AXCAN PHARMA INC.

MATERIAL CHANGE REPORT

Pursuant to:

Subsection 85(1) of the *Securities Act* (British Columbia)
Subsection 118(1) of the *Securities Act* (Alberta)
Subsection 84(1) of the *Securities Act* (Saskatchewan)
Subsection 75(2) of the *Securities Act* (Ontario)
Subsection 81(2) of the *Securities Act* (Nova Scotia)
Subsection 76(2) of the *Securities Act* (Newfoundland)

Item 1. Reporting Issuer:

The name of the reporting issuer is Axcan Pharma Inc. (hereinafter "**Axcan**", "**Axcan Pharma**" or the "**Company**"), its principal office is located at 597 Laurier Blvd., Mont-Saint-Hilaire, Quebec, J3H 6C4 and its telephone number is (450) 467-5138.

Item 2. Date of Material Change:

July 15, 1999.

Item 3. Press release:

A press release was issued in Mont-Saint-Hilaire, on July 15, 1999 with respect to the material change.

Item 4. Summary of Material Change:

See Item 5.

Item 5. Full Description of Material Change:

See Press Release attached hereto as Schedule "A".

Item 6. Reliance on: Section 75(3) of the *Securities Act* (Ontario) and Section 73(1) of the *Securities Act* (Quebec)

Not applicable.

Item 7. Omitted Information:

No information has been omitted in respect of the material change.

Item 8. Senior Officers:

Further information with respect to the material change described in this material change report may be obtained from:

Mr. Jean Vézina
Axcan Pharma Inc.
597 Laurier Blvd.
Mont-Saint-Hilaire, Quebec
J3H 6C4

Telephone: (450) 467-5138

Item 9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Mont-Saint-Hilaire, Quebec, this 15th day of July, 1999.

AXCAN PHARMA INC.

Per: (signed) *"Jean Vézina"*
Jean Vézina, Vice-President, Finance

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Schedule "A"

AXCAN PHARMA INC.

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Mont-Saint-Hilaire
(Québec)
Canada J3H 6C4

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SOURCE: AXCAN PHARMA INC.
ME, TSE SYMBOL: AXP
(Montreal and Toronto Stock Exchanges)

DATE: July 15, 1999
News Release for immediate distribution

AXCAN SUBMITS A TENDER OFFER TO PURCHASE ALL SHARES OF BIRMINGHAM (ALABAMA)-BASED SCANDIPHARM, INC.

MONT SAINT-HILAIRE, QUEBEC - Axcan Pharma Inc. announced today that it has made a tender offer, through a wholly-owned US subsidiary, to acquire all shares of Scandipharm, Inc., an Alabama-based company specialized in the distribution of gastrointestinal and nutritional drug products, as well as other products related to the treatment of cystic fibrosis, a fatal disease affecting the respiratory and digestive systems of some 35,000 children and young adults in North America.

Axcan has offered to purchase all Scandipharm common and convertible preferred shares issued or to be issued to the holders of vested options as of June 30, 1999. This offer, which price amounts to US $ 7.00 cash per share, is valid until 5:00 P.M. (Birmingham time) on Wednesday, August 11, 1999. Based on Scandipharm having approximately 12,150,000 shares of common stock outstanding on a fully-diluted basis, the Company values its offer at approximately CDN $ 126 million (US $ 85 million). Axcan's offer is subject to several conditions including it obtaining at least a majority of the shares of Scandipharm on a fully-diluted basis.

In the event Axcan's offer is successful, it intends to effect a merger of Scandipharm such that Scandipharm becomes a wholly-owned subsidiary of Axcan.

The Company's offer (US $ 7.00 per share) is $1.00 per share higher than a competing offer which was made on June 15, 1999, and which expires at 5:00 P.M. Birmingham time on July 19, 1999.

Financing for the proposed cash transaction well in excess of CDN $ 100 million has been arranged with Sofinov and Capital d'Amérique CDPQ, two subsidiaries of the Caisse de dépôt et placement du Québec. It includes increased equity participation, convertible debenture components, senior debt and bridge financing.

With funds amounting to almost CDN $ 69 billion, Caisse de dépôt et placement du Québec is the leading fund manager in Canada and among the largest portfolio managers in North America. It acts as an investor on behalf of its many depositors and clients, pension funds, insurance plans, public and private bodies and mutual funds.

Axcan Pharma Inc. has selected SOUTH TRUST BANK, Birmingham, AL as its share depository agent.

Founded and skilfully lead until 1996 by now deceased Charles N. Wingett of Birmingham, AL, Scandipharm posted revenues of over US $ 24 million (approximately CDN $ 35.5 million) in 1998. In just seven years, it has established itself as <u>THE</u> cystic fibrosis Company in the United States due to the dedication of its employees. Axcan has distributed the Scandipharm product line in Canada since September 1997. Scandipharm has gradually expanded its promotional activities into other markets such as HIV/AIDS, gastroenterology and oncology. It exports its products to several countries.

“Scandipharm and Axcan are a perfect match. The proposed transaction should therefore provide synergies of our respective operations which will enhance the Company’s business”, stated Mr. Leon F. Gosselin, President and CEO of Axcan Pharma Inc. “During the past five years Axcan has concentrated on developing a new product pipeline for the United States and other markets. During the same time period, Scandipharm has built a solid US marketing and sales organization. Both companies would benefit immediately from this transaction and Scandipharm would prove invaluable in promoting Axcan’s existing and future gastrointestinal drug products. We plan to keep the company in Birmingham and make it the center of our US operations,” he added.

Axcan is a Canadian publicly traded pharmaceutical company engaged in the development and marketing of new gastrointestinal drug products. Axcan’s new product pipeline includes the development of a single capsule bismuth based triple therapy for *Helicobacter pylori,* one of the main causes of gastric and duodenal ulcer disease. It also includes new dosage forms and new indications for SALOFALK® (mesalamine) and VIOKASE® (pancrelipase tablets) as well as new indications for the recently launched 250 mg URSO® tablets (ursodiol). URSO® is currently approved for the treatment of primary biliary cirrhosis and is marketed by Axcan Schwarz LLC, a limited liability corporation jointly held by Schwarz Pharma Inc, Mequon, WI and Axcan Pharma Inc.

In Canada, Axcan markets SALOFALK® tablets, rectal suspensions and suppositories for the treatment of ulcerative colitis and Crohn’s disease; URSO® for the dissolution of cholesterol gallstones and the treatment of cholestatic liver diseases including cystic fibrosis associated cholestasis; MODULON® for the treatment of irritable bowel syndrome as well as the Scandipharm and several other GI products.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward looking statements which reflect the Company's current expectations regarding future events. These statements involve risks and uncertainties relating to such statements. Actual events may differ materially from those projected by the Company and described herein and depend on a certain number of factors including the successful completion of the proposed transaction. Shareholders should consult the Company's quarterly and annual reports, and annual notice for additional information in order to form an opinion.

Axcan Pharma Inc. is listed on the Montreal and Toronto Stock Exchanges under the AXP symbol.

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NOTE FOR DISTRIBUTION IN THE UNITED STATES OF AMERICA

Nothing in the present press release is intended nor shall be construed as constituting an offer to issue shares. It is intended solely for the purpose of informing existing and potential shareholders of Axcan Pharma Inc. within the jurisdiction of Canada.

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