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NEWS RELEASE



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LEGAL DISPUTE WITH INTERMET

Pacifica Group today advised the market that its subsidiary, PBR, is in legal dispute in North America with Intermet Corporation, a supplier of iron castings for the manufacture of brake components at PBR's Knoxville and Columbia plants.

Intermet has sought to impose on PBR price increases of the order of 85%, with immediate effect. PBR believes that this is in breach of Intermet's contractual supply commitments.

In order to avoid any interruption to supply, PBR intends to pay the higher prices, but has commenced legal proceedings against Intermet aimed at ensuring the reinstatement of pre-dispute contractual prices and that any excess over those prices is recovered in damages.

If PBR is unsuccessful in the case, it will have a severe impact on Pacifica's future earnings. Based on current demand expectations, it is estimated that the higher Intermet prices could amount to an adverse impact of up to A\$1.5 million per month on Pacifica's after tax profit. It is unlikely the matter will be resolved by year end.

Pacifica has previously foreshadowed the likely continuation of the challenging industry conditions experienced in 2006. This is being borne out by continued high steel prices, the strengthening in the Australian dollar and lower demand for PBR products in North America and Australia, where large passenger car and medium-sized light truck volumes have continued to fall.

The company has also previously highlighted the substantial one-off costs associated with the Bosch takeover that will be identified as significant items in Pacifica's 2007 accounts. It is now expected that these costs will amount to approximately A\$13 million after tax. In addition, further one-off costs may result from the review of Pacifica's operations that is presently being undertaken at the instigation of Bosch.

After bringing to account the latest trading outlook and the one-off costs associated with the Bosch takeover, but prior to inclusion of any increased cost associated with the Intermet dispute or any costs emanating from the operational review, Pacifica currently expects to incur a small net loss in 2007.

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