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**NEWS RELEASE**

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## **PACIFICA ANNOUNCES HALF YEAR RESULTS**

Pacifica Group Limited, in which Robert Bosch GmbH (Bosch) holds a 75% ownership interest, today announced a net loss after significant items of \$14.0 million for the six months ended 30 June 2007. This is in line with the Company's expectations.

In summary, the six months to 30 June 2007 included:

- Sales of \$417.3 million, a decrease of 5% over the comparable period
- Net loss before significant items of \$0.6 million, down from a net profit of \$15.1 million, reflecting the adverse impact of:
  - Reduced underlying volumes in the North American market
  - Increased input costs
  - Additional raw material costs as a result of disputed increased prices imposed by Internet Corporation
  - The recent strengthening of the Australian dollar
- Significant items amounting to a net charge of \$13.4 million, primarily being one-off costs associated with the Bosch takeover bid

### **Operational Commentary**

As reiterated at the Company's Annual General Meeting on 11 May 2007, Pacifica Group's financial performance continues to be influenced by the challenging conditions pervading the automotive industry. Demand for PBR products in the key North American and Australian markets has been adversely affected by the underlying decline in large passenger car and medium-sized light truck volumes, a trend which has yet to be arrested, whilst input costs continue to place pressure on margins, notably through high steel prices.

Pacifica's North American operations recorded a decline in sales revenue of 16%. This reflects the softening in larger passenger vehicle sales, which particularly affected volumes at the Columbia plant, as well as the strengthening of the Australian dollar. Volumes for the important GMT900 light truck platform have been broadly in line with expectations.

As reported to the market on 27 April 2007, Pacifica's North American performance is being impacted by higher costs stemming from the increased prices imposed by Internet Corporation, a supplier of iron castings to PBR's Knoxville and Columbia plants. This has reduced the

first half's post-tax and minority interests result by approximately A\$4 million, which is consistent with the A\$1.5 million per month indicated in April. PBR believes Internet is in breach of its contractual supply commitments and has commenced legal proceedings against Internet. It remains Pacifica's expectation that this matter is unlikely to be resolved before the conclusion of 2007.

The Australian business recorded an increase in first half revenue, assisted by a full period of supply to GM Holden's VE Commodore and of new products to Toyota's export Camry, both of which commenced in the latter part of 2006. Profitability was constrained by a continued softening of local large passenger car volumes, a trend which remains a concern.

The European business, AP Italia, continued to perform soundly. Revenue was buoyed by a full half's supply to contracts which commenced in 2006, however margins were impacted by the previously foreshadowed rising raw material costs.

A stronger result was produced by Pacifica's Asian operations, with a greater than doubling of regional EBIT on a 7% lift in total revenue. The improved result also reflected progressive realisation of benefits from the lower cost base which has been established. The first half period witnessed the commencement of direct supply to the local market, with small volumes of calipers, rotors and park brakes delivered to Shanghai GM. Ongoing commissioning of the iron foundry at Dalian is proceeding broadly in line with plan.

Whilst FMP Australia, the 49%-owned friction materials business, remains in modest loss, some improvement in recent trading has occurred following further restructuring activity undertaken at the beginning of the year.

### **Significant Items**

Significant items recognised in the six months to 30 June 2007 amount to a net charge of \$13.4 million after tax and comprise:

- One-off costs associated with the Bosch takeover of \$12.4 million
- Penalty costs incurred on the prepayment of private placement notes of \$0.4 million
- Rationalisation and restructuring costs at FMP Australia of \$0.6 million

### **Cash Flow**

Operating cash flow declined to \$11.8 million in the half, and capital expenditure amounted to approximately \$23 million. Period-end gearing (net debt to equity) of 65% is similar to that at 31 December 2006, while interest cover at the EBITDA level was just below 5 times.



**FINANCIAL SUMMARY**

<b>FINANCIAL SUMMARY</b>	<b>2007</b>	<b>2006</b>	<b>%</b>
<b>Six months ended 30 June</b>	<b>\$000</b>	<b>\$000</b>	<b>change</b>
<b>Sales revenue</b>	<b>417,287</b>	<b>437,693</b>	<b>-5%</b>
<b>EBITDA</b>	<b>31,936</b>	<b>63,405</b>	<b>-50%</b>
Depreciation and amortisation	(30,586)	(30,363)	
<b>EBIT</b>	<b>1,350</b>	<b>33,042</b>	<b>-96%</b>
<b>Net (loss)/profit before significant items</b>	<b>(595)</b>	<b>15,099</b>	
<b>Earnings per share (before significant items) (¢)</b>	<b>(0.4)</b>	<b>11.1</b>	
Significant items after tax	(13,453)	(29)	
<b>Net (loss)/profit after significant items</b>	<b>(14,048)</b>	<b>15,070</b>	
Earnings per share (after significant items) (¢)	(10.1)	11.1	
<b>Operating cash flow</b>	<b>11,827</b>	<b>22,869</b>	<b>-48%</b>
Return on equity* (%)	(0.5)	12.0	

\* Based on earnings before significant items.

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