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NEWS RELEASE

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PACIFICA PROVIDES UPDATED PROFIT GUIDANCE

Pacifica Group Limited today advised that it now expects its 2005 full year net profit after tax and before exceptional items to be in the range of \$20 - \$25 million. This compares with previous guidance of a range of \$34 - \$38 million.

“We have revised our forecast net profit range for 2005 as a result of the recent deterioration in underlying market conditions,” said Pacifica’s Managing Director, Mr John MacKenzie. “Although the situation is open to further change and is difficult to interpret, we believe our updated forecast accurately reflects the current industry outlook and confirms Pacifica’s ability to remain comfortably profitable in the face of these challenging conditions,” he said.

The company’s reduced earnings guidance for 2005 has been largely dictated by the cutback in vehicle production in North America recently announced by General Motors. Other contributory factors are:

- A recent weakening in demand from Australian-based customers
- Increased raw material cost pressures
- A revision to the underlying US\$ exchange assumption, from 75 cents to 78 cents against the A\$

“The most significant factor in our revision to 2005’s expected net profit is the further cutback in volumes out of the North American market,” said Mr MacKenzie. “We estimate that full year demand from General Motors for our product will drop by around 20% when compared to 2004, which will have a major impact on our performance in both Australia and Knoxville,” he said.

“Australian volumes are being further impacted by lower than originally anticipated production levels by local car companies. In addition, exports of calipers will also be affected by the early cessation of a General Motors’ passenger vehicle program,” said Mr MacKenzie. “Accordingly, we are facing an estimated 30% drop in Australian volumes for the first half of the year, and one of approximately 20% for the full year.”

Mr MacKenzie confirmed that the company’s European business, AP Italia, continues to perform well as new programs broaden its customer and sales base.

As previously identified, Pacifica is being adversely affected by increasing raw material costs. These embrace a range of input costs, and include the surcharge imposed on PBR by its cast iron suppliers in North America to reflect movements in the base cost of steel. Negotiations to pass this on to customers are ongoing, and the company remains confident that it will be successful in recovering some of the surcharge. However, for the purposes of this earnings guidance no recovery has been incorporated.

Mr MacKenzie also highlighted the continuing strength of the Australian Dollar, which has caused a revision to the company's previously held underlying foreign exchange assumptions.

The company has previously advised that there will be approximately \$4 million of post tax restructuring costs in Australia in 2005, which will be treated as an exceptional item. In light of the latest reduction in demand, a further review of the Australian operational base is being undertaken in order to optimise the competitive position of the overall business for the longer term. The scale of related restructuring costs has yet to be determined, but it is currently expected that total exceptional post tax restructuring costs for 2005 will not exceed \$6 million.

Mr MacKenzie said that Pacifica is now forecasting a net profit for 2006 in the range of \$30 - \$40 million. This is lower than the high \$40 millions predicted at the time of the company's 2004 results announcement on 23 February 2005, primarily due to a revision of anticipated volumes out of the North American market. The breadth of the revised forecast range reflects the uncertain industry outlook that the company is facing, particularly in North America.

"We acknowledge that there remains a degree of uncertainty surrounding North American demand and the future direction of that region's economy," said Mr MacKenzie. "However, based on our current assessment of market conditions, and also of the circumstances of our key customers, we remain confident that there will be a marked increase in Pacifica's earnings in 2006."

Factors underpinning Pacifica's confidence in the projected improved result for 2006 are:

- The introduction of new business that was secured in 2004
- Commencement of supply to General Motors' new GMT900 platform
- Benefits of the company's improved cost base, flowing from the expansion of its Asian manufacturing presence

“In relation to the dividend, Pacifica’s policy has been to pay out 60-65% of post tax operating earnings,” said Mr MacKenzie. “The Board has reiterated that it will be flexible when considering the policy for 2005 in light of the anticipated earnings recovery in 2006. At this stage, however, the dividend to be paid in September 2005 is expected to be lower than the corresponding payment in 2004,” he said.

“Existing conditions in the North American market highlight the extremely tough industry environment in which Pacifica currently finds itself,” said Mr MacKenzie. “The company has already demonstrated, however, that it is taking the necessary steps to ensure its long term competitiveness and relevance as a global supplier of leading edge automotive componentry. Our Asian manufacturing strategy is well-advanced, new contracts will assist earnings growth in 2006 and beyond, and our next generation technologies are attracting considerable customer interest. Our financial position is sound, enabling us to pursue our long term strategy whilst weathering the current industry conditions,” he said.

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