

**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.**

2310 Alfred-Nobel Blvd., Saint Laurent, Québec Canada H4S 2A4

Phone: (514) 336-7800 • Fax: (514) 336-7242 • [www.theratech.com](http://www.theratech.com) • [thera@theratech.com](mailto:thera@theratech.com)

- **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.*

### **Contact:**

Peter McBride  
Vice President, Investor Relations and Public Affairs  
Phone: (514) 336-4804, ext. 215  
[pmcbride@theratech.com](mailto:pmcbride@theratech.com)