

PACIFICA GROUP LIMITED**ANNUAL GENERAL MEETING – 16 MAY 2008****Address by Mr Peter Delhey, Chairman**

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Review of 2007 Performance

2007 proved to be another difficult year for Pacifica, as further deterioration was experienced in underlying market conditions. The negative influences which we have previously highlighted were again to the fore. They included reduced demand in the key vehicle segments to which we are currently exposed, being large passenger cars and medium-sized light trucks, and relentless pressure on margins from increased raw material and input costs.

Against this backdrop, Pacifica achieved the following financial results:

- Sales from continuing operations of \$659.1 million, with the vast majority of the 7% decrease over 2006 being attributable to the translation effect of a stronger Australian dollar.
- A 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 the previous year.
- Significant items amounting to a net charge of \$41.9 million, comprising one-off costs associated with the Bosch takeover bid, rationalisation expenses and the required derecognition of nearly \$13 million of unutilised US tax losses owing to the imposition of statutory limitations following the change of control.
- A net profit from discontinued operations of \$81.7 million, including a \$73.5 million profit on the sale of our European operation, AP Italia.
- An overall net profit of \$21.4 million.

Our North American operations recorded a 15% fall in sales revenue, partly reflecting the influence of a stronger Australian dollar and partly the effect of weaker local market demand for large passenger vehicles on volumes at our Columbia plant. Earnings from our North American operations were further impacted by the higher costs stemming from price increases imposed by Internet Corporation, a supplier of iron castings to both our Knoxville and Columbia plants. In April 2007 Pacifica advised the market of the dispute with Internet, which served to reduce operating earnings in 2007 by approximately \$35 million, and net profit after tax and minorities by over \$12 million. Legal proceedings

have commenced against Internet, but a resolution of this matter is not expected until the third quarter of this year.

In Australia, sales revenue rose by 5% owing to a full year's supply to GM Holden's VE Commodore model and of new products to Toyota's export Camry. Pacifica's supply of components to the strong export programs of each of these two locally-based original equipment manufacturers served to counter the reduced demand in Australia for domestically-produced large passenger cars. Profitability within the Australian operations was, however, adversely affected by the increased input costs flowing from the extended upheaval in the local supplier base, as well as the effect of a changed sales mix.

In contrast, our Asian operations continued to benefit from the action previously taken to establish an expanded lower cost manufacturing footprint in the region. External sales increased by 40% and operating earnings by 50%. At Dalian in China we began direct supply of small volumes to the local market and our new facilities are now largely complete for our present needs.

In light of the lack of earnings from continuing operations, no dividend was declared in respect of the 2007 financial year. Proceeds from the sale of AP Italia were applied to the reduction of debt, resulting in a comfortable gearing level of 20%, on a net debt to equity basis, at year end.

Bosch Operational Review

As previously advised, upon gaining control of Pacifica, Bosch commenced a comprehensive operational review of the Company, examining all potential opportunities and benefits that could be realised from Pacifica becoming part of the Bosch Group.

An early outcome of this review was the decision to sell AP Italia to Continental AG, a transaction which occurred at the end of August 2007. This decision took into account AP Italia's greater than 50% sourcing of revenue from Continental AG-supplied vehicle platforms.

The balance of the operational review is now complete, and as a result it has been determined to integrate Pacifica's regional PBR structures into the Bosch Chassis Systems Brakes Division. This entails the following steps:

- From 1 April 2008, Pacifica's operations in North America and China commenced reporting directly to the existing Bosch Chassis Systems Brakes Division management in the corresponding regions.
- Pacifica's other automotive operations in Australia and Thailand are to be renamed Bosch Chassis Systems Australia Pty Limited and Bosch Chassis Systems (Thailand) Limited respectively with effect

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from 1 July, and will concentrate on developing new business opportunities in the Australian and South-East Asian regions.

- All engineering activities, including research and development, are to be co-ordinated by the headquarters of Bosch Chassis Systems Brakes Division, based in Germany. Pacifica will concentrate on application engineering of brake systems for the original equipment manufacturers in Australia and South-East Asia.

Implementation of these outcomes will result in a 2008 post-tax earnings impact of between \$3.5 and \$4.5 million in restructuring and rationalisation costs with the approximate equivalent amount in savings.

We are confident that the combination of these actions will place Pacifica in a stronger position to withstand the ongoing pressures associated with participation in the global automotive industry.

Board and Management Changes

Implementation of the conclusions of the operational review has resulted in a number of changes to Pacifica's senior management team. Most notably, today marks the retirement from the Group of John MacKenzie, Pacifica's former Managing Director.

I would like to thank John for his enormous contribution to the growth and success of this Company over 22 years. I am also grateful that this time last year he agreed to remain with us on a one year contractual basis to ensure the smooth running of PBR's automotive operations while Bosch undertook the operational review and embarked on the integration of key areas, a process which is now well advanced.

John, we all wish you well in retirement.

At the conclusion of today's meeting Peter Hay will step down from the Board of Pacifica. Peter has been a Non-Executive Director of the Company since 1989, and we thank him for his contribution and wise counsel over nineteen years. Best wishes for the future Peter.

Outlook

On the occasion of the release of our 2007 results in late February, our stated expectation was that, even setting aside the ongoing impost from the Internet dispute, Pacifica's underlying operating earnings would remain under considerable pressure in 2008. We also highlighted the risk of further deterioration given the uncertain outlook for the key North American market.

Since then, the picture in North America has indeed deteriorated. As we announced on 7 April 2008, the impact of the strike activity experienced by American Axle has caused our major end customer in North America,

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General Motors, to severely reduce its truck production in the USA, relying on some supply out of Mexico. In turn this has necessitated a significant reduction of output at our Knoxville plant which, for the year to date, is running significantly below the volumes experienced in the corresponding period in 2007 and has also impacted our plants in Thailand and China. The strike at American Axle is now in its 12th week and there appears little sign of it being resolved in the near future.

All manufacturers in North America have announced significant cuts to their planned production in the second half of 2008. This reflects the undoubted impact that the increased oil price is having on underlying demand, as consumers switch to more fuel efficient smaller vehicles. The latest forecast for North American industry production in 2008 is just over 14 million vehicles, compared to in excess of 15 million vehicles in 2007, with much of the expected decline occurring within the light truck segment. This will also impact our operations in Thailand, which is now our main manufacturing base for the Banksia park brake.

On top of pressure from falling demand, we continue to contend with rising raw material costs in North America, and most notably increased steel prices.

In Australia, domestic volumes are also declining and we are experiencing ongoing pressure on profitability through increased raw material costs.

In Asia we are continuing our efforts to secure local supply contracts in order to increase utilisation of our facilities. Further, the Bosch link-up has provided some significant new business opportunities for Pacifica and its Dalian operations.

Given the uncertainty of the timing of the resolution of the American Axle strike, the continuing decline in demand for larger passenger cars and trucks in North America and Australia, and the on-going Internet situation, it remains impossible to provide any accurate forecast for the full year. We will of course provide some clarity when we are in a position to do so.

In what continue to be challenging operating conditions, I would like to take this opportunity to thank all our staff for their ongoing commitment and hard work.

For further information:

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