

**22 December 2004**  
**NEWS RELEASE**

**Pacifica Group Limited**  
ACN 006 530 641

264 East Boundary Road  
East Bentleigh Victoria 3165 Australia  
Telephone (613) 9575 2222  
Facsimile (613) 9575 2411  
<http://www.Pacifica.com.au>  
[Pacifica\\_enquiries@Pacifica.com.au](mailto:Pacifica_enquiries@Pacifica.com.au)

## **PACIFICA PROVIDES UPDATED PROFIT GUIDANCE**

Pacifica Group Limited today advised that it now expects its 2004 full year net profit before significant items to be around \$44 million, compared to previous guidance of \$48 million.

Pacifica's Managing Director, Mr John MacKenzie, said that whilst Pacifica had largely managed to maintain margins, factors such as a mild drop off in expected demand in both North America and Australia, the US\$/A\$ exchange rate and up front costs associated with the acceleration of the Company's Asian manufacturing strategy, had all operated to pare back the likely 2004 result.

"In addition to our already announced plans to establish joint venture manufacturing operations in Dalian, China, phase one of which will be in operation by June 2005, we will be relocating export production of our Banksia park brake to a leased site near Bangkok in Thailand by June of next year," said Mr MacKenzie.

The Company expects to report significant items for 2004 of around \$11 million. This comprises a \$7.3 million write-off of guarantee monies associated with the sale of Lionweld Kennedy as announced on 4 October 2004 and approximately \$4 million of restructuring charges. These charges are associated with the rationalisation of PBR's East Bentleigh site and FMP Australia's reduction of its work force at Ballarat.

### **Outlook**

Mr MacKenzie said that whilst Pacifica had made known to the market for some time that 2005 would be a challenging year and a time of transition to ready itself for new contracts coming on stream in 2006, it now needed to lower earnings expectations as a consequence of a number of recent market developments.

"We are now expecting net profit before significant items for 2005 to fall in the range of \$34 to \$38 million," said Mr MacKenzie.

"A significant factor in this revision is a temporary reduction in margins across PBR's manufacturing operations stemming from lower than originally forecast volumes in the North American market, as well as pricing and cost pressures. The Company has taken a conscious decision to maintain its level of core infrastructure spend in order to adequately prepare for the substantial contractual gains commencing in 2006," said Mr MacKenzie.

The Company has also factored in:

- an underlying US\$ exchange rate of 75 cents;
- a more modest recovery in the operating performance of FMP Australia;
- higher raw material prices, particularly steel; and
- an adverse impact (\$2 million) from finalisation of the effect of adopting International Financial Reporting Standards.

Mr MacKenzie noted pressures arising from the significant increases in scrap steel prices in the past twelve months. “In addition to generally higher steel prices, we know that a steel surcharge will be imposed on PBR in 2005 by its cast iron suppliers to reflect movements in the base cost of steel. At this point we expect to be able to pass this on to our customers and this is reflected in our revised forecast,” he said.

Capital expenditure in 2005 will be slightly higher than previously advised, at around \$100 million, largely as a consequence of the Asian manufacturing expansion. Additionally there will be approximately \$4 million in post tax restructuring costs which will be treated as a significant item.

“In relation to the dividend, Pacifica’s recent practice has been to pay out 60-65% of post tax operating earnings. Given the projected temporary dip in earnings in 2005, the Board has indicated flexibility in relation to that payout ratio and at the appropriate time will consider lifting it with a view to distributing a level of earnings similar to 2004,” said Mr MacKenzie.

“Looking further forward, it remains our expectation that 2006 will see the resumption of strong growth. We expect sales growth in the order of \$100 million and a net profit in the high \$40 millions,” he said.

“As previously announced, PBR will commence the supply of front and rear calipers, park brakes and full corner modules to a number of new models being released into the North American market in 2006. Additionally, new contracts will commence in both the European and Australian markets in that year. PBR’s success in securing this business highlights the commercial appeal of our advanced automotive technologies, which we continue to develop,” said Mr MacKenzie.

“The Company is operating in an extremely challenging global environment but we are moving quickly to meet those challenges, especially with the establishment of a strong manufacturing base in Asia. While 2005 will not be an easy year for Pacifica, a combination of the benefits flowing from the initiatives currently being undertaken and new contracts coming on stream, should see the Company back on a steady growth path from 2006,” concluded Mr MacKenzie.

**Pacifica Group Limited**  
ACN 006 530 641

264 East Boundary Road  
East Bentleigh Victoria 3165 Australia  
Telephone (613) 9575 2222  
Facsimile (613) 9575 2411  
<http://www.Pacifica.com.au>  
[Pacifica\\_enquiries@Pacifica.com.au](mailto:Pacifica_enquiries@Pacifica.com.au)



For further information:

John MacKenzie  
Managing Director  
Pacifica Group Limited  
Tel. 03 9575 2470

**Pacifica Group Limited**  
ACN 006 530 641

264 East Boundary Road  
East Bentleigh Victoria 3165 Australia  
Telephone (613) 9575 2222  
Facsimile (613) 9575 2411  
<http://www.Pacifica.com.au>  
[Pacifica\\_enquiries@Pacifica.com.au](mailto:Pacifica_enquiries@Pacifica.com.au)

NEWS