

2008: A PIVOTAL YEAR FOR THERATECHNOLOGIES

Theratechnologies announces financial results for the fourth quarter and reviews highlights for the year 2008

- Completed Phase 3 clinical trials in lipodystrophy
- Entered into a collaboration and licensing agreement with EMD Serono
- Agreement with Massachusetts General Hospital for an exploratory Phase 2 clinical trial evaluating tesamorelin
- Balance sheet strengthened through two financial transactions

Montréal, Canada – February 9, 2009 – Theratechnologies (TSX: TH) today announced financial results for the year ended November 30, 2008 and reviewed the year's highlights.

"Marked by the completion of the lipodystrophy Phase 3 clinical trials and the signing of a collaboration and licensing agreement with EMD Serono, 2008 was a pivotal year for Theratechnologies", stated Mr. Yves Rosconi, President and Chief Executive Officer. "The achievements of 2008 have effectively lowered the risks associated with the pursuit of our business plan and have given us considerable financial flexibility, leaving us in an enviable position in the current economic environment," Mr. Rosconi added.

"Our priority for the coming months is to submit our New Drug Application to the Food and Drug Administration in the United States," Mr. Rosconi said. "At this moment, we are working with our commercial partner to finalize the regulatory filing, and include the results after 52 weeks of treatment from the confirmatory trial. By including these data, which became available at the end of 2008, we should be able to submit the best possible application and optimize tesamorelin's label," Mr. Rosconi concluded.

"With a *pro forma* cash position of \$81 million and a significantly lower burn rate in 2009, we are capable of financing our current business plan beyond the commercialization of tesamorelin, said Mr. Luc Tanguay, Senior Executive Vice President and Chief Financial Officer.

Highlights

Completed the Phase 3 clinical trials in lipodystrophy

A major accomplishment of 2008 was the completion of the Phase 3 clinical trials evaluating tesamorelin in patients with HIV-associated lipodystrophy. The 26- and 52-week results of the confirmatory study, the final element of the Phase 3 program, were announced, as planned, in June and December of 2008. This confirmatory study, the objective of which was to confirm the results from the first study, met its primary endpoint (the reduction of visceral adipose tissue) as well as important secondary endpoints. In respect to the first Phase 3 study, its 52-week results were published in the September 2, 2008 edition of the *Journal of the International AIDS Society*. The combined 26-week results from the two studies were presented at two scientific conferences focused on AIDS during 2008: the International AIDS Conference, which took place in Mexico City in August, and the 10th International Workshop on Adverse Drug Reactions and Lipodystrophy in HIV, which was held in London in November.

Collaboration and licensing agreement with EMD Serono

October 29, 2008, Theratechnologies brought its strategic review process to a close with the announcement of a collaboration and licensing agreement with EMD Serono, Inc., an affiliate of Merck KGaA, of Darmstadt, Germany. The agreement grants EMD Serono exclusive commercialization rights to tesamorelin in the United States for the treatment of excess abdominal fat in HIV patients with lipodystrophy and stipulates that Theratechnologies may receive up to US\$215 million (CAD\$265 million) in total payments, including the upfront payment, and payments based on the achievement of certain development, regulatory and sales milestones. Theratechnologies will also be entitled to receive royalties on annual net sales and the Company retains all tesamorelin commercialization rights outside of the United States.

Agreement with Massachusetts General Hospital for an exploratory Phase 2 clinical trial evaluating tesamorelin

On May 15, 2008, Theratechnologies announced an agreement with the Massachusetts General Hospital ("MGH") and Dr. Steven Grinspoon to evaluate tesamorelin in the treatment of relative growth hormone deficient abdominally obese (GHDAO) subjects. Pursuant to the terms of the agreement, MGH, under the direction of Dr. Grinspoon, will sponsor and conduct a Phase 2 clinical trial with tesamorelin in subjects that have excess visceral adipose tissue (VAT) with a moderate growth hormone deficiency and who are abdominally obese. Dr. Grinspoon was awarded a grant by the National Institutes of Health to conduct the study. Theratechnologies is providing the tesamorelin and has no other obligations, financial or otherwise, in the execution of this study. However, Theratechnologies will be entitled to any benefits that may flow from the results generated in this trial.

Balance sheet strengthened through two financial transactions

Over the course of 2008, two important transactions added CAD \$66.8 million to Theratechnologies' balance sheet. In February, the Company completed a public offering of 3,500,000 common shares for gross proceeds of CAD \$29.8 million. In December 2008, following approval of the collaboration and licensing agreement with EMD Serono by the American anti-trust authorities, Theratechnologies received a payment of US \$30 million (CAD \$37.0 million) which included an upfront payment of US \$22 million (CAD \$27.1 million) from EMD Serono and an equity investment by Merck KgaA in Theratechnologies common stock at a price of US\$3.67 (CAD \$4.52) per share for proceeds of US \$8 million (CAD \$9.9 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FOURTH QUARTER

Revenues

Consolidated revenues for the three-month period ended November 30, 2008 amounted to \$616,000 compared to \$1,294,000 in the same period of 2007. Theratechnologies' consolidated revenues for the year ended November 30, 2008 were \$2,641,000 compared to \$3,134,000 in 2007.

The revenues for the quarter and year are principally composed of interest on investments in governmental, municipal and paragonovernmental bodies. Interest revenues in the fourth quarter of 2008 were lower than those of 2007, reflecting lower liquidities in 2008 as well as a general decline in market interest rates. For the year ended November 30, 2008, interest revenues are comparable to those of 2007, reflecting lower interest rates in 2008 compensated by higher average liquidity levels. The 2008 revenues from royalties, technologies and other include an amount of \$193,000 attributable to a license agreement signed with PDC Biotech GmbH for a family of peptides aimed at programs in preterm labour

and primary dysmenorrhea. The fourth quarter revenues of 2007 include \$619,000 attributable to a license agreement by the Company through which OctoPlus N.V. acquired the worldwide rights to the development and commercialization of the Company's glucagon-like peptide-1 (GLP-1) portfolio of analogues for the treatment of diabetes and other potential indications.

R&D Activities

Consolidated research and development (R&D) expenditures, before tax credits, totalled \$6,313,000 for the three-month period ended November 30, 2008, compared to \$8,475,000 in the same period of 2007. The lower level of R&D expenses in the fourth quarter is due to the close of the confirmatory Phase 3 trial. For the year ended November 30, 2008, R&D expenditures, before tax credits, totalled \$35,326,000 compared to \$31,866,000 in 2007. The increase in R&D expenditures in 2008 is explained by increased activities related to completing the clinical program for tesamorelin in HIV-associated lipodystrophy as well as higher expenses related to the preparation of a New Drug Application for the Food and Drug Administration in the United States. Stock-based compensation attributable to R&D was lower, however, at \$593,000 compared to \$1,122,000 in 2007.

Other Expenses

For the fourth quarter of 2008, general and administrative expenses were \$1,874,000, compared to \$2,064,000 in 2007. For the year ended November 30, 2008, general and administrative expenses were \$6,185,000, compared to \$7,260,000 in 2007. The lower expense in 2008 is attributable to a reduction in stock-based compensation and a smaller exchange loss.

Selling and market development expenses for the fourth quarter of 2008 amounted to \$1,124,000, compared to \$689,000 for the same period in 2007. For the year ended November 30, 2008, selling and market development expenses were \$3,811,000, compared to \$2,351,000 in 2007. This increase in these charges is related to pre-commercialization expenses for tesamorelin in HIV-associated lipodystrophy. Following the collaboration and licensing agreement with EMD Serono, Inc., the growth in selling and market development expenses will be significantly lower.

Patents, amortization and write-off of other assets amounted to \$5,022,000 for the three months ended November 30, 2008, compared to \$240,000 for the corresponding period in 2007. For the year ended November 30, 2008, the charges amounted to \$5,581,000, compared to \$840,000 in 2007. In the fourth quarter of 2008, the Company wrote off \$287,000 of patent costs following a review by management of its development strategy and choice of a specific molecule for the acute renal failure program. The Company also conducted an impairment test on the intellectual property of the ExoPep platform following a review of the development strategy by management for new products. As a consequence, the Company wrote off the carrying amount of this intellectual property in 2008. The write down of \$4,571,000 is included in "Patents, amortization and write-off of other assets" in the consolidated statement of earnings.

The costs related to the strategic review and the collaboration and licensing agreement with EMD Serono, Inc. amounted to \$2,224,000 for the year. These costs are essentially composed of fees paid to the various experts retained to help management and the board of directors. See note 9a of the attached consolidated financial statements of the Company for the periods ended November 30, 2008 and 2007.

In 2008, the Company incurred an impairment of \$578,000 related to a decline in value that is other than temporary for stock options held in OctoPlus N.V.

Net Results

The Company recorded a net loss in the three-month period ended November 30, 2008 of \$15,440,000, compared to \$10,279,000 for the same period in 2007. The 2008 net loss includes the previously described impairment charges totalling \$5,436,000.

For the year ended November 30, 2008, the net loss was \$48,953,000 compared to \$37,588,000 in 2007, reflecting the changes in revenues and expenses described above.

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.

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

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$ 616	\$ 710	\$ 716	\$ 599	\$ 1,294	\$ 748	\$ 805	\$ 287
Net loss	\$ (15 440)	\$ (11,224)	\$ (11,398)	\$ (10,891)	\$ (10,279)	\$ (9,781)	\$ (8,089)	\$ (9,439)
Basic and diluted loss per share	\$ (0.27)	\$ (0.19)	\$ (0.20)	\$ (0.20)	\$ (0.19)	\$ (0.18)	\$ (0.15)	\$ (0.20)

Financial Position

Theratechnologies maintained a sound liquidity position in 2008. At November 30, 2008, cash and bonds were \$46,337,000 and tax credits receivable were \$1,784,000, for a total amount of \$48,121,000.

On a *pro forma* basis, including the funds received at the closing of the collaboration and licensing agreement with EMD Serono, Inc. (see "Subsequent events"), liquidities and tax credits receivable at the end of the year would have been \$80,812,000.

The Company invests its available cash in highly liquid fixed income instruments from governmental, municipal and paragonovernmental bodies (\$43,795,000 at November 30, 2008) and corporations with high credit ratings (\$2,409,000 at November 30, 2008).

During the first quarter of 2008, the Company completed a public offering for the sale and issuance of 3,500,000 common shares for cash proceeds of \$29,750,000. Issue costs totalled \$1,938,000, resulting in net proceeds of \$27,812,000. In the year ended November 30, 2008, the Company issued 119,666 common shares following the exercise of stock options, for cash proceeds of \$397,000. The Company also received share subscriptions amounting to \$149,000 for the issuance of 64,291 common shares to employees in connection with its share purchase plan.

In the three months ended November 30, 2008, the burn rate from operating activities, excluding changes in operating assets and liabilities, was \$9,527,000 compared to \$9,958,000 in 2007, reflecting the level of activities previously described. For the year ended November 30, 2008, the burn rate, represented by cash flow from operating activities, excluding changes in operating assets and liabilities was \$41,493,000 compared to \$34,698,000 in 2007. The increase in the burn rate in 2008 reflects the planned increase in activities related to completion of the tesamorelin Phase 3 program, the strategic review process and concluding the collaboration and licensing agreement with EMD Serono, Inc.

Based on the current business plan, the burn rate for 2009 is expected to decline over the course of the year to reach a level that will be approximately 30% lower than that of 2008. Considering the liquidity level and the decline in the burn rate, the Company is capable of fully financing its current business plan beyond the commercialization of tesamorelin for its first indication in the United States.

Subsequent events

On October 28, 2008, the Company entered into a collaboration and licensing agreement with EMD Serono, Inc., an affiliate of Merck KGaA, regarding the exclusive commercialization rights of tesamorelin in the United States for the treatment of excess abdominal fat in HIV patients with lipodystrophy. Theratechnologies retains all tesamorelin commercialization rights outside of the United States.

At the closing of the agreement, on December 15, 2008, the Company received US \$30,000,000 (CAD \$36,951,000) which includes an initial payment of US \$22,000,000 (CAD \$27,097,000) and a subscription totaling US \$8,000,000 (CAD \$9,854,000) for common shares in the Company by Merck KGaA at a price of US \$3.67 (CAD \$4.52) per share. Theratechnologies may receive up to US \$215,000,000 (CAD \$265,000,000) in total payments. See note 9a) to the financial statements.

The costs related to the strategic review and the collaboration and licensing agreement with EMD Serono, Inc. amounted to \$2,224,000 for the year in 2008 and the transaction costs at closing are estimated at \$4,260,000 for 2009.

On December 18, 2008, the Company issued 590,500 stock options at a strike price of \$1.80 per share in connection with its compensation program.

New accounting policies

See note 2 to the financial statements. The adoption of new accounting standards referred to therein had no effect on the Company's financial results.

Outstanding share data

At February 8, 2009, the number of shares issued and outstanding was 60,394,927 , while outstanding options granted under the stock option plan were 2,748,800.

Contractual Obligations

There were no material changes in contractual obligations during the quarter, other than in the ordinary course of business.

Economic and Industry Factors

Over the past year, the capital markets were characterized by significant stock market volatility and a notable decline in access to capital across all sectors and particularly in biotechnology. In parallel, an economic slowdown occurred in almost all sectors.

The general decline of capital markets has had a negative effect on the cost of capital for companies.

The Company does not envisage raising money because its liquidity level is sufficient to meet the operating needs of the current business plan. Furthermore, the milestone payments and future royalties make it possible for the Company to fully finance its current business plan beyond the commercialization of tesamorelin for its first indication in the United States.

The Company's investment policy is conservative. The Company invests its funds in highly liquid, low-risk instruments as described under the heading "Financial position". The Company holds no commercial paper.

The Company relies on third parties to manufacture and supply its tesamorelin. The Company is not aware of any information suggesting that its principal suppliers will not be able to meet their obligations.

About Theratechnologies

Theratechnologies (TSX: TH) is a Canadian biopharmaceutical company that discovers innovative drug candidates in order to develop them and bring them to market. The Company targets unmet medical needs in financially attractive specialty markets. Its most advanced compound, tesamorelin, is an analogue of the growth hormone releasing factor.

Theratechnologies recently concluded a confirmatory Phase 3 clinical trial evaluating in HIV-associated lipodystrophy, serious metabolic disorder associated with excess abdominal fat. The Company also has other projects at earlier stages of development.

Further information on Theratechnologies

Further information on Theratechnologies can be found at www.theratech.com. Additional documents, including the Company's Annual Information Form, are available through SEDAR at www.sedar.com.

Forward-Looking Information

This press release and the management's discussion and analysis for the fourth quarter incorporated therein contain certain statements that are considered "forward-looking information" within the meaning of applicable securities legislation. This forward-looking information includes, in particular, information on the preparation of a New Drug Application ("NDA") for submission to the Food and Drug Administration ("FDA") in the United States, the commercialization of tesamorelin for the treatment of HIV-associated lipodystrophy and the financial autonomy of the Company. Words such as "will", "may", "could", "should", "outlook", "believe", "plan", "envisage", "anticipate", "expect" and "estimate", or the negatives of these terms or variations of them and the use of the future or conditional tense as well as similar expressions denote forward-looking information.

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, in particular, difficulties, regulatory or otherwise, which the Company may face for submission of an NDA to the FDA, the risk that the Company may not obtain all required approvals from the FDA to market its products, the risk that the Company's products may not be accepted by the market, delays or cost overruns that could result from the use of third-party suppliers and a change in the Company's business plan that requires additional funds.

Although the forward-looking information contained herein is based upon what the Company believes are reasonable assumptions, investors are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions used in these forward looking statements, and the Company's anticipated objectives, take into consideration that the administration of tesamorelin to patients will not have any significant adverse side-effects, that the Company will have access to all the data and necessary resources to submit a NDA to the FDA, that the Company will continue to have a good business relationship with its third party suppliers and that the Company's business plan will not be substantially modified, such that it could necessitate a need for additional funds.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences or effects on the Company, its business, its financial condition or its results of operation. Furthermore, the forward-looking information reflects current expectations regarding future events only as of the date of release of this press release and represents the Company's expectations as of that date.

Investors are referred to the Company's public filings available at www.sedar.com. In particular, further details and descriptions of these risks and other factors are disclosed in the "Risk and Uncertainties" section of the Company's Annual Information Form, dated January 29, 2008, for the year ended November 30, 2007. The Company does not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

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Consolidated Financial Statements of
(Unaudited)

THERATECHNOLOGIES INC.

Periods ended November 30, 2008 and 2007

THERATECHNOLOGIES INC.

Consolidated Financial Statements
(Unaudited)

Periods ended November 30, 2008 and 2007

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THE RATECHNOLOGIES INC.

Consolidated Balance Sheets

November 30, 2008 and 2007
(in thousands of dollars)

	2008	2007
	(Audited)	(Audited)
Assets		
Current assets:		
Cash	\$ 133	\$ 2,578
Bonds	10,955	27,466
Accounts receivable	610	451
Tax credits receivable	1,784	1,418
Research supplies	301	2,110
Prepaid expenses	397	414
	14,180	34,437
Bonds	35,249	30,324
Investments in public companies	41	635
Property and equipment	1,299	1,722
Other assets (note 3)	3,375	7,472
	\$ 54,144	\$ 74,590
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,198	\$ 8,613
Shareholders' equity:		
Capital stock (note 4)	269,219	238,842
Contributed surplus	5,585	4,807
Accumulated other comprehensive (loss) income	372	(333)
Deficit	(228,230)	(177,339)
	(227,858)	(177,672)
Total shareholders' equity	46,946	65,977
Subsequent events (note 9)		
	\$ 54,144	\$ 74,590

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Consolidated Statements of Earnings

Periods ended November 30, 2008 and 2007
(in thousands of dollars, except per share amounts)

	Fourth quarter		Year	
	2008	2007	2008	2007
	(Unaudited)		(Audited)	
Revenues:				
Royalties, technologies and other	\$ 98	\$ 624	\$ 214	\$ 638
Interest	518	670	2,427	2,496
	616	1,294	2,641	3,134
Operating costs and expenses:				
Research and development	6,313	8,475	35,326	31,866
Tax credits	(334)	(294)	(2,111)	(1,652)
	5,979	8,181	33,215	30,214
General and administrative	1,874	2,064	6,185	7,260
Selling and market development	1,124	689	3,811	2,351
Patents, amortization and write-off of other assets	5,022	240	5,581	840
Fees associated with the strategic review process and collaboration and licensing agreement (note 9 (a))	1,479	—	2,224	—
	15,478	11,174	51,016	40,665
Operating loss before undernoted item	(14,862)	(9,880)	(48,375)	(37,531)
Realized loss on disposal and impairment of investments in public companies	(578)	(399)	(578)	(57)
Net loss	\$ (15,440)	\$ (10,279)	\$ (48,953)	\$ (37,588)
Basic and diluted loss per share (note 4 (c))	\$ (0.27)	\$ (0.19)	\$ (0.85)	\$ (0.71)
Weighted average number of common shares outstanding	58,165,795	54,506,446	57,415,468	52,581,559

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Consolidated Statements of Comprehensive Loss

Periods ended November 30, 2008 and 2007
(in thousands of dollars)

	Fourth quarter		Year	
	2008	2007	2008	2007
	(Unaudited)		(Audited)	
Net loss	\$ (15,440)	\$ (10,279)	\$ (48,953)	\$ (37,588)
Unrealized gains (losses) on available-for-sale financial assets	71	228	133	(496)
Reclassification adjustment for gains and losses on available- for-sale financial assets (note 5 (b))	572	400	572	84
Comprehensive loss	\$ (14,797)	\$ (9,651)	\$ (48,248)	\$ (38,000)

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Consolidated Statement of Shareholders' Equity

Period ended November 30, 2008
(in thousands of dollars)

	Capital stock		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Dollars				
Balance, November 30, 2007	54,531,133	\$ 238,842	\$ 4,807	\$ (333)	\$ (177,339)	\$ 65,977
Issuance of share capital (note 4)	3,564,291	29,899	—	—	—	29,899
Share issue costs	—	—	—	—	(1,938)	(1,938)
Exercise of stock options:						
Cash proceeds	119,666	397	—	—	—	397
Ascribed value	—	81	(81)	—	—	—
Stock-based compensation	—	—	859	—	—	859
Net loss	—	—	—	—	(48,953)	(48,953)
Unrealized gains on available-for-sale financial assets	—	—	—	705	—	705
Balance, November 30, 2008	58,215,090	\$ 269,219	\$ 5,585	\$ 372	\$ (228,230)	\$ 46,946

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Consolidated Statement of Shareholders' Equity, Continued

Period ended November 30, 2007
(in thousands of dollars)

	Capital stock		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Dollars				
Balance, November 30, 2006	46,775,359	\$ 177,552	\$ 3,486	\$ —	\$ (136,563)	\$ 44,475
Changes in accounting policies	—	—	—	79	—	79
Issuance of share capital	6,888,074	57,879	—	—	—	57,879
Share issue costs	—	—	—	—	(3,188)	(3,188)
Exercise of stock options:						
Cash proceeds	867,700	2,392	—	—	—	2,392
Ascribed value	—	1,019	(1,019)	—	—	—
Stock-based compensation	—	—	2,340	—	—	2,340
Net loss	—	—	—	—	(37,588)	(37,588)
Unrealized losses on available-for-sale financial assets	—	—	—	(412)	—	(412)
Balance, November 30, 2007	54,531,133	\$ 238,842	\$ 4,807	\$ (333)	\$ (177,339)	\$ 65,977

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Consolidated Statements of Cash Flows

Periods ended November 30, 2008 and 2007
(in thousands of dollars)

	Fourth quarter		Year	
	2008	2007	2008	2007
	(Unaudited)		(Audited)	
Cash flows from operating activities:				
Net loss	\$ (15,440)	\$ (10,279)	\$ (48,953)	\$ (37,588)
Adjustments for:				
Amortization of property and equipment	160	160	625	550
Amortization and write-off of other assets	4,994	161	5,398	562
Stock-based compensation	181	220	859	2,340
Non-monetary revenues	—	(619)	—	(619)
Loss on disposal and impairment of investments in public companies	578	399	578	57
	(9,527)	(9,958)	(41,493)	(34,698)
Changes in operating assets and liabilities:				
Interest receivable on bonds	219	298	405	(364)
Accounts receivable	(20)	334	(134)	(137)
Tax credits receivable	(335)	(293)	(366)	493
Research supplies	(498)	821	582	368
Prepaid expenses	109	546	17	(23)
Accounts payable and accrued liabilities	(3,752)	(833)	(1,277)	1,952
	(4,277)	873	(773)	2,289
	(13,804)	(9,085)	(42,266)	(32,409)
Cash flows from financing activities:				
Share issuance	121	210	30,296	60,271
Share issue costs	(23)	(5)	(1,930)	(3,193)
	98	205	28,366	57,078
Cash flows from investing activities:				
Addition to property and equipment	(31)	(181)	(301)	(547)
Addition to other assets	(45)	(72)	(146)	(228)
Acquisition of bonds	(4,815)	(807)	(17,987)	(41,496)
Disposal of bonds	9,115	5,898	29,889	19,385
Disposal of investments in public companies	—	78	—	779
	4,224	4,916	11,455	(22,107)
Net change in cash	(9,482)	(3,964)	(2,445)	2,562
Cash, beginning of period	9,615	6,542	2,578	16
Cash, end of period	\$ 133	\$ 2,578	\$ 133	\$ 2,578

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

See accompanying notes to unaudited consolidated financial statements.

THE RATECHNOLOGIES INC.

Notes to Consolidated Financial Statements
(Unaudited)

Periods ended November 30, 2008 and 2007
(in thousands of dollars, except per share amounts)

1. Basis of presentation:

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

2. New accounting policies:

(a) Adoption of new accounting standards:

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

(b) Future accounting changes:

Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section will apply to the Company's interim and annual financial statements beginning December 1, 2008. As the Company has no inventories on November 30, 2008, the adoption of this section will have no impact on the Company's financial statements.

THE RATECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended November 30, 2008 and 2007
(in thousands of dollars, except per share amounts)

2. New accounting policies (continued):

(b) Future accounting changes (continued):

Goodwill and intangible assets

In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development costs*. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard will apply to the Company's interim and annual financial statements beginning on December 1, 2008 and will be applied retrospectively. The impact of adopting this standard will be to increase the opening deficit at December 1, 2006 by \$861, which is the amount of patent costs related to periods prior to this date, and to increase the net loss by \$80 in 2007 and to decrease the net loss by \$342 in 2008.

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged into IFRS, as issued by the International Accounting Standards Board (IASB). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to report under IFRS for its 2012 interim and annual financial statements. The Company will convert to these new standards according to the timetable set within these new rules. The Company has not determined the impact of adopting the standards on its consolidated financial statements.

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3. Other assets:

	2008		
	Cost	Accumulated amortization	Net book value
Intellectual property	\$ 7,670	\$ 7,670	\$ –
Patent costs	2,092	1,493	599
Research supplies	2,751	–	2,751
Other assets	25	–	25
	\$ 12,538	\$ 9,163	\$ 3,375

In 2008, the Company wrote off \$287 of patent costs following a review by management of the development strategy and choice of a specific molecule for the related product.

The Company also conducted an impairment test on the intellectual property included in "Other assets" following a review of the development strategy by management for new products. As a consequence, the Company wrote off the carrying amount of this intellectual property. The write-off of \$4,571 is included in "Patents, amortization and write-off of other assets" in the consolidated statements of earnings.

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

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4. Capital stock:

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

In 2008, the Company received subscriptions in the amount of \$149 for the issue of 64,291 common shares in connection with its share purchase plan.

(a) Share option plan:

Changes in outstanding options granted under the Company's stock option plan for the years ended November 30, 2008 and 2007 were as follows:

	Number	Weighted average exercise price
Options as at November 30, 2006 (audited)	2,551,000	\$ 4.26
Granted	608,500	9.41
Exercised	(867,700)	2.76
Cancelled and expired	(84,167)	2.80
Options as at November 30, 2007 (audited)	2,207,633	6.32
Granted	111,000	7.98
Exercised	(119,666)	3.32
Cancelled	(37,167)	9.57
Options as at November 30, 2008 (audited)	2,161,800	\$ 6.52

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4. Capital stock (continued):

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

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

	2008	2007
Risk-free interest rate	3.36%	4.22%
Volatility	70.4%	68.7%
Average option life in years	6	6
Dividend yield	Nil	Nil

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

The following table summarizes the weighted average fair value of stock options granted during the periods ended November 30, 2008 and 2007:

	Number	Weighted average grant date fair value
2008	111,000	\$ 5.16
2007	608,500	6.10

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4. Capital stock (continued):

(c) Diluted loss per share:

Diluted loss per share was not presented as the effect of options ongoing would have been anti-dilutive. Furthermore, 641,500 options (251,500 in 2007) could have an effect on the calculation in the future, since their exercise prices were higher than the average market price during the reporting periods of 2008 and 2007.

5. Supplemental information:

(a) Statement of cash flows:

The following transactions were conducted by the Company and did not impact cash flows:

	November 30, 2008	November 30, 2007
Additions to property and equipment included in accounts payable and accrued liabilities	\$ 48	\$ 147
Additions to other assets financed included in accounts payable and accrued liabilities	17	64
Share issue costs included in accounts payable and accrued liabilities	8	—

(b) In 2008, the Company has reclassified in net earnings \$572 of realized losses on available-for-sale financial assets previously recorded in accumulated other comprehensive income. The realized loss includes impairment loss of \$578 related to a decline in value that is other than temporary for stock options held in OctoPlus N.V.

In 2007, the Company has reclassified in net earnings \$84 of realized losses on available-for-sale financial assets previously recorded in accumulated other comprehensive income. The realized gains include a gain of \$537 on disposal of the investment in Sonomed (formerly Andromed Inc.). In 2007, the Company received \$628 as a result of the redemption of the Sonomed shares held by the Company. In 2007, the Company also disposed of its remaining shares in Thallion Pharmaceutical Inc. (formerly Ecopia BioSciences Inc.) for \$151 and realized a loss of \$594.

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5. Supplemental information (continued):

(b) (continued):

On November 30, 2008, the accumulated other comprehensive loss was composed of unrealized gains on available-for-sale financial assets of \$372 (loss of \$333 on November 30, 2007).

(c) The Company received tax credits of \$1,746 in 2008 (\$2,144 in 2007).

(d) The following items were included in the determination of the Company's net loss:

	2008	2007
Amortization of property and equipment	\$ 625	\$ 550
Amortization and write-off of other assets (note 3)	5,398	562

6. Capital disclosures:

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

To fund its activities, the Company has followed an approach that relies almost exclusively on the issuance of common equity, as well as proceeds and royalties from technologies following the closing of the transaction disclosed in note 9. Since inception, the Company has financed its liquidity needs primarily through public offerings of common shares and private placements. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including investment tax credits, grants, interest income as well as proceeds and royalties from technologies.

The Company's policy is to maintain a minimum level of debt. The Company has a line of credit of \$1,800 for its short-term financing needs. As at November 30, 2008, this line of credit has not been used.

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

At November 30, 2008, cash and bonds amounted to \$46,337 and tax credits receivable amounted to \$1,784, for a total of \$48,121. Furthermore, after November 30, 2008, the Company received a gross amount of \$36,951 following the closing of the transaction disclosed in note 9. The Company believes that its cash position will be sufficient to finance its operations and capital needs for the next year.

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6. Capital disclosures (continued):

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

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

7. Financial risk management:

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

(a) Credit risk:

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

Financial instruments other than cash that potentially subject the Company to significant credit risk consist principally of bonds. The Company invests its available cash in fixed income instruments from governmental, paragonmental and municipal bonds (\$43,795 as at November 30, 2008) as well as from corporations (\$2,409 as at November 30, 2008) with high credit ratings. As at November 30, 2008, the Company was not exposed to any credit risk over the carrying amount of the bonds.

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7. Financial risk management (continued):

(b) Liquidity risk:

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

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

The instruments are selected with regard to the expected timing of expenditures and prevailing interest rates. Bonds mature during the following fiscal years: \$10,955 in 2009, \$14,367 in 2010, \$14,776 in 2011 and \$6,106 in 2012.

The following are the contractual maturities of financial liabilities, as well as the payments required under the terms of the operating lease, as at November 30, 2008:

	Total	Carrying amount	Less than 1 year	1 to 3 years
Accounts payable and accrued liabilities	\$ 7,198	\$ 7,198	\$ 7,198	\$ –
Operating lease	1,156	–	816	340
	\$ 8,354	\$ 7,198	\$ 8,014	\$ 340

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7. Financial risk management (continued):

(c) Foreign currency risk:

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

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

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

The following table provides significant items exposed to foreign exchange as at November 30, 2008:

(in thousands of Canadian dollars)	November 30,		
			2008
	\$US	EURO	GBP
Cash	1	–	–
Accounts receivable	–	–	–
Accounts payable and accrued liabilities	(2,589)	(159)	(348)
Balance sheet's elements exposed to foreign currency risk	(2,588)	(159)	(348)

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7. Financial risk management (continued):

(c) Foreign currency risk (continued):

The following exchange rates applied during the year ended November 30, 2008:

	Average rate November 30, 2008	Reporting date rate November 30, 2008
US\$ - CAD\$	1.0479	1.2370
EUR - CAD\$	1.544	1.5711
GBP - CAD\$	1.9767	1.906

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

(in thousands of Canadian dollars)	US\$	EURO	GBP
Decrease net loss	129	8	17

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

(d) Interest rate risk:

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

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7. Financial risk management (continued):

(d) Interest rate risk (continued):

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

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

Based on the value of variable interest-bearing cash during the nine months ended November 30, 2008, an assumed 0.5% point increase in interest rates during such period would have decreased the net loss by \$31, with an equal but opposite effect for an assumed 0.5% point decrease in interest rates.

8. Financial instruments:

(a) Carrying value and fair value:

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

Bonds and investments in public companies are stated at estimated fair value, determined by prices quoted on active markets.

(b) Interest income and expenses:

Interest income consists of interest earned on cash and bonds.

(c) Loss on exchange:

General and administrative expenses include a loss on foreign exchange of \$247 (loss of \$598 in 2007) for the year ended November 30, 2008.

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9. Subsequent events:

- (a) On October 28, 2008, the Company entered into a collaboration and licensing agreement with EMD Serono Inc., an affiliate of Merck KGaA, regarding the exclusive commercialization rights of tesamorelin in the United States for the treatment of excess abdominal fat in HIV patients with lipodystrophy (the Initial Product). Theratechnologies retains all tesamorelin commercialization rights outside of the US.

Under the terms of the agreement, the Company is responsible for the development of the Initial Product up to obtaining marketing approval in the United States. The Company is also responsible for product production and for the development of a new formulation of the Initial Product. EMD Serono is responsible for conducting product commercialization activities.

At the closing of the agreement, on December 15, 2008, the Company received US\$30,000 (CAD\$36,951) which includes an initial payment of US\$22,000 (CAD\$27,097) and US\$8,000 (CAD\$9,854) as a subscription for common shares in the Company by Merck KGaA at a price of US\$3.67 (CAD\$4.52) per share. The Company may receive up to US\$215,000 (CAD\$265,000), which amount includes the initial payment of US\$22,000, the equity investment of US\$8,000 as well as payments based on the achievement of certain development, regulatory and sales milestones. The Company will also be entitled to receive increasing royalties on annual net sales of tesamorelin in the US.

The Company may conduct research and development for additional indications. EMD Serono will have the option to commercialize additional indications for tesamorelin in the US. If it exercises this option, EMD Serono will pay half of the development costs related to such additional indications. In such cases, the Company will also have the right, subject to EMD Serono's agreement, to participate in the promotion of the additional indications.

The fees associated with the strategic review process and the conclusion of the collaboration and licensing agreement with EMD Serono amounted to \$2,224 in 2008 and transaction costs at closing are estimated at \$4,260 for 2009.

- (b) On December 18, 2008, the Company granted 590,500 stock options at an exercise price of \$1.80 per share in connection with its compensation program.