 for Celmed.

In the first quarter of 2004, Theratechnologies issued 4,542,000 common shares for cash consideration of \$15,672,000, including the over-allotment option. During the second quarter of 2004, the Company issued 15,292 common shares for cash consideration of \$49,000.

At July 12, 2004, the number of shares issued and outstanding was 35,476,423, while outstanding options granted under the stock option plan were 2,565,832. In addition, 3,800,000 warrants were outstanding.

During the period, there were no material changes in contractual obligations, other than in the ordinary course of business.

Economic and industry factors in the quarter were substantially unchanged from those reported in the Company's 2003 annual report.

### **Subsequent event**

During the second quarter of 2004, Celmed BioSciences Inc., issued a letter of intent for the purchase of all outstanding shares of a US-based company, NewBiotics Inc. On July 2<sup>nd</sup>, 2004, the transaction was approved by NewBiotics' shareholders and Celmed BioSciences issued shares from its capital stock to the shareholders of the acquired company. Consequently, Theratechnologies' interest in Celmed was reduced from 59.7% to 42%. In the future, Celmed will be accounted for by the equity method.

### **Change in accounting policies**

In accordance with amendments made to Section 3870 of the Canadian Institute of Chartered Accountants ("CICA") 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 in the notes to the consolidated financial statements).

### **About Theratechnologies**

Theratechnologies (TSX: TH) is a Canadian biopharmaceutical company engaged in the discovery and development of therapeutic products in the field of endocrinology and metabolism. The Company has and is developing a portfolio of peptides at various stages of development for the treatment of catabolic (loss of the body's synthesis and regeneration capacity) and metabolic disorders, as well as osteoporosis and type II diabetes. In addition, Theratechnologies is expanding its peptide portfolio through proven, proprietary technologies.

### **Additional information about Theratechnologies**

Further information relating to Theratechnologies is available on the Company's website at [www.theratech.com](http://www.theratech.com). The Company is listed on the Toronto Stock Exchange under the symbol TH. Additional information, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

*This press release contains forward-looking statements, which reflect the Company's current expectations regarding future events. Such statements inherently involve numerous risks and uncertainties, including the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of the Company to take advantage of the business opportunities in the biopharmaceutical industry, the granting of the necessary authorizations by the regulatory authorities, and the general economic conditions. Actual future results may differ materially from the anticipated results expressed in the forward looking statements contained in this press release 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 Company's 2003 Annual Report, which contains a more exhaustive analysis of risks and uncertainties connected to the businesses of the Company.*

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**THERATECHNOLOGIES INC.**  
**CONSOLIDATED BALANCE SHEET**  
*(in thousands of dollars)*

	<b>May 31 2004</b>	November 30 2003
	<b>(Unaudited)</b>	(Audited) (Restated, note 2)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,589	\$ 53
Bonds	30,758	39,303
Accounts receivable	611	463
Tax credits and grants receivable	2,030	1,117
Research supplies	904	990
Prepaid expenses	1,078	597
	<b>38,970</b>	42,523
Bonds	<b>39,801</b>	34,484
Investments in companies (market value : \$5,299 in 2004; \$5,876 in 2003)	<b>1,439</b>	2,395
Property, plant and equipment	<b>4,781</b>	5,324
Other assets	<b>10,166</b>	9,866
	<b>\$ 95,157</b>	\$ 94,592
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,663	\$ 7,132
Deferred gain	-	3,762
Non-controlling interest	<b>11,877</b>	13,264
Shareholders' equity:		
Capital stock (note 3)	<b>155,512</b>	139,791
Contributed surplus (note 2)	<b>1,991</b>	1,565
Deficit	<b>(79,886)</b>	(70,922)
	<b>77,617</b>	70,434
Subsequent event (note 8)		
	<b>\$ 95,157</b>	\$ 94,592

See accompanying notes to unaudited consolidated financial statements.

**THERATECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENT OF EARNINGS**  
**PERIODS ENDED MAY 31**

*(in thousands of dollars, except per share amounts) (Unaudited)*

	Second Quarter		Six Months	
	2004	2003	2004	2003
		(Restated, note2)		(Restated, note2)
Revenues:				
Royalties, technologies and other	\$ 60	\$ 15	\$ 139	\$ 110
Interest	722	1,013	1,422	2,058
	<b>782</b>	<b>1,028</b>	<b>1,561</b>	<b>2,168</b>
Operating costs and expenses:				
Research and development	5,675	5,275	11,565	10,151
Tax credits and grants	(586)	(310)	(919)	(722)
	<b>5,089</b>	<b>4,965</b>	<b>10,646</b>	<b>9,429</b>
General and administrative	2,025	2,128	3,987	3,638
Selling and market development	293	243	446	464
Patents and amortization of other assets	207	205	408	373
	<b>7,614</b>	<b>7,541</b>	<b>15,487</b>	<b>13,904</b>
Operating loss before undernoted items	(6,832)	(6,513)	(13,926)	(11,736)
Restructuring costs	-	(1,423)	-	(1,423)
Proportionate share in loss of a company under significant influence	(234)	(516)	(493)	(962)
Gains on investments in companies and gains on dilution (note 4)	89	675	4,743	772
Loss from continuing operations before non-controlling interest	(6,977)	(7,777)	(9,676)	(13,349)
Gain (loss) from discontinued operations (note 5)	386	(1,326)	131	(2,565)
Non-controlling interest	681	1,715	1,752	2,775
Net loss	\$ (5,910)	\$ (7,388)	\$ (7,793)	\$ (13,139)
Basic and diluted loss per share:				
Continuing operations net of non-controlling interest	\$ (0.17)	\$ (0.21)	\$ (0.24)	\$ (0.38)
Discontinued operations net of non-controlling interest	\$ (0.00)	\$ (0.03)	\$ 0.01	\$ (0.05)
Net Loss	\$ (0.17)	\$ (0.24)	\$ (0.23)	\$ (0.43)

See accompanying notes to unaudited consolidated financial statements.

**THERATECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**PERIODS ENDED MAI 31**  
*(in thousands of dollars) (Unaudited)*

	Second Quarter		Six months	
	2004	2003	2004	2003
		(Restated, note 2)		(Restated, note 2)
<b>Cash flows from operating activities:</b>				
Net loss	\$ (5,910)	\$ (7,388)	\$ (7,793)	\$ (13,139)
Adjustments for:				
Depreciation of property, plant and equipment	271	953	533	1,315
Amortization of other assets	137	223	268	352
Stock-based compensation	286	472	517	630
Proportionate share in loss of company under significant influence	234	516	493	962
Gains on investments in companies and gains on dilution	(89)	(675)	(4,743)	(772)
(Gain) loss from discontinued operations	(386)	1,326	(131)	2,565
Non-controlling interest	(681)	(1,715)	(1,752)	(2,775)
	<b>(6,138)</b>	<b>(6,288)</b>	<b>(12,608)</b>	<b>(10,862)</b>
<b>Change in operating assets and liabilities:</b>				
Interest receivable on bonds	(405)	243	(39)	616
Accounts receivable	(170)	(116)	(148)	(14)
Tax credits and grants receivable	(584)	125	(913)	319
Research supplies	155	233	274	(1,297)
Prepaid expenses	(273)	(97)	(546)	(285)
Accounts payable and accrued liabilities	(1,485)	(541)	(1,762)	(2,331)
	<b>(2,762)</b>	<b>(153)</b>	<b>(3,134)</b>	<b>(2,992)</b>
Cash used in discontinued operations	(110)	(1,296)	(406)	(2,363)
	<b>(9,010)</b>	<b>(7,737)</b>	<b>(16,148)</b>	<b>(16,217)</b>
<b>Cash flows from financing activities:</b>				
Share issue	49	93	15,721	119
Share issue costs	(145)	-	(1,127)	-
	<b>(96)</b>	<b>93</b>	<b>14,594</b>	<b>119</b>
<b>Cash flows from investing activities:</b>				
Addition to property, plant and equipment	(138)	(732)	(378)	(1,098)
Disposal of property, plant and equipment	-	-	122	-
Addition to other assets	(348)	(104)	(387)	(226)
Acquisition of bonds	(17,083)	(2,959)	(26,102)	(3,199)
Disposal of bonds	8,871	12,431	29,344	26,375
Disposal of shares in companies	112	132	2,481	132
Net investments related to discontinued operations	10	(89)	10	(102)
	<b>(8,576)</b>	<b>8,679</b>	<b>5,090</b>	<b>21,882</b>
Net change in cash and cash equivalents	<b>(17,682)</b>	<b>1,035</b>	<b>3,536</b>	<b>5,784</b>
Cash and cash equivalents, beginning of period	21,271	4,945	53	196
Cash and cash equivalents, end of period	\$ 3,589	\$ 5,980	\$ 3,589	\$ 5,980

See accompanying notes to unaudited consolidated financial statements.

See note 7 for supplemental cash flow information.

**THERATECHNOLOGIES INC.**  
**CONSOLIDATED STATEMENTS OF DEFICIT**  
**SIX-MONTH PERIODS ENDED MAY 31**  
*(in thousands of dollars) (Unaudited)*

	2004	2003
Restated deficit, beginning of period (note 2)	\$ (70,922)	\$ (37,123)
Net loss	(7,793)	(13,139)
Share issue costs	(1,171)	-
Deficit, end of period	\$ (79,886)	(50,262)

See accompanying notes to unaudited consolidated financial statements.

**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

**1. Basis of presentation**

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

**2. Change in accounting policy**

On December 1<sup>st</sup>, 2001, the Company early implemented the recommendations issued in 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 share capital.



**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

**2. Change in accounting policy (continued)**

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. A compensation expenditure totaling \$463 and \$610 was posted for the second quarter of 2003 and the six-month period ended May 31, 2003, respectively. The restated results for 2003 are presented below:

	Second quarter 2003	Six months 2003
Costs and expenses:		
General and administrative	\$ 387	\$ 458
Research and development	55	115
Selling and market development	30	57
	472	630
Non-controlling interest	(9)	(20)
Stock-based compensation net of non-controlling interest	\$ 463	\$ 610

**3. Capital stock**

	May 31 2004	November 30 2003
Authorized in unlimited number and without par value:		
Common shares		
Preferred shares issuable in one or more series		
Issued:		
35,476,423 common shares (30,918,631 at November 30, 2003)	\$ 155,512	\$ 139,791

In February 2004, the Company concluded an underwriting agreement regarding an initial public offering for the sale and issue of 4,542,500 common shares, including the over-allotment option, at an issue price of \$3.45 per share, for a cash consideration of \$15,672. Share issue costs amounted to \$1,171.

During the second quarter of 2004, the Company issued 15,292 common shares for cash consideration of \$49.

**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

**3. Capital stock (continued)**

**a) Stock-based compensation and other stock-based payments**

The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for Theratechnologies: risk-free interest rate ranging from 3.65% to 4.99%, expected dividend yield of nil, expected volatility ranging from 36% to 76% and expected option life of 6 years. The weighted-average fair value of the 100,000 options granted during the six-month period ended May 31, 2004 is \$1.99 per option. In regard to Celmed BioSciences, a private company, the assumptions are as follows: risk-free interest rate ranging from 3.81% to 5.16%, expected dividend yield of nil, no expected volatility and expected option life of 6 years. Celmed granted 620,000 options with a weighted-average fair value of \$1.04 for the six-month period ended May 31, 2004.

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.

**b) Earnings per share**

The weighted average number of outstanding shares for the purposes of calculating diluted earning or loss per share is as follows:

	<b>Second Quarter</b>		<b>Six months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Weighted average number of outstanding shares	<b>35,466,118</b>	30,797,084	<b>33,470,291</b>	30,792,856
Number of shares which can be exercised net of potential share buyback	<b>8,136</b>	56,656	<b>10,162</b>	52,613
Weighted average number of shares used for the calculation of the diluted earnings per share	<b>35,474,254</b>	30,853,740	<b>33,480,453</b>	30,845,469

**4. Gains on investments in companies and gains on dilution**

During the quarters ended February 29, 2004 and May 31, 2004, the Company realized gains on investments in companies of \$1,929 and \$89, respectively, resulting from the disposal of shares in a company.

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 connected 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 the US subsidiary. These redemptions resulted in an increase of Theratechnologies' interest in Celmed to 59.7%.

**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

**4. Gains on investments in companies and gains on dilution (continued)**

Consequently, the deferred gain of \$3,762 was attributed to non-controlling interests, the amount of \$760 in connection with the redemption was deducted from the non-controlling interests and the adjustment to their interest resulted in a gain of \$2,725, which was the amount recorded.

**5. Discontinued operations**

During the first quarter of 2004, Celmed studies 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. In exchange, the buyer, a non-controlling shareholder, gave up its 430,000 shares in Celmed. These shares were cancelled which increased Theratechnologies' interest in Celmed to 59.7%.

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

	<b>Second Quarter</b>		<b>Six months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Costs and expenses:				
General and administrative	\$ (58)	\$ 229	\$ (42)	\$ 430
Research and development	104	616	322	1,430
Patents and amortization of other assets	-	172	21	374
Restructuring costs	-	322	-	322
Gain on disposal of subsidiary	(432)	-	(432)	-
Future income taxes	-	(13)	-	9
Gain (loss) from discontinued operations	\$ 386	\$ (1,326)	\$ 131	\$ (2,565)
Gain (loss) from discontinued operations attributable to parent company	\$ 229	\$ (817)	\$ 77	\$ (1,580)
Non-controlling interest before discontinued activities	\$ 838	\$ 1,206	\$ 1,806	\$ 1,790
Loss from continuing operations, net of non-controlling interest	\$ (6,139)	\$ (6,571)	\$ (7,870)	\$ (11,559)

**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

**6. Segmented information**

	Therapeutic peptides	Cell therapy	Other segments	Intersegment adjustments and eliminations	Total
<b>Second Quarter ended May 31, 2004</b>					
Revenues from external customers	\$ 60	\$ -	\$ -	\$ -	\$ 60
Intersegment revenues	21	-	-	(21)	-
Gain from discontinued operations	-	585	-	(199)	386
Net loss	(4,586)	(1,663)	(144)	483	(5,910)
Total assets	62,251	31,579	1,439	(112)	95,157

**Six months ended May 31, 2004**

Revenues from external customers	\$ 139	\$ -	\$ -	\$ -	\$ 139
Intersegment revenues	42	-	-	(42)	-
Gain from discontinued operations	-	330	-	(199)	131
Net loss	(9,283)	(4,315)	1,526	4,279	(7,793)
Total assets	62,251	31,579	1,439	(112)	95,157

	Therapeutic peptides	Cell therapy	Other segments	Intersegment adjustments and eliminations	Total
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**Second Quarter ended May 31, 2003 (restated)**

Revenues from external customers	\$ 15	\$ -	\$ -	\$ -	\$ 15
Intersegment revenues	38	-	-	(38)	-
Loss from discontinued operations	-	(1,326)	-	-	(1,326)
Net loss	(4,797)	(4,465)	159	1,715	(7,388)
Total assets	64,775	54,361	3,195	(97)	122,234

**Six months ended May 31, 2003 (restated)**

Revenues from external customers	\$ 110	\$ -	\$ -	\$ -	\$ 110
Intersegment revenues	76	-	-	(76)	-
Loss from discontinued operations	-	(2,565)	-	-	(2,565)
Net loss	(8,499)	(7,225)	(190)	2,775	(13,139)
Total assets	64,775	54,361	3,195	(97)	122,234

**THERATECHNOLOGIES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**PERIODS ENDED MAY 31, 2004**  
*(in thousands of dollars, except per share amounts) (Unaudited)*

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**7. Supplemental cash flow information**

The following transactions were concluded by the Company and did not impact cash flow.

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	<b>May 31</b>	November 30
	<b>2004</b>	2003
Addition to property, plant and equipment financed by accounts payable and accrued liabilities	<b>\$ 24</b>	\$ 92
Addition to other assets financed by accounts payable and accrued liabilities	<b>388</b>	19
Share issue cost financed by accounts payable and accrued liabilities	<b>44</b>	-

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General and administrative expenses include a loss on exchange of \$5 for the second quarter of 2004 (gain of \$115 in 2003) and a gain of \$40 for the six-month period ended May 31, 2004 (gain of \$286 in 2003).

**8. Subsequent event**

During the second quarter of 2004, the subsidiary, Celmed BioSciences Inc., issued a letter of intent for the purchase of all outstanding shares of a US-based company, NewBiotics Inc. Senior management of this company has agreed to the terms and conditions of this letter. On July 2<sup>nd</sup>, 2004, the transaction was approved by NewBiotics' shareholders and Celmed BioSciences issued share from its capital stock to the shareholders of the acquired company. Consequently, Theratechnologies' interest in Celmed was reduced from 59.7% to 42%. In the future, the interest in Celmed will be accounted for by the equity method.

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