



ASX/NASDAQ Media release

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PHARMAXIS ADMITTED TO S&P/ASX 300 AND ALL ORDINARIES INDICES

Standard & Poor's Index Services has announced that, effective close of trade on 17 March 2006, specialist pharmaceutical company Pharmaxis Ltd (ASX:PXS, NASDAQ:PXSL) will be added to the Australian S&P/ASX 300 and the ASX All Ordinaries indices.

To find out more about Pharmaxis, go to <http://www.pharmaxis.com.au>.

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About Pharmaxis

Pharmaxis (ACN 082 811 630) is a specialist pharmaceutical company involved in the research, development and commercialization of therapeutic products for chronic respiratory and autoimmune diseases. Its development pipeline of products include Aridol™ for the management of asthma, Bronchitol™ for cystic fibrosis and chronic obstructive pulmonary disease (COPD) and PXS64 for the treatment of multiple sclerosis.

Founded in 1998, Pharmaxis was listed on the Australian Stock Exchange in November 2003 (symbol PXS), and on NASDAQ (symbol PXSL) in August 2005. The company is headquartered in Sydney at its TGA-approved manufacturing facilities. For more information about Pharmaxis, go to www.pharmaxis.com.au or contact Jane Sugden, Investor Relations +61 2 9454 7230.



S&P/ASX Index Methodology

How Australian Indices Are Constructed And Maintained

This document outlines the methodology framework that guides Standard & Poor's in the construction and maintenance of the S&P/ASX indices.

S&P/ASX 20

The S&P/ASX 20 is comprised of the 20 largest and liquid stocks listed in the Australian market.

S&P/ASX 50

The S&P/ASX 50 is comprised of the 50 largest and liquid stocks listed in the Australian market.

S&P/ASX 100

The S&P/ASX 100 is comprised of the S&P/ASX 50 plus the S&P/ASX MidCap 50.

S&P/ASX 200

The S&P/ASX 200 is comprised of the S&P/ASX 100 plus an additional 100 stocks.

S&P/ASX 300

The S&P/ASX 300 is comprised of the S&P/ASX 200 plus up to an additional 100 stocks.

S&P/ASX MidCap 50

The S&P/ASX MidCap 50 is comprised of the S&P/ASX 100 excluding the S&P/ASX 50.

S&P/ASX Small Ordinaries

The S&P/ASX Small Ordinaries is comprised of the S&P/ASX 300 excluding the S&P/ASX 100.

S&P/ASX Sector Indices

Sector indices are calculated for both the S&P/ASX 200 and S&P/ASX 300. Sector constituents are determined by the Global Industry Classification Standard (GICS).

S&P/ASX Industrials & Resources

Industrials and Resources indices are calculated for the S&P/ASX 100, S&P/ASX 200, S&P/ASX 300, S&P/ASX MidCap 50, and S&P/ASX Small Ordinaries. Constituents are determined by the GICS assigned to each stock. A company classified in either the GICS Energy Sector (1st tier) or the GICS Metals and Mining Industry (3rd tier) will fall into the appropriate Resources index. All other remaining stocks will fall into the appropriate Industrials index.

INDEX COMMITTEE

The governing body of the S&P/ASX indices is the **Standard & Poor's Australian Index Committee**. The Index Committee comprises five members, representing Standard & Poor's and the Australian Stock Exchange (ASX), and is responsible for setting policy, determining index composition, and administering the indices in accordance with the S&P/ASX index methodology.

A representative from Standard & Poor's is the chairman of the Index Committee. Meetings are held on a quarterly basis as well as on an as-needed basis should unusual corporate events warrant. The Index Committee reserves the right to use discretion to include, exclude, adjust, or postpone the inclusion of a stock, the shares, and the Investable Weight Factor (IWF) of a stock.

ELIGIBILITY

In order to be eligible for inclusion in any of the S&P/ASX indices stocks must meet certain criteria:

Listing

Only stocks **listed** on the Australian Stock Exchange will be considered for inclusion in any of the S&P/ASX indices. New listings will only be considered for inclusion once the Standard & Poor's Index Committee has had sufficient time to quantitatively analyse the performance of the stock.

Size

Stocks are assessed based on the average of their previous six-month day-end free float adjusted market

capitalisation. In times of high volatility the current market capitalisation of the stock may also be considered.

Liquidity

Only stocks that are actively and regularly traded are considered for inclusion in any S&P/ASX index. A stock's liquidity is measured relative to its size peers. The minimum relative liquidity for purposes of inclusion will depend upon the size of the company. Relative liquidity is calculated as follows:

Relative liquidity = stock median liquidity/market liquidity

Stock median liquidity is the median daily liquidity for each stock over six months. Daily liquidity for each stock is the daily value traded divided by day-end market capitalisation adjusted for free float.

Market liquidity is determined using the weighted average of the stock median liquidities of the largest 500 domestic stocks. The six-months average market capitalisation used as part of the market capitalisation criteria is used for this purpose.

Free Float

A minimum free float threshold of 30% exists for a stock to warrant inclusion in the S&P/ASX indices.

STOCK WEIGHTINGS

The Investable Weight Factor assigned by the Standard & Poor's Australian Index Committee determines a stock's weighting in the S&P/ASX indices.

Investable Weight Factor (IWF)

A stock's IWF is based on its free float. Free float can be defined as the per-

centage of each company's shares that are freely available for trading in the market. It may also be described as the contestable shares in the marketplace for each company.

For S&P/ASX index purposes free float is defined as excluding the following holdings:

- Government and government agencies;
- Controlling and strategic shareholders/partners;
- Any other entities or individuals which hold more than 5% of the stock (excluding insurance companies, securities companies, finance companies and investment funds such as mutual and pension funds), and;
- Other restricted portions, such as treasury stocks or strategic holdings.

IWFs are reviewed annually as part of the March quarterly rebalance. However, any single event that alters the free float of a security in excess of 5% will be implemented as soon as practicable by an adjustment to the IWF.

Index Committee Intervention on IWFs for Illiquid Stocks

The Standard & Poor's Australian Index Committee acknowledges that for some lightly traded stocks, the free float market capitalisation may not be representative of the underlying liquidity of the stock.

In order to prevent stocks being on the index at a disproportionately high weight than otherwise would be the case, the Index Committee reserves the right to down weight stocks (or exclude them) if their relative liquid-

ity is significantly lower than companies on the index of similar free float capitalisation.

Intervention by the Index Committee for a stock presently in the S&P/ASX indices will generally involve down weighting a stock to half its free float capitalisation.

SECTOR AND INDUSTRY CLASSIFICATION

Standard & Poor's uses ten economic sectors, as defined by the Global Industry Classification Standard (GICS). An economic sector is defined as a group of industries that have similar fundamental characteristics. These sectors are common across all Standard & Poor's indices, including the S&P 500. Standard & Poor's generally classifies an index constituent according to the source of its largest revenue share. For example, companies with multiple lines of business, such as conglomerates or multi-industry companies, are assigned to the sector that accounts for the largest percentage of its revenue.

Unique to Australia, Standard & Poor's has created an additional two sector indices: Property Trusts and Financials excluding Property Trusts. These sector indices reflect the significance of the Property Trusts sector in the Australian market.

INDEX DELETIONS & ADDITIONS

A guiding principle of Standard & Poor's index management is the minimisation of turnover among index constituents. An index addition generally will be made only if an index vacancy is created by an index deletion.

The Index Committee determines S&P/ASX index additions based on historic analysis of a stock's market capitalisation, free float, and liquidity.

Quarterly Rebalance

Constituents are rebalanced quarterly to ensure adequate market capitalisation and liquidity. Both market capitalisation and liquidity are assessed using the previous six months' worth of data. Quarterly rebalance changes take effect on the third Friday of December, March, June, and September. The S&P/ASX 300, unlike the other indices, is rebalanced every six months, with changes taking effect on the third Friday of March and September.

Intra Quarter

The most common reason for deleting a stock from an S&P index intra quarter is acquisition by another company. Additionally, stocks may be deleted for the following reasons:

Voluntary Administration

A company is removed from the index immediately after filing for voluntary administration.

Restructuring

Each company's restructuring plan is analysed in depth. The restructured company and any spin-offs are reviewed for index inclusion or exclusion.

CHANGES TO INDEX SHARES ON ISSUE

In order to minimise portfolio turnover for S&P/ASX index fund managers, S&P treats stock placements and buy-backs independently to the ASX.

Subsequently, the number of shares quoted by the ASX for a particular stock may differ to the number quoted in the S&P/ASX indices. Index shares will change under the following circumstances:

Intra Quarter

- Market-wide placements and buybacks that are 5% of the index issued capital and greater than A\$50 million;
- Shares issued as a result of dividend reinvestment plans, and;
- Rights issues, bonus issues, and other major corporate actions.

Quarter End

If the aggregated difference between the ASX quoted shares and S&P/ASX index quoted shares at quarter-end is greater than A\$100 million or 5% of the index issued capital, shares will be adjusted to reflect those quoted by the ASX. Shares that are changed will be rounded to the nearest 10,000.

ANNOUNCEMENT OF INDEX CHANGES

Quarterly rebalance announcements are made approximately 10 business days prior to the changes taking effect.

Intra quarter changes are announced approximately five days prior to the implementation of anticipated corporate events whenever practical, bearing in mind that the timing of such events is occasionally uncertain.

Announcements for removals and replacements of companies are made via a press release to the ASX Company Announcements Platform (CAP), where Standard & Poor's Index Services has its own company code: ZSP.

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