

25 February 2004

RECORD PROFIT FOR PACIFICA

Pacifica Group Limited today announced a net profit after tax before significant items for the year ended 31 December 2003 of \$46.7 million (\$48.2 million after significant items), 5% higher than in 2002 and a record for the Company.

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The highlights of the year were:

- earnings per share on normal operations increased by 11.5% to 34.0 cents;
- return on assets increased to 20.6% from 16.6%;
- sustained margin improvement across the Group, generating record earnings before interest and tax of \$96 million;
- a fully franked final dividend of 11.5 cents per share making a total dividend of 21.5 cents per share for 2003;
- the acquisition of AP Italia; and
- the divestment of Webforge.

Commentary

In announcing the result, Pacifica's Managing Director, Mr John MacKenzie, noted that the 2003 performance reflected the resilience of Pacifica's automotive businesses.

"Our 2003 performance was particularly pleasing given that it was achieved in the context of a significant appreciation of the Australian Dollar against the US Dollar, minimal contribution from our joint venture friction business FMP, and a lower revenue base as a result of the disposal of Lionweld Kennedy and Webforge," said Mr MacKenzie.

The effects of the strengthening Australian Dollar have been widely reported. Had average exchange rates remained the same as during 2002, Pacifica's sales and net profit after tax before significant items would have been higher by \$106 million and \$3.4 million respectively.

Automotive

North America

The North American market was slightly slower than in 2002, with a total production of 16.6 million vehicles. In constant dollars, Pacifica's sales in North America were some 7% higher than in 2002.

“The increase in North American sales was attributable to a relatively strong year for the light truck sector, which underpins our operations in that region, and the completion of the ramp-up of Phase 1 of our facility at Columbia, South Carolina,” Mr MacKenzie said.

“North American margins were higher than in the previous year, partly because of the greater volumes produced but also as a result of the impact of the roll out of the PBR Lean Manufacturing System,” he said.

Australia

In Australia, the new vehicle build reached record levels. As a result, PBR’s sales to local manufacturers for both domestic and export models were higher than in 2002. Exports of Banksia park brakes were also very strong.

Europe

One of the highlights of the year was the acquisition of AP Italia in August 2003 with effect from 1 July 2003.

“The AP acquisition was a major step in our strategy to diversify our customer base and our geographical spread. We are very pleased with how AP Italia has performed in the past six months, slightly exceeding our expectations and confirming its previously announced growth profile,” Mr MacKenzie said.

The planned expansion of the Italian plant, designed to cater for new business commencing from 2004, is well advanced.

Asia

PBR’s Asian businesses based in Thailand and Malaysia experienced subdued trading conditions. The contribution from these businesses is minor in the overall Group perspective but the Company continues to see opportunities in Thailand and now also in China.

Friction

Pacifica’s joint venture friction materials business, FMP, had a disappointing year largely because of costs associated with the introduction of a new range of products.

Construction Products

Pacifica sold Webforge with effect from the beginning of 2003. As a result, the only remaining component of the Construction Products Division is Melwire which continues to make a good contribution to earnings.

Significant Items

Net profit arising from significant items was \$1.6 million. This is represented by the profit on the sale of Webforge and an adjustment to the carrying value of non-current assets, offset by a write-off of development costs and restructure costs.

Dividend

Directors declared a fully franked final dividend of 11.5 cents per share making a total of 21.5 cents for the year. This dividend will be paid on 2 April 2004 to shareholders registered at 19 March 2004.

Outlook

PBR is aggressively seeking new business throughout its markets. In Australia, the drive will be towards adding more value through the manufacture of rotors and knuckles. In North America, PBR is actively targeting an additional US\$100 million of sales by 2007 and AP Italia is expected to increase its market share from 22% in 2003 to 30% by 2006. In Asia, we are investigating the opportunities for the localisation of component supply.

Pacifica will maintain its level of expenditure on research and development, with electric park brakes now on prototype vehicles in Australia and Europe. We expect full electro-mechanical braking systems to be fitted to a prototype vehicle by mid 2005.

“PBR’s major markets are expected to perform well in 2004 with total market volumes anticipated to be in line with 2003 levels. We expect the contribution from FMP to improve with the manufacturing process now being under control and strategies having been implemented to increase aftermarket share and attract original equipment contracts,” said Mr MacKenzie.

“Overall, assuming an exchange rate with the US Dollar in the mid 70s, Pacifica expects to post a modest increase in net profit after tax in 2004, with current estimates being in the range of \$48 million to \$50 million. For every one cent movement in the exchange rate, there would be a translation effect on net profit after tax of \$250,000.

“This would represent around 6% growth in earnings per share and is consistent with the announcement made by the Company on 19 December 2003,” he said.

FINANCIAL SUMMARY	2003	2002	%
Year Ended 31 December 2003	\$000	\$000	change
PROFIT SUMMARY			
Sales revenue	923,810	1,077,287	-14.2%
EBITDA	148,257	152,183	-2.6%
Depreciation and amortisation	(51,954)	(59,891)	
EBIT	96,303	92,292	4.3%
Interest	(12,403)	(15,293)	
Pre-tax profit	83,900	76,999	9.0%
Taxation	(22,271)	(22,707)	
Outside equity interests	(14,958)	(9,967)	
Net profit before significant items	46,671	44,325	5.3%
Earnings per share (cents)	34.0	30.5	11.5%
Significant items after tax	1,567	-	
Net profit	48,238	44,325	8.8%
Earnings per share (cents)	35.2	30.5	15.3%

DIVIDEND	2003	2002
Final dividend per share	11.5c	11.0c
Total dividend per share	21.5c	20.0c

For further information:

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