

**3 August 2006
NEWS RELEASE**

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PACIFICA DELIVERS SIGNIFICANTLY IMPROVED INTERIM EARNINGS IN LINE WITH EXPECTATIONS

Pacifica Group Limited today announced a net profit after significant items of \$15.1 million, for the six months ended 30 June 2006. This represents a 107% increase over the comparable half and is broadly in line with the company's expectations.

In summary, the six months to 30 June 2006 included:

- Sales of \$437.7 million, an increase of 10% over the comparable period
- Net profit before significant items of \$15.1 million, up 33% from \$11.4 million, reflecting a combination of:
 - The positive impact on profitability from increased North American volumes
 - Weak Australian car demand weighing on the performance of the domestic business
 - Another strong performance from AP Italia, as supply to further new programs commenced
 - An improved overall EBITDA margin of 14.5%
- Significant items amounting to a net charge of \$29,000 (vs. a charge of \$4.1 million in the prior corresponding period)
- Period end gearing of 68%, down from 71% at 31 December 2005
- Interim dividend of 4 cents (vs. 4 cents pcp), franked to 60%
- Completion of Construction Products divestment – sale of Melwire

Commentary

“Against the background of a still difficult automotive industry environment, we have achieved a satisfactory turnaround in our first half earnings,” said Pacifica’s Managing Director, Mr John MacKenzie. “The improved net profit has been driven by continued strong growth from our European operations and by a better North American result as supply to the new General Motors’ light truck platform ramped up.”

“The improvement in our overall EBITDA margin, which builds on the trend established in the second half of 2005, is also a pleasing outcome and we expect the emerging cost benefits from our enlarged manufacturing base in Asia to underpin our long term competitiveness.”

North America

Pacifica's North American operations recorded an increase in sales revenue of approximately 20%, largely reflecting commencement of supply to General Motors' GMT900 light truck platform. This was offset to some extent by a steeper than anticipated decline in demand for GM's ageing mid-sized light truck platform. Margins at both the Knoxville and Columbia plants improved on the back of increased volumes.

"Volumes for the GMT900 platform have been slightly better than expected and are anticipated to be at a similar level in a second half which contains fewer sales days," said Mr MacKenzie. "In contrast, demand associated with GM's mid-range light trucks has been disappointing and is likely to remain so, ahead of the launch of the Lambda crossover vehicle late this year. While the performance of the key GMT900 platform has been encouraging to date, the longer term direction of overall North American light truck volumes in a high fuel cost environment is uncertain."

Australia

The Australian business experienced tough trading conditions. A 35% drop in automotive revenue reflected both the relocation of export Banksia park brake volumes to Thailand in 2005 and worse than expected softness in large passenger car volumes in the domestic market.

"PBR Australia's first half was very challenging," said Mr MacKenzie. "Underlying demand remains a concern, but the second half will benefit from the commencement of supply of new products for Toyota's export Camry, as well as supply to the recently launched VE Commodore. The Australian business continues to contend with the repercussions of structural change in the domestic automotive industry supplier base."

Europe

AP Italia has produced another very strong result, increasing first half sales by 35% and earnings by over 100%. This performance reflects the new contracts progressively coming on stream which will fuel further growth over the balance of 2006. AP Italia's operating margin has continued to increase, as expanded throughput realises operational efficiencies. The strength of the result also reflects the seasonality of sales volumes which are biased towards the first half.

"AP Italia is a valuable and growing component of Pacifica's earnings mix. With its differing product offering and customer profile, this business is creating growth opportunities for Pacifica elsewhere in the world which would otherwise be difficult to realise," said Mr MacKenzie. "Specifically, we continue to pursue opportunities to extend both AP Italia's drum brake expertise and its customer relationships into the Asian region."

Asia

An improved result from Asia was lower than originally anticipated owing to the sharper than expected deterioration in caliper and park brake volumes associated with GM's mid-sized light truck platform. While benefits from the lower cost base established in Asia are now beginning to emerge, these were diluted in the half by lower than expected volumes. Construction of the iron foundry in Dalian is largely complete and foundry trials will commence later this year.

“Our strategy of creating a world-competitive manufacturing footprint in the region is progressing well,” said Mr MacKenzie. “We are also continuing to pursue the other aspect to our regional strategy, namely direct participation in the growth opportunities presented by the local automotive market. Whilst not large in volume terms, we will commence supply of calipers, rotors and park brakes to Shanghai GM in early 2007.”

Friction Materials

FMP Australia continues to perform poorly, reflecting a prolongation of soft aftermarket conditions and the continued presence of competing imported product in a slightly smaller market. As previously advised, a new original equipment contract, in respect of the VE Commodore, will assist FMP's earnings from mid-2006.

Significant Items

Significant items recognised in the six months to 30 June 2006 amount to a net charge of \$29,000 after tax and comprise:

- Profit on sale of Melwire of \$1.8 million. The company announced the sale of this residual component of the former Construction Products Division on 1 May 2006.
- Reversal of impairment loss on Delphi receivable of \$0.8 million. At 31 December 2005 the Pacifica Board determined to provide for 50% of the sum owing by Delphi Corporation at the time of its petition for Chapter 11 protection under the US Bankruptcy Code. Pacifica has recently sold its pre-petition Delphi receivable in the credit default market, realising a sum in excess of written down value. The related proceeds of approximately \$9 million were received in July.
- Change of control appraisal costs of \$1.0 million, incurred in relation to the third party approach notified to the market on 10 April 2006. On 28 July 2006, the company announced that discussions with that party had been terminated following its refusal to lift its conditional offer of \$2.40 per share. The Pacifica Board has determined that the offer does not represent an adequate premium for control.
- Rationalisation and asset writedown costs of \$1.7 million, associated with the relocation of Banksia park brake production to Thailand.

Cash Flow

Operating cash flow declined to \$22.9 million in the half, owing to altered customer trading terms associated with changeover from the GMT800 to GMT900 platform and the reversion back to normal terms with Delphi, from a cash-on-delivery basis. Second half cash flow is expected to be substantially stronger and will be bolstered by settlement of the Delphi receivable in July.

Capital expenditure in the half amounted to approximately \$27 million, with major components being the Dalian foundry and the installation of equipment in Australia to accommodate new business volumes. It is now expected that full year spend will be around \$60 million. Period-end gearing (net debt to equity) dropped to 68% and is expected to fall to approximately 62% by year end. Interest cover at the EBITDA level has strengthened, to in excess of 10 times in the latest half.

Dividend

The Board has declared an interim dividend of 4 cents per share franked to 60%. This equates to a payout ratio of approximately 36% of earnings after significant items. The lower than normal payout ratio reflects the Board's decision to prioritise debt reduction in the face of industry risks and uncertainties. This policy will be applied until the company is back within its traditional targeted gearing zone of 55-60%. The dividend will be paid on 15 September 2006 to shareholders registered as at 1 September 2006.

Outlook

"Our first half performance represents an encouraging turnaround," said Mr MacKenzie. "Whilst we continue to target a full year net profit after significant items in the mid \$30 million range, which is in line with our previous guidance and which would represent a significant improvement over 2005, we are mindful of a number of market-related uncertainties which could impact the outcome," he added. "These include the degree of decline in large passenger car volumes in the Australian market, the growing pressure on costs associated with the upheaval in the domestic supplier base and the possibility of increased steel-related costs. We will also again review the carrying value of FMP at year end."

"Looking out to 2007, the degree of earnings growth which Pacifica can achieve is proving difficult to predict. Whilst expected growth from AP Italia and the commencement of realisation of cost benefits in Asia are positive influences, there are uncertainties attached to the current trend in Australian-produced vehicles and the outlook for the North American light truck market. There are also the domestic supplier and steel-related cost pressures to take into consideration," Mr MacKenzie said.

For further information:

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FINANCIAL SUMMARY

FINANCIAL SUMMARY	2006	2005	%
Six months ended 30 June	\$000	\$000	change
Sales revenue	437,693	398,061	+10%
EBITDA	63,405	53,001	+20%
Depreciation and amortisation	(30,363)	(27,394)	
EBIT	33,042	25,607	+29%
Net profit before significant items	15,099	11,374	+33%
Earnings per share (before significant items) (¢)	11.1	8.4	+33%
Significant items after tax	(29)	(4,110)	
Net profit after significant items	15,070	7,264	+107%
Earnings per share (after significant items) (¢)	11.1	5.4	+107%
Operating cash flow	22,869	41,420	-45%
Return on equity (%)	12.0	9.3	
Dividends	cents per share	Franking	
Dividend payable 15 September 2006	4.0	60%	
Dividend paid 7 April 2006	3.0	34%	