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**NEWS RELEASE**

Pacifica

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# PACIFICA ANNOUNCES 2007 FULL YEAR RESULTS

Pacifica Group Limited, in which Robert Bosch GmbH (Bosch) holds a 75% ownership interest, today announced a net profit after significant items of $21.4 million for the year ended 31 December 2007.

In summary, the result included:

- Sales from continuing operations of $659.1 million, a decrease of $49.2 million, or 7%, over the comparable prior year period of which approximately $46 million relates to the translation effect of a stronger Australian dollar
- Net loss from continuing operations before significant items of $18.5 million, down from a net profit before significant items of $8.1 million in 2006, reflecting the adverse impact of:
    - Lower underlying vehicle volumes in the North American market
    - Higher input costs
    - Inflated iron casting costs at the North American operations owing to disputed price increases sought by Intermet Corporation
    - A stronger Australian dollar
- Significant items amounting to a net charge of $41.9 million, including one-off costs associated with the Bosch takeover bid, rationalisation expenses and the derecognition of unutilised US tax losses
- Net profit from discontinued operations of $81.7 million, including the profit on sale of AP Italia of $73.5 million

## Operational Commentary

Pacifica Group's financial performance throughout 2007 reflected a further deterioration in the challenging operating conditions previously evident across the global automotive industry. Underlying themes were the waning consumer demand in the key vehicle segments to which Pacifica's brake products are exposed, namely large passenger cars and medium-sized light trucks, combined with relentless pressure on margins from increased input costs.

Despite this difficult operating environment, underlying earnings from continuing operations, after exclusion of costs associated with the Intermet dispute, remained positive. A small improvement over the first

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six months was registered in the second half, as anticipated at the time of the Company's interim results announcement in August 2007.

Pacifica's North American operations suffered a fall in sales revenue of nearly 15%, compared to 2006. Whilst in part reflecting the adverse translation effect of a stronger Australian dollar, the majority of this decline relates to the Columbia plant, where volumes were affected by the softer local market demand for large passenger vehicles. Volumes supplied from the Knoxville plant to the important GMT900 light truck platform, have remained broadly in line with expectations.

As originally identified in April 2007, Pacifica's North American performance is being severely impacted by the higher costs arising from the price increases imposed by Intermet Corporation, a supplier of iron castings to both the Knoxville and Columbia plants. This has reduced full year operating earnings by approximately $35 million, and net profit after tax and minorities by over $12 million. Legal proceedings have commenced against Intermet on the basis of Pacifica's firm belief that Intermet is in breach of its contractual supply commitments, with a view to recovery of the disputed price increases. This matter is unlikely to be resolved prior to mid-2008.

The Australian business recorded an increase in sales revenue of nearly 5%, assisted by a full year's supply to GM Holden's VE Commodore and of new products to Toyota's export Camry. Exposure to the strong export programs of both these original equipment manufacturers has helped to alleviate pressure from the continued softening of local large passenger car volumes. Overall profitability, however, declined, reflecting changed sales mix and increased input costs associated with the ongoing upheaval in the local supplier base.

Pacifica's Asian operations continued to reflect the benefits of the lower cost base that has been established in this region. Sales growth of 40% translated to earnings growth of 50%, and an overall reported EBIT margin in excess of 10%. Significant effort is being made to increase direct supply to the local market, with commissioning of the iron foundry at Dalian now satisfactorily completed and expansion of the machining and assembly facility at that site currently occurring.

Whilst still far from satisfactory, earnings from FMP Australia, the 49%-owned friction materials business, have begun to improve following further restructuring activity, with a small profit recognised in the second half.

As announced in July 2007, Pacifica has sold its European business, AP Italia, to Continental AG. The sale was completed on 31 August 2007, and the related profit on disposal of $73.5 million is included within the $81.7 million of net earnings identified in respect of these discontinued operations.

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**Significant Items**

Significant items from continuing operations recognised in the year to 31 December 2007 amount to a net charge of $41.9 million after tax and comprise:

- Rationalisation costs of $12.3 million associated with volume reductions and resourcing of components due to continuing problems in the Australian supply base
- A $2.9 million impairment provision in respect of under-utilised items of plant and equipment
- One-off costs associated with the Bosch takeover of $12.4 million, as identified at the interim
- Penalty costs incurred on the prepayment of private placement notes of $0.9 million
- Rationalisation and restructuring costs at FMP Australia of $0.6 million
- The derecognition of $12.8 million of unused tax losses in respect of the US operations, triggered by the imposition of statutory limitations following the change of control

**Cash Flow**

Operating cash flow declined to $18.8 million for the full year, and capital expenditure amounted to $33.8 million. Period-end gearing (net debt to equity) of 20% was markedly lower than that at 31 December 2006, following application of the sale proceeds from AP Italia to the reduction of debt. Full year interest cover at the EBITDA level was 2.2 times.

**Dividend**

Given the lack of overall earnings from continuing operations, no dividend has been declared in respect of the 2007 financial year.

**Operational Review**

Bosch has completed its operational review of Pacifica, following its move to a 75% controlling position in early 2007. An early outcome of this review was the decision to sell AP Italia. The review of the ongoing operations of Pacifica has resulted in the following decisions:

- Research and development activities in Australia will be reduced to the local market requirements, with any future needs mainly derived from the significant R&D resource maintained by Bosch within its brakes operations. This step includes the cessation of development of Pacifica's e-brake technologies but will not have a negative impact on future potential business as

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PBR will have unrestricted access to Bosch's technical solutions.

- Pacifica's North America and China operations will, from 1 April 2008, report directly to the existing Bosch Chassis Systems' management in the corresponding region.
- Pacifica's remaining automotive operations in Australia and Thailand will be renamed Bosch Chassis Systems Australia Limited and Bosch Chassis Systems Thailand Limited, respectively. Peter Slaski, currently Group Vice President Operations, has been appointed as head of these businesses which will concentrate on developing new business opportunities in the Australian and South-East Asian regions.
- The current Chief Executive Officer of Pacifica's automotive operations, John MacKenzie, together with other Pacifica senior executives, will retire from the company after a planned management handover.

Further post-tax restructuring and rationalisation costs of between $3.5 million and $4.5 million stemming from implementation of the operational review outcomes are anticipated in the 2008 financial year. It is envisaged that this process will be largely complete by mid-2008.

**Outlook**

The underlying conditions in the automotive industry in which Pacifica participates are showing little or no sign of improvement. Of particular concern is the direction of the North American economy and its impact on vehicle volumes, particularly at the light truck and large passenger car end of the spectrum, where sustained high oil prices are also having a negative effect. The North American business will also continue to bear inflated input costs associated with the Intermet dispute.

In Australia, Pacifica's performance continues to be influenced by the trend away from locally-produced large passenger cars as well as mounting cost pressures associated with dislocation to the local supply base. The decision by Mitsubishi Australia to shut its local original equipment manufacturing operation at the end of March 2008, however is not expected to have a significant effect on Pacifica's own future performance.

The Asian operations are continuing to reap benefits from the low cost base now established, but future growth prospects will be dictated by the degree of success in increasing direct supply to the regional market.

Excluding significant restructuring costs and the ongoing impact of the disputed Intermet impost, it is Pacifica's current expectation that underlying operating earnings will remain under considerable pressure in 2008. The Company remains mindful of the risk of further deterioration

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in trading conditions, particularly given the uncertain picture in the key North American market.

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## FINANCIAL SUMMARY

| FINANCIAL SUMMARY<br>Year ended 31 December | 2007<br>$000 | 2006<br>$000 | %<br>change |
|---|---|---|---|
| **Continuing operations** | | | |
| **Sales revenue** | **659,073** | **708,306** | -7% |
| **EBITDA** | **21,440** | **82,175** | |
| Depreciation and amortisation | (54,027) | (55,280) | |
| **EBIT** | **(32,587)** | **26,895** | |
| **Net (loss)/profit before significant items** | **(18,510)** | **8,142** | |
| Significant items after tax | (41,864) | (7,571) | |
| **Net (loss)/profit after significant items** | **(60,374)** | **571** | |
| | | | |
| Discontinued operations | 81,741 | 14,651 | |
| **Total net profit attributable to shareholders** | **21,367** | **15,222** | +40% |
| Total earnings per share (¢) | 15.2 | 11.2 | +36% |
| **Operating cash flow** | **18,799** | **71,011** | -74% |