

31 July 2003

## **PACIFICA ACQUIRES ITALIAN BRAKE BUSINESS**

Pacifica Group Limited announced today that its Automotive subsidiary PBR International had acquired the Italian based drum brake manufacturer, Automotive Products Italia (SV) SpA (“AP Brakes”), for a total consideration of €37.5 million (approximately A\$60 million).

PBR will acquire all the share capital in AP Brakes from the UK-based AP Group Ltd. AP Brakes is debt free and net assets are approximately €20 million. The acquisition, effective from 1 July 2003, will be debt funded by Pacifica with a new, European bank facility which will increase gearing to approximately 50%.

AP Brakes is a profitable, high volume drum brake and park brake manufacturer, with a diverse customer base. AP Brakes’ sales are approximately €45 million. It has traded strongly through the first half of calendar 2003 and EBITDA is expected to be approximately €8 million for the full year.

After goodwill amortisation on the acquisition, AP Brakes will be immediately earnings per share (EPS) positive to Pacifica in 2003.

The key features of this transaction are:

- efficient and profitable organisation;
- strong growth profile increasing market share of drum/park brake to 30% by 2005;
- contracted future growth based on business already awarded;
- EPS positive in current financial year (after goodwill amortisation);
- acquisition of significant proprietary drum brake and park brake technology; and
- consistent with PBR’s strategy of diversifying its geographic spread and customer base.

### **AP Brakes**

AP Brakes, which has approximately 340 employees, is located in the province of Savona in Northern Italy.

AP Brakes supplies drum brakes and park brakes for Fiat, Ford and Nissan and has licensees in Turkey, Brazil and Japan.

**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)

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The plant is currently being expanded to accommodate future growth. Capital expenditure, principally to fund the expansion of the plant for contracts already awarded, is expected to be in the order of €5 million over the next one to two years.

## **GROWTH PROFILE**

The European drum/park brake market is equivalent to approximately 15 million units per annum of which AP Brakes presently has a 22% market share. AP Brakes' market share was 9% in 1999 and has been increasing steadily.

In addition to Fiat, Ford and Nissan, supply will commence to Renault, Land Rover, Toyota, Opel and other Ford platforms between 2004 and 2006. On the basis of these new contracts, sales are expected to increase by, on average, 10% p.a. for the next three years.

Additionally, AP Brakes will provide PBR with a European base from which to grow. PBR has already established that AP Brakes could, if appropriate, provide a base for the production of Banksia and eBanksia parkbrakes in Europe.

## **TECHNOLOGY**

AP Brakes has patented technology in several key components of the drum brakes and park brakes it manufactures and continues to apply significant resources to research and development.

Through the development of highly efficient product and process technologies, the Company has established a competitive advantage in the markets in which it operates.

Additionally, AP Brakes has specific, automated bonding and coating technology which could be utilised in the manufacture of some of PBR's products.

## **CONSISTENT WITH STRATEGY**

Pacifica has previously stated its objective to diversify PBR's geographic spread, product offering and customer base in order to reduce its current dependency on the North American market.

The acquisition of AP Brakes is consistent with Pacifica's strategy to acquire brake and brake related businesses in the European, North American and Asian markets.

“As we foreshadowed to the market, we have been investigating potential acquisition targets in Europe,” said Pacifica’s Managing Director, John MacKenzie. “This is a good strategic and cultural fit for us and provides a solid platform for future growth,” he said.

Pacifica will release its financial results for the half year ended 30 June 2003 on 6 August 2003.

**For further information:**

John MacKenzie  
Managing Director  
Pacifica Group Limited  
Tel. (03) 9575 2534

**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)