Pacifica Group Limited
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NEWS RELEASE

PACIFICA ANNOUNCES 2008 FULL 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 $242 million for the year ended 31 December 2008.

In summary, the result included:

- Sales revenues of $545 million, a decrease of $114 million or 17% over the comparable prior year period (adjusting for the contribution of AP Italia which was sold in August 2007).
- Net loss before significant items of $60.9 million, compared to a net loss of $18.5 million in 2007. This reflects the adverse impact of:
    - Significantly lower underlying vehicle volumes particularly in the North American market, but also in Asia and Australia
    - Higher input costs
    - Restructuring / rationalisation charges
- Significant items totalling $181 million. These comprised the write-down of the Australian deferred tax assets reported at the half year as well as an impairment loss arising from write-downs of intangibles and plant and equipment.
- Net tangible assets per share decreased to $0.26 from $1.95 at the end of the previous corresponding period, largely as a result of impairment of non-current assets.

Operational Commentary

Pacifica Group's financial performance in 2008 reflects the severely depressed conditions in the automotive industry worldwide, but particularly in North America. As the crisis in financial markets plumbed new depths in the fourth quarter of 2008, economic growth around the globe ground to a halt resulting in the virtual collapse of all major automotive markets, including Australia and Asia.

Sales revenues of Pacifica's North American operations fell by $97 million or 23%, compared to the corresponding period in 2007. The first half of 2008 was severely impacted by strike activity at American Axle, causing disruption to truck production at Pacifica's major end-customer, General Motors. In addition underlying sales of light trucks were further undermined by rising petrol prices. As the contraction of the US economy accelerated throughout the second half of 2008, reflected in rising unemployment rates and the non-availability of car loans

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following the bankruptcy of investment bank Lehman Brothers, the decline in underlying vehicle demand plummeted. The decline in sales revenues in the second half of 2008 was partly off-set by the effects of a weakening Australian dollar against the US dollar.

The Group's North American performance continued to be impacted by higher input costs arising from increased steel costs and the disputed price increases for iron castings imposed by Intermet Corporation in its supply of both the Knoxville and Columbia plants. This dispute with Intermet had entered arbitration proceedings. As advised on 14 August 2008, Intermet filed for Chapter 11 protection with the U.S. Bankruptcy Court in the District of Delaware in August 2008, resulting in a halt of the arbitration proceedings. Pacifica has been sourcing iron castings from another supplier since the sourcing obligations with Intermet expired on 31 December 2008. Legal proceedings with Intermet are ongoing but unlikely to be resolved in the first half of 2009.

Pacifica's Asian operations suffered a 21% drop in sales revenue (including inter-company sales) to $79.4 million compared with revenue of $100.9 million in the prior year. This reflected the fall in demand from the North American market, the closure of PBR Malaysia and a rapid deterioration in the economies of local markets in the fourth quarter of 2008. The Asian business recorded a loss during the second half of 2008 due to lower volumes and restructuring provisions. In China, slowing growth in vehicle demand has delayed expectations of satisfactory capacity utilisation levels being achieved at the Dalian factory.

While the Australian operations recorded 4% revenue growth for the first half 2008 (including inter-company sales), the drop in demand in the fourth quarter of 2008 was so severe that Australian revenues decreased almost 20% in the second half, resulting in an overall decline for the full year of 8% compared to 2007. Restructuring costs of $14.8 million associated with integration and rationalisation measures resulted in an operating loss of $12.3 million for the Australian operations in 2008.

FMP Australia, Pacifica's 49%-owned friction materials business, recorded a significant loss for 2008, with Pacifica's share being $6.9 million. This included a write-down of FMP's Australian deferred tax asset of $2.6 million and restructuring charges of $ 3.7 million.

Significant items

Accounting standards require a regular review of the carrying value of the Group's non-current assets. In light of the current loss making situation of the Group and with no immediate prospect of a return to profitable levels of the past, Pacifica has taken the decision to write down the value of its intangible assets by $6.9 million and plant and equipment by $168 million.

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In addition both Pacifica and FMP Australia have written down the carrying value of their Australian deferred tax assets. Pacifica reported its write-down of $15 million in August 2008.

Cash Flow

The continued deterioration in the operating performance of the Group throughout calendar 2008 resulted in Pacifica recording an operating cash outflow of $10 million for the year, compared to a corresponding cash inflow of $0.7 million in 2007 (adjusted for the sale of AP Italia). Capital expenditures of $34 million associated with the capacity expansion of the machining plant in China as well as regular replacement expenditures were funded by increased borrowings. Exchange rate changes devalued cash and cash equivalents at year end 2008 by $19.7 million resulting in a gearing (net debt to equity) of 262%. Excluding the non-cash impact of impairment of non-current assets, gearing at year end would have been 62%.

Of the $215 million borrowings at year end, $118 million is drawn on a bank facility in the US, with the remainder being parent company loans. The bank facility expires in April 2009 and, as at the date of this release, management are finalising an agreement with Bosch to replace the bank loan with additional parent company loans. After refinancing the bank loan, all the Group's funding requirements will be provided by Bosch.

Outlook

The crisis in the global automotive industry will almost certainly continue throughout 2009. In North America, it is not yet clear when the bottom of the downward trend will be reached. Analysts expect the US market demand for passenger vehicles and light trucks to decrease by a further 10-20% in 2009 on the already depressed levels of 2008. Indeed, sales volumes in January 2009 were 30-55% lower for the large automotive companies in the US compared to January 2008. In Australia as well as many Asian markets, no short term increase in locally manufactured cars can be expected. As a consequence, Pacifica expects to report a further operating loss for the year ended December 2009. Restructuring charges to align operations and capacities to what are now expected to be permanent changes in Pacifica's key markets will further contribute to these losses.

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FINANCIAL SUMMARY

Year ended 31 December 2008	2008 $000	2007 $000	Fav (Unfav) $000
CONTINUING OPERATIONS			
Sales revenue	**545,478**	**659,073**	**(113,595)**
Cash EBIT (EBITDA)	**(16,158)**	**21,440**	**(37,598)**
Depreciation and amortisation	(51,324)	(52,602)	
Other non-cash expenses	-	(1,425)	
EBIT	**(67,482)**	**(32,587)**	**(34,895)**
Associate profit (loss)	(4,278)	(100)	(4,178)
Net interest	(4,651)	(9,712)	5,061
Tax (expense) income	(751)	15,972	(16,723)
Minority interest share of (profit) loss	16,276	7,917	8,359
Net operating profit (loss)	**(60,886)**	**(18,510)**	**(42,376)**
EPS (cents)	**(43.0)**	**(13.2)**	**(29.8)**
Significant profit (loss) items after tax	(181,127)	(41,864)	(139,263)
Net profit (loss) continuing operations	**(242,013)**	**(60,374)**	**(181,639)**
EPS (cents)	**(171.0)**	**(42.9)**	**(128.1)**
DISCONTINUED OPERATIONS			
Net operating profit	-	8,277	(8,277)
Profit on disposal	-	73,464	(73,464)
TOTAL NET PROFIT (LOSS)	**(242,013)**	**21,367**	**(263,380)**
EPS (cents)	**(171.0)**	**15.2**	**(186.2)**

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