Pacifica

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PACIFICA GROUP LIMITED

ANNUAL GENERAL MEETING – 11 MAY 2007

Addresses by Mr Peter Delhey, Chairman and Mr John MacKenzie, Managing Director

Address by Mr Peter Delhey, Chairman

The Robert Bosch offer of $2.20 for each Pacifica Group share closed on 4 March 2007. At that date, Bosch had secured 75.47% of Pacifica's issued capital, thereby gaining control of the Company but leaving it as a listed entity on the Australian Stock Exchange.

The Bosch Group is a leading global supplier of technology services. In the areas of automotive and industrial technology, consumer goods and building technology, some 260,000 employees generated sales of €43.7 billion in 2006, of which over 60% was generated in the Automotive Technology sector. The Bosch Group comprises Robert Bosch GmbH and its approximately 300 subsidiary and regional companies in over 50 countries. The Company was established in Stuttgart in 1886 by Robert Bosch.

Bosch has had a trading relationship with Pacifica for a number of years. It currently represents Pacifica's largest direct customer for brake components in the North American market, where Bosch has successfully positioned itself as a Full Brake System specialist, supplying the major original equipment manufacturers.

The underlying rationale for Bosch seeking to acquire Pacifica is the complementary position of the two organisations in the North American market. The merger will also provide a strong basis for both companies to grow in Asia Pacific. Bosch believes Pacifica's expertise in the manufacture of aluminium and cast iron calipers, within relatively lean plant structures, can be harnessed to greater effect through Bosch's proven application expertise, resulting in increased penetration of individual vehicle platforms.

The combination of Pacifica with a large global automotive supplier, such as Bosch, serves to secure the long term future of the Company, in the face of highly competitive markets which continue to experience significant upheaval.

A thorough general operational review of the Company, which takes in its corporate structure, assets, businesses, personnel and operations has commenced involving management and representatives of Bosch. Particular focus is on minimising duplication of common activities undertaken by Bosch and Pacifica in North America, Australia and Asia, and on implementation of common systems to improve capital management. We will advise you of the conclusions and decided courses of action, once these are determined later in the year.

In addition, Bosch has undertaken to review Pacifica's dividend policy, to ensure an appropriate balance is struck between the funding of Pacifica's ongoing capital requirements and the provision to shareholders of an appropriate yield on their investment. This review is being conducted in tandem with the operational review of the Company.

It is now timely to mention that with the ownership changes and the inevitable recalibration of his responsibilities, it has made sense to review John MacKenzie's role.

We have agreed with John that after today, he will step off the Board as Managing Director of Pacifica.

However, we are very pleased that he has agreed to work with us for a period of time under new contractual arrangements as head of PBR International, to ensure the smooth running of PBR's automotive operations within the broader Bosch Group, while we conduct the operational review, identify synergistic opportunities and benefits and initiate moves to integrate key areas of the two companies.

I will serve as Executive Chairman of the Company. I am very aware of the potential conflicts of interest within the automotive component markets we supply. Accordingly, John will additionally be charged by the Board with the responsibility for ensuring that there are effective structures and protocols in place within the Pacifica Group to ensure those conflicts are handled appropriately.

Bosch understands its responsibility to ensure that the interests of all Pacifica's shareholders are properly protected.

OUTLOOK

In its Target's Statement issued in November, the Company highlighted the likely continuation of the challenging industry conditions experienced in 2006. In our announcement to the market on 27 April, we confirmed that this is being borne out by continued high steel prices affecting input costs, the adverse effect on Pacifica's earnings from the recent strengthening of the Australian dollar, and lower demand for PBR products in both the North American and Australian markets, where large passenger car and medium-sized light truck volumes have continued to fall.

Our announcement on 27 April also highlighted the recent legal dispute concerning increased prices imposed by Intermet Corporation, a supplier of iron castings to PBR's Knoxville and Columbia plants, which threaten to reduce Pacifica's post-tax earnings by approximately $1.5 million per month. PBR has commenced legal action against Intermet, seeking to

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restore pre-dispute contractual prices, and believes that Intermet is in breach of its contractual supply commitments. It is unlikely, however, that this matter will be resolved before the end of the year.

The Company has previously indicated that substantial one-off costs associated with the Bosch takeover will be accounted for as significant items in Pacifica's 2007 accounts. These costs will amount to approximately $13 million after tax. In addition, further one-off costs may result from the operational review that is currently being undertaken.

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

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Address by Mr John MacKenzie, Managing Director

2006 was another year of heightened competitive pressure and significant upheaval in the global automotive industry, continuing the trends experienced in 2005 and upon which I commented this time last year.

In North America, the major vehicle manufacturers and their suppliers have had to cope with increasing costs and, in many instances, declining demand in their traditional markets. High and volatile oil prices have impacted on demand for large passenger vehicles and light trucks, a situation aggravated by marked increases in raw material input costs, notably those of a steel-related nature.

The Australian automotive market has been under no less pressure. Locally produced large passenger vehicles, which our PBR subsidiary supplies, have suffered a steady decline in volume in the face of increased import competition and a shift towards smaller models. The strengthening of the Australian dollar and the ongoing reduction in tariffs has created further upheaval in the domestic supply base, which has had direct repercussions on Pacifica's performance.

We began 2006 optimistic that we could improve upon 2005's financial performance, given the new contracts coming on stream in both Australia and North America, the continued growth expected from AP Italia in Europe and the emergence of cost benefits from our expanded manufacturing presence in Asia. Indeed, when we announced our encouraging interim results in early August, whilst mindful of the market-related uncertainties that existed, we were still hopeful of achieving a full year net profit after significant items in the mid $30 million range.

In the ensuing weeks, a number of factors prompted us to materially reduce our full year earnings expectations, down to a net profit after significant items in the low to mid $20 million range, but prior to any writedown required at year end in respect of the FMP friction business.

The factors behind this revision included further softening in demand from our customers in both the North American and Australian markets, where passenger car volumes continued to decline alongside, in the case of North America, weakening demand for mid-size light trucks. A further contributory factor was the growing pressure on local Australian manufacturers in the automotive component supply chain, and specifically Global Engineered Fasteners, or GEF. As party to a rescue package for GEF, Pacifica agreed to bear significantly increased costs in order to guarantee ongoing supply from GEF, thereby avoiding disruption to PBR's own production schedules.

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Our eventual results for 2006, which were broadly in line with the forecasts contained in the Target's Statement issued in November, were:

- Sales of $838.5 million, an increase of 4% over 2005
- Net profit before significant items of $22.8 million, down from $24.2 million in the previous year
- Net profit after significant items of $15.2 million, compared to $11.7 million in 2005
- Sound operating cash flow of $71.0 million, 7% down from 2005
- Year end gearing of 64%, compared to 71% at 31 December 2005

Significant items totalled a loss of $7.6 million after tax. These comprised:

- A profit of $1.8 million on the sale of Melwire, the residual component of the former Construction Products division.
- A $0.7 million reversal of the impairment loss on the Delphi receivable, following its sale in the credit default market.
- Costs associated with the Bosch offer, of $1.4 million.
- Costs associated with underwriting the GEF rescue package, of $3.5 million.
- Impairment to the carrying value of FMP Australia of $4.4 million, reflecting the write off of all related goodwill in light of this business' continuing poor operating performance.
- Rationalisation and asset writedown costs of $0.8 million, largely associated with the completion of the relocation of Banksia park brake production to Thailand.

Whilst the overall result for 2006 was disappointing, there were some important operational achievements during the year which I will highlight by commenting on the individual regional performances of our business, which now spans six countries and nine manufacturing or assembly locations.

In North America our supply to General Motors' new GMT900 light truck platform progressively ramped up over the course of the year as related models were introduced to the market. The smooth launch of this key platform benefited volumes and earnings at our Knoxville plant. Our Columbia plant, however, suffered from the unexpected degree of softness in passenger car volumes and from the weakness in demand for

General Motors' mid-sized light truck platform, GMT360. Whilst overall sales from the North American business rose by 13% to $490 million, and its EBIT by 46% to $11.8 million, these figures were lower than the expectations held at the beginning of the year.

Our Australian manufacturing operations registered a 19% decline in automotive revenue, part of which was anticipated through the completion of the relocation of Banksia park brake production from East Bentleigh to Thailand. The overall outcome was worse than expected owing to the 18% drop in locally produced vehicles volumes, which I previously referred to. The Australian business did, however, successfully commence supply of calipers, knuckles and park brakes to Toyota's new Camry and Aurion range of vehicles, as well as supply to Holden's new VE Commodore range. These new contracts bolstered second half revenue for the domestic business, but profitability was adversely impacted by the problems in the domestic supplier base.

Our European business, AP Italia, continued to build on the strong progress made since being acquired by Pacifica in 2003. Revenue increased by over 30% and earnings by over 70%, as further new contracts came on stream embracing supply to new Toyota, Fiat and Opel models. The successful application of PBR's Global Manufacturing System to AP Italia has seen operational efficiencies realised on the back of increased volumes.

In Asia, our operations contributed a significantly improved result, but one which fell short of original expectations owing to the unexpected degree of decline in caliper and park brake volumes stemming from the GMT360 mid-sized light truck platform. Our strategy of creating a world-competitive expanded manufacturing footprint in the region is, however, being realised broadly in line with plan. The second of our new plants in China, the iron foundry in Dalian, is progressing well and commissioning trials are now underway. We have also commenced supply to local original equipment manufacturers, albeit on a small scale, with the sale of calipers, rotors and park brakes to GM Shanghai from the beginning of 2007.

The friction materials business, FMP, in which we are joint venture partners with Honeywell, continued to disappoint, and particularly FMP Australia. Further restructuring activity has taken place at FMP Australia's Ballarat plant since the end of 2006, in order to realign its cost base with current demand levels. Whilst this action is expected to benefit FMP Australia's longer term profitability, associated costs will be recognised in 2007.

Pacifica has continued to invest in Research and Development activities, with the focus on our family of electro-mechanical brake products. Whilst lead times are long and Pacifica has yet to secure any firm contracts, these products continue to generate strong interest from

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automotive manufacturers and were tested by North American customers during 2006.

In what has been a particularly challenging and demanding year, 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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