MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER

Revenues

Consolidated revenues for the three-month period ended May 31, 2007 increased to $805,000 compared to $395,000 in 2006. For the six-month period ended May 31, 2007, consolidated revenues were $1,092,000 compared to $870,000 for the same period in 2006. Revenues are mainly composed of interest from investments. The increase in interest revenue was due to higher liquidity balances in fiscal 2007 compared to 2006.

R&D activities

Consolidated research and development (R&D) expenditures, before tax credits, totalled $6,576,000 for the second quarter of 2007, compared to $5,361,000 in 2006. The R&D expenses for the six-month period ended May 31, 2007 amounted to $14,676,000 compared to $9,646,000 for the same period in 2006. The higher level of R&D expenditures in 2007 is essentially due to costs associated with the ongoing activities associated with the first Phase 3 study and the confirmatory Phase 3 study for TH9507.

Other expenses

For the second quarter of 2007, general and administrative expenses, selling and market development expenses, patents and amortization of other assets (SG&A) increased to $2,550,000, compared to $1,463,000 for the same period in 2006. For the six-month period ended May 31, 2007, the SG&A amounted to $4,938,000 compared to $3,276,000 for the same period in 2006. The increase is primarily attributable to increased foreign exchange losses, increased stock-based compensation expense and other expenses associated with the stock option program in fiscal 2007 compared to 2006. In addition, the higher expenses in 2007 reflect the Company's growth and increase in business development and commercialization activities.

Net results

Reflecting the changes in revenues and expenses described above, the Company recorded a second-quarter net loss of $8,089,000 ($0.15 per share), compared to $6,221,000 ($0.14 per share) for the same period in 2006. For the six-month period ended May 31, 2007, the loss was $17,528,000 ($0.35 per share), compared to losses of $11,668,000 ($0.29 per share) in 2006.

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.

	2007		2006					2005
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**805**	**$ 287**	$ 367	$ 412	$ 395	$ 475	$ 319	$ 409
Operating loss	**(8,089)**	**$ (9,439)**	$ (6,942)	$ (7,251)	$ (6,221)	$ (5,447)	$ (5,580)	$ (5,065)
Net loss	**(8,089)**	**$ (9,439)**	$ (6,942)	$ (7,251)	$ (6,221)	$ (5,447)	$ (5,651)	$ (5,218)
Basic and diluted loss per share	**(0.15)**	**$ (0.20)**	$ (0.15)	$ (0.16)	$ (0.14)	$ (0.15)	$ (0.16)	$ (0.15)

Financial position

Theratechnologies maintains a sound financial position. At May 31, 2007, liquidities amounted to $76,305,000, which include cash and bonds of $74,462,000 and tax credits receivable of $1,843,000.

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During the first quarter, the Company completed a public offering for the sale and issuance of 6,875,000 common shares, including those issued pursuant to the over-allotment option, for a cash consideration of $57,750,000. Issue costs totaled $3,238,000, resulting in net proceeds to the Company of $54,512,000. During the first half 2007, the Company issued 765,534 common shares following the exercise of stock options, for cash proceeds of $1,993,000. During the second quarter of 2007, the Company also issued 10,949 common shares to employees for a cash consideration of $104,000 in connection with its share purchase plan.

For the three-month period ended May 31, 2007, the burn rate from operating activities, excluding changes in operating assets and liabilities, was $7,467,000, compared to $5,827,000 in 2006. For the six-month period ending May 31, 2007, the burn rate from operating activities, excluding changes in operating assets and liabilities, increased to $15,029,000, compared to $10,560,000 for the same period in 2006. The increased burn rate in 2007 is mostly the result of the planned increase in Phase 3 program activities which translated into higher R&D expenses as described above.

Changes in accounting policies
At the beginning of the fiscal year 2007, the Company adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 1530 entitled “Comprehensive income”, Section 3251 entitled “Equity”, Section 3855 entitled “Financial instruments – Recognition and measurement”, Section 3861 entitled “Financial Instruments – Presentation and Disclosure”, and Section 3865 entitled “Hedges”. The adoption of these standards had no material impact on the Company’s operating results (see note 2 of the Consolidated Financial Statements).

Outstanding share data
Between June 1 and July 9, 2007, 48,333 options were exercised, at an average exercise price of $3.87 per share, for cash proceeds of $187,000. On July 9, 2007, the number of shares issued and outstanding was 54,475,175, while outstanding options granted under the stock option plan were 2,106,466.

Subsequent event
Sonomed Inc., formerly Andromed Inc., a public company in which Theratechnologies had invested, SND Energy Ltd. (a newly formed entity) and StoneBridge Merchant Capital Corp. entered into an Arrangement Agreement (the “Agreement”). The main purpose of the Agreement is to substantially distribute all of the assets of Sonomed to its sharehoders. The shareholders of Sonomed have exchanged all of their common shares into units, each unit being comprised of one new common share and one new preferred share of Sonomed. Subsequently, all Sonomed new common shares have been exchanged on a one for one basis for SND Energy common shares, and all new preferred shares have been redeemed for a cash consideration of approximately $0.10 per share. On July 3, 2007, the Company received a cash consideration of $609,000 as a result of the redemption of the new preferred shares of Sonomed held by the Company.

Contractual obligations
Apart from the financings mentioned above, there were no material changes in contractual obligations during the semester, other than in the ordinary course of business.

Economic and industry factors
Economic and industry factors were substantially unchanged from those reported in the Company's 2006 annual report.