

5 March 2002

## **PACIFICA SETS PLATFORM FOR FUTURE GROWTH**

Pacifica Group Limited today announced its results for the year ended 31 December 2001. The results were in line with those previously announced.

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### **Financial Highlights**

- operating revenue increased 3.5% to \$1,157.0 million;
- operating profit after tax and before significant items was \$33.3 million compared with \$33.4 million last year;
- significant items of \$76.2 million after tax resulted in an overall loss of \$42.9 million;
- earnings per share before significant items were 22.2 cents compared with 22.6 cents in 2000;
- strong operating cash flow of \$102.5 million;
- net debt decreased 25.7% to \$ 206.0 million; and
- gearing decreased from 60.6% at the end of 2000 to 52.6% at the end of 2001.

### **Significant Items**

The significant items, which we announced in November 2001, were:

- \$53.3 million (after tax) write-down of the Construction Products businesses;
- \$11.9 million (after tax) write-down of non-core assets in the Automotive Division;
- \$14.4 million (after tax) of restructuring provisions across the Group including redundancies; and
- \$3.4 million (after tax) profit on the sale of the Plastics business.

### **Dividend**

In November, Pacifica announced that it would not pay a final dividend for 2001. After taking the significant items into account, accumulated profits at 31 December 2001 were insufficient for a final dividend. It is, however, expected that dividends will resume from interim 2002.

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## Operating Highlights

- After a soft first half, the Automotive Division produced a solid performance, particularly in the United States where incentives offered by the major vehicle manufacturers post 11 September stimulated demand towards the end of the year;
- the North American exclusive supply agreement with Bosch, announced in September, achieved almost immediate results with business orders from Ford, a new customer for our North American operations;
- a new division, Pacifica Group Technologies, was established to concentrate our Research & Development activities within a dedicated division. This will help us to extract better returns from our existing assets and to plan and implement our long-range intellectual property development programs;
- the Construction Products Division showed a return to profitability;
- operating cash flow continued to be strong and a share buy-back initiative was announced to allow flexibility for the application of any excess cash in 2002; and
- the remaining 51% holding in Viscount Plastics was sold for net proceeds of \$43.8 million.

## Commentary

“During 2001, Pacifica took the hard decisions necessary to focus the business on the core competencies and the development and commercialisation of advanced intellectual property,” said Pacifica’s Managing Director, Mr John MacKenzie. “This will enable us to concentrate on the important task of increasing shareholder returns,” he said.

“We sold our Plastics Division during the year and the sale process for the Construction Products Division is now well advanced,” said Mr MacKenzie. “We also introduced a new organisation structure which focuses on functions rather than geographic boundaries. The purpose is to ensure that our product and process innovations can be transferred globally in minimum time and with maximum efficiency,” he said.

## Automotive

“Automotive sales continued to grow in 2001, particularly in the North American market. A “zero interest rate” incentive program introduced by the major manufacturers in the United States stimulated sales post 11 September and demand for new vehicles was at near record levels. Light trucks and SUVs (Sports Utility Vehicles) dominated the US market and, as PBR supplies brake systems for several of the best selling models in these categories, our sales were excellent,” said Mr MacKenzie.

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The PBR plant at Knoxville, which is a joint venture with Delphi, achieved excellent earnings as a result of an efficiency program and the plant in Columbia successfully completed its first full year of operations and also contributed well to earnings.

The Australian automotive market was softer than in 2000 and, as a result, sales and profits at our East Bentleigh facility in Melbourne were down on last year.

Asian markets were mixed – sales in Malaysia were up 10% over the previous year but demand in Thailand was soft although profits were higher than in the previous year in both of those countries.

Sales and earnings from PBR's joint-venture friction materials businesses were down for the first time in eleven years due to weaker demand in export and replacement markets.

### **Construction Products**

A restructuring program in the Division achieved a lower cost base, better productivity and greater penetration of new markets. The gains were largely generated by the Webforge businesses which achieved an improved result in Australia and strong growth in Asian markets.

The comprehensive restructuring of Lionweld Kennedy's activities in the UK finally yielded some improvement in the second half and the company's losses were significantly lower than those experienced in 2000. Melwire's sales in Australia and New Zealand were slightly higher but earnings were down due to competitive pressures which reduced margins.

### **Outlook**

"We expect the automotive market in North America to be strong in the first quarter as a result of the current incentive programs. However, it is unclear what will happen to volumes once the incentives have ceased. Regardless, this is not expected to impact on PBR immediately because new vehicle inventories were low at the end of 2001 and manufacturers will still need to rebuild stocks and there are new programs coming on-stream in Columbia," said Mr MacKenzie.

"We expect the Australian market to be softer this year than in 2001, although we do commence supply to Toyota in mid-2002.

"The sale of the principal parts of the Construction Products Division is expected to be finalised during the first half and this will allow us to concentrate our efforts on completing the transition to an automotive technology company and achieving the returns expected of us," he said.

“Pacifica’s focus is to increase market share for our core products, aluminium calipers and Banksia park brakes, in the North American markets and to generate better returns for our shareholders,” said Mr MacKenzie.

Although there is still clearly some uncertainty as to how 2002 will progress, on the basis of current activity and knowledge, Pacifica would expect full year profits to show a reasonable increase over 2001.

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**FINANCIAL SUMMARY**  
**Full Year Ended 31 December 2001**

	2001	2000	%
	\$000	\$000	Change
<b>Operating revenue</b>	<b>1,157,019</b>	<b>1,117,872</b>	<b>3.5%</b>
<b>EBITDA</b>	<b>150,974</b>	<b>144,116</b>	<b>4.8%</b>
Depreciation and amortisation	(67,070)	(64,824)	
Interest expense	(21,229)	(23,520)	
Profit before tax	62,675	55,772	12.4%
<b>Operating profit after tax before significant items</b>	<b>33,322</b>	<b>33,383</b>	<b>-0.2%</b>
<b>Earnings per share (cents)</b>	<b>22.2</b>	<b>22.6</b>	
Significant items after tax	(76,232)	(38,876)	
<b>Net loss</b>	<b>(42,910)</b>	<b>(5,493)</b>	
<b>Earnings per share (cents)</b>	<b>(28.6)</b>	<b>(3.7)</b>	
<b>Operating cash flow</b>	<b>102,505</b>	<b>124,190</b>	
<b>Cash flow per share (cents)</b>	<b>68.3</b>	<b>84.1</b>	

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**For further information:**

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This release and other recent releases, presentations and statements are available on the Pacifica website at [www.pacifica.com.au](http://www.pacifica.com.au)