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23 December 2005

To: All Pharmaceutical Suppliers, Medical Groups and Interested Parties

By facsimile (2 pages)

CONSULTATION ON A PROPOSAL REGARDING SOLOX

PHARMAC has entered into a provisional agreement with Douglas Pharmaceuticals Limited for the listing of lansoprazole (Solox) capsules on the Pharmaceutical Schedule. The main features of the proposal are outlined below.

- PHARMAC would list lansoprazole (Solox) 30 mg capsules in Section B and Section H of the Pharmaceutical Schedule with effect from 1 April 2006 as follows:

| Chemical | Brand | Presentation | Strength | Proposed Price (ex-manufacturer, GST excl.) | Pack Size |
|--------------|-------|--------------|----------|---|--------------|
| lansoprazole | Solox | capsules | 30 mg | \$8.59 | 28 |

- PHARMAC would list lansoprazole (Solox) 15 mg capsules in Section B and Section H of the Pharmaceutical Schedule subject to Douglas Pharmaceuticals gaining all necessary consents by 30 June 2006 as follows:

| Chemical | Brand | Presentation | Strength | Proposed Price (ex-manufacturer, GST excl.) | Pack Size |
|--------------|-------|--------------|----------|---|--------------|
| lansoprazole | Solox | capsules | 15 mg | \$4.30 | 28 |

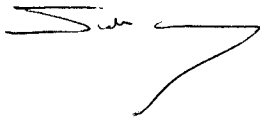
- The future prices for both hospital and community supply would be set based on the number of Solox capsules subsidised in the community as follows:

| Volume in a 3-month period | Adjusted Price for Solox 30 mg | Adjusted Price for Solox 15 mg |
|-------------------------------|--------------------------------|--------------------------------|
| 2,140,000 caps | \$6.30 per pack | \$3.15 per pack |
| 5,330,000 caps | \$5.03 per pack | \$2.52 per pack |

- Solox would be protected from reference pricing until 30 June 2007.

The PHARMAC Board, or CEO under delegated authority, will consider this proposal in January 2006. If you have comments to make on this proposal and would like those comments to be considered by the PHARMAC Board then please send them to me at PHARMAC **by 5pm, 13 January 2006**. All comments submitted by this date will be considered.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steffan Crausaz', with a long, sweeping flourish extending to the right.

Steffan Crausaz
Therapeutic Group Manager