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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 76.5% ownership interest, today announced a net loss after significant items of \$37.8 million for the six months ended 30 June 2008.

In summary, the result included:

- Sales from continuing operations of \$273.1 million, a decline of \$70.3 million, or 20%, from the corresponding half year period 2007 of which approximately \$31 million relates to the translation effect of a stronger Australian dollar
- Net loss from continuing operations before significant items of \$22.9 million, compared to a net loss before significant items of \$7.6 million in the opening half of 2007, reflecting the ongoing adverse impact of:
 - Lower underlying vehicle volumes in the North American market
 - Higher input costs, notably increased steel costs
- An individually significant loss item of \$14.9 million, being the writedown of the Australian deferred tax asset

Operational Commentary

Pacifica Group's financial performance in the opening half of 2008 reflects the further deterioration in global automotive industry conditions, most notably in the North American market, as highlighted at the Company's Annual General Meeting in May 2008.

Pacifica's North American operations incurred a fall in first half sales revenue of approximately \$73 million, or 32%, compared to the corresponding period in 2007. Approximately \$29 million of the sales decline was attributable to the adverse translation effect of a stronger Australian dollar, with the balance reflecting reduced underlying light truck volumes as consumers responded to the steep rise in petrol prices. The majority of the sales decrease impacted the Knoxville plant, where first half volume reductions were exacerbated by the effect of the strike activity at American Axle which caused significant disruption to the truck production of Pacifica's major end-customer, General Motors.

Pacifica's North American performance continues to be severely impacted by higher raw material input costs, both in the form of increased steel costs and the disputed price increases for iron castings imposed by Internet Corporation in its supply of both the Knoxville and

Columbia plants. The dispute with Internet has entered arbitration proceedings, with resolution expected in the fourth quarter of calendar 2008. It remains Pacifica's firm belief that Internet is in breach of its contractual supply commitments.

Pacifica's Asian operations recorded a 16% drop in sales revenue (inclusive of inter-company sales) against the comparable half, owing to softer demand from the North American market and the closure of the PBR Malaysia operation. The Asian business remains profitable, but lower export volumes to North America have served to reduce earnings. Considerable effort is being applied to attracting increased custom from the local market to lift the capacity utilisation of the foundry operation at Dalian in China.

The Australian business registered a 4% increase in first half sales revenue (inclusive of inter-company sales), to nearly \$110 million. Increased demand associated with supply to the successful export programs of both GM Holden and Toyota has offset the continuing decline of large passenger car volumes in the local market. Profitability has been impacted by increased raw material costs and the inclusion of \$2.6 million of restructuring costs associated with implementation of the outcomes of Bosch's operational review.

As outlined in February 2008, completion of the operational review has resulted in key decisions being taken concerning future research and development activities, regional reporting structures and management responsibilities. Implementation of these outcomes is now largely complete, with increased benefits expected to accrue in future periods.

FMP Australia, the 49%-owned friction materials business, has fallen back into loss as cheaper competing imported product has benefited from the strength of the Australian dollar and gained market share.

Significant Item

The absence of sufficient taxable profit in the current operating environment has caused Pacifica to cease recognition of tax losses in both the North American and Australian jurisdictions. In addition, the carrying value of the Australian deferred tax asset as at 1 January 2008, of \$14.9 million, has been written down to nil and identified as a significant item.

Cash Flow

Reflecting the deterioration in operating performance, Pacifica recorded an operating cash outflow of \$6.3 million for the half, compared to an inflow of \$11.8 million in the corresponding six months of 2007. Capital expenditure in the half year declined to \$13.7 million and period end gearing (net debt to equity) stood at 28.7%.

Outlook

There is no immediate prospect of an improvement in the highly challenging industry conditions that Pacifica is currently experiencing. As identified at the Company's Annual General Meeting in May 2008, original equipment manufacturers in Pacifica's key North American market have announced significant reductions to their second half production schedules, as they reconfigure manufacturing profiles to accommodate the marked shift in consumer demand towards more fuel-efficient smaller vehicles. There is also no short term expectation of an increase in locally manufactured large passenger car volumes in Australia. Consequently, Pacifica expects to report a further operating loss in the second half of 2008.

In response to the lasting shift in demand towards smaller, more fuel efficient cars in the automotive industry, Pacifica continues to actively pursue initiatives that further improve its capacity utilisation.

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FINANCIAL SUMMARY

	2008	2007
Six months ended 30 June	\$000	\$000
<u>Continuing operations</u>		
Sales revenue	273,053	343,334
EBITDA	(3,107)	15,100
Depreciation and amortisation	(23,830)	(26,117)
EBIT	(26,937)	(11,017)
Net (loss)/profit before significant items	(22,944)	(7,588)
Significant items after tax	(14,897)	(13,453)
Net (loss)/profit after significant items	(37,841)	(21,041)
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Discontinued operations	-	6,993
Total net profit attributable to shareholders	(37,841)	(14,048)
Total earnings per share (¢)	(26.7)	(10.1)
Operating cash (outflow)/inflow	(6,250)	11,827