BILLABONG.
HALF YEAR RESULTS PRESENTATION

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

09/10

Presentation by Derek O'Neill
Billabong International's Chief Executive Officer

Billabong International Limited today reported a net profit after tax (NPAT) of $69.7 million for the six months ended 31 December 2009. The result was down 7.6% in constant currency terms (or down 9.5% in constant currency terms when excluding the 2008-09 half-year's asset impairment charge) and down 15.4% in reported terms following a significant strengthening of the Australian dollar against the United States dollar and the Euro in particular compared to the 2008-09 half-year ended 31 December 2008 (the prior corresponding period). Reported Group sales of $721.0 million were 2.8% lower in constant currency terms or down 10.8% in reported terms compared to the prior corresponding period. On a regional level in constant currency terms, sales increased 2.6% in Europe, while sales in Australasia decreased 1.4% and sales in the Americas were 6.2% lower compared to the prior corresponding period.

Gross margins strengthened to 55.5% (from 53.8% in the prior corresponding period), reflecting improved gross margins in North America in a less promotional environment, offset by softer gross margins in Australia and Europe driven by weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of $123.5 million was 9.5% lower in constant currency terms or 16.2% lower in reported terms compared to the prior corresponding period. EBITDA margins decreased to 17.1% (from 18.2% in the prior corresponding period), reflecting the difficult trading environment and changing regional mix, combined with a significant foreign exchange gain of $4.4 million in the prior corresponding period and a foreign exchange loss of $1.7 million in the current half-year, a difference of $6.1 million between the reporting periods.

Basic earnings per share (EPS) of 27.9 cents was 26.8% lower compared to the prior corresponding period, reflecting the lower reported NPAT result and an increase in the number of shares on issue principally arising from the capital raising announced in May 2009.

Directors declared an interim dividend of 18 cents per share, partially franked to 50%.

Reported NPAT was adversely impacted in particular by the unfavourable effect of the appreciation of the AUD against the USD and the Euro relative to the prior corresponding period, weak trading conditions at a consumer level, especially in North America, and softer gross margins in Australia and Europe reflecting weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period, offset in part by overhead reductions across the business. While currency impacts are likely to be cyclical, the effect in this half-year reporting period was dramatic, in particular as seen by the weaker reported results compared to the constant currency results. The economic weakness in North America, which is being felt mainly among larger customers in the Company's wholesale account base, remains an ongoing challenge. This is being somewhat offset by continued growth in the European business, whilst Australasia, the largest contributor to Group profit for the half-year, continues to offer growth opportunities as brand awareness and consumer demand builds throughout Asia.

During the half-year, the Group continued to focus on the establishment of Company-owned retail operations in Europe and Asia, areas in which the boardsports retail market remains significantly underdeveloped. This has helped lift the number of Company-owned retail stores to 360 (from 335 at 30 June 2009). The Company continues to review all underperforming stores and, where possible, renegotiate lease terms. Company-owned retail operations contributed approximately 26.0% of Group sales in the six months ended 31 December 2009 (up from 23.0% in the prior corresponding period), with retail EBITDA margins lifting to 14.6% (from 14.0% in the prior corresponding period).

This is the first time Company-owned retail sales have accounted for more than 25% of Group sales. This, in part, highlights the benefit of developing a clear route to market, whether it be through growth in Company-owned retail doors, licensed single-brand stores, online retailing, less capital intensive retail partner programs or just working closer with the independent retail channel. Through each of these opportunities, the Group can appropriately present its brands and, most importantly, better manage the consumer experience.

Allied to the retail expansion was the acquisition of the California-based online boardsport retailer Swell, as well as the separate agreement to purchase an interest in Australian online retailer Surfstitch. Both acquisitions acknowledge the migration of consumers to online activities, provide resources to further develop a credible and secure sales channel for the boardsports sector and ensure the online space provides consumers with a premium brand experience. These operations should help the Group develop an online base to reach all consumers, regardless of their geographic location.

Working capital as a percentage of the prior twelve months' sales stated at half-year end exchange rates was steady at 29.1% (29.2% in the prior corresponding period). Cashflow from operating activities was very strong, increasing by more than 100% over the prior corresponding period, principally reflecting higher net cash receipts and a lower interest expense. The Group retains a conservative gearing ratio (net debt to net debt plus equity) of 14.4% and strong interest cover of 8.9 times.

Segment Analysis:

As noted below, segment EBITDA margins have been unusually affected by an increase in global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements) and the allocation of these costs to each segment. The increase in global overhead costs compared to the prior corresponding period is almost entirely attributable to foreign exchange movements. Weaker EBITDA margins in Australasia and Europe in part reflect an increased allocation of global overhead costs compared to the prior corresponding period, given these segments represent a larger proportion of the Group's sales relative to the prior corresponding period and the fact that global overhead costs in the prior corresponding period benefited from the inclusion of a significant foreign exchange gain.

Americas:

In constant currency terms, sales of $317.5 million were 6.2% lower than the prior corresponding period, while reported sales were 17.6% lower, reflecting the negative currency impact when results were translated into Australian dollars. Sales were affected by the weak consumer environment in North America, but direct comparisons to the prior year are somewhat misleading. The latest result includes a full six months of trading from DaKine versus three months in the prior year. The prior corresponding period also included three months of trading in the period that preceded the global financial crisis.

EBITDA of $33.7 million was 4.0% lower in constant currency terms compared to the prior corresponding period, while reported EBITDA was 17.4% lower, again reflecting the negative currency impact. EBITDA margins remained steady at 10.6%, primarily reflecting the abovementioned impact of the allocation of global overhead costs, continued weak trading conditions, albeit with improved gross margins, combined with the impact of strategies adopted by management to reduce overheads. Excluding the global overhead allocation and segment foreign exchange gains and losses, EBITDA margins lifted to 13.4% (from 13.0% in the prior corresponding period). This margin improvement, albeit small, was a significant achievement given the lower sales and harsh trading environment. While some margin pressures associated with promotional activities remain in North America, overhead cost has been removed from the Group's North American operations and this is expected to lead to improved EBITDA margins in the second half.

Trading in the region's major market of the US remained patchy for the majority of the period, with improving sales trends in the Company's own retail operations generally not reflected across the wider wholesale account base. Some retailers remained extremely cautious in their buying patterns and many, particularly large accounts, kept minimal floor inventory and placed terms and pricing ahead of product appeal. In some instances this appeared to temper the in-store excitement and impede product sell-through, further diminishing their ability to chase the Group's better-selling styles. Tight credit conditions also impacted the capacity of smaller retailers to maintain investment into their businesses and this impacted the Group's ability to ship them product. Among larger accounts, sales to Pacific Sunwear were down in the range of 50% for the half-year period and it is anticipated the retailer's percentage contribution to the Group's overall North American sales will decline to the single-digit level across the full financial year.

Overall sales increased 3.3% compared to the prior corresponding period in the Company's own retail operations in North America, reflecting slight growth in store numbers and, in part, indicating that consumers were prepared to shop in stores with a good range of new-season product. The Group's comparable store sales, which had been down by as much as 20% in July 2009, showed consistent improvement to finish down approximately 10% for the whole six-month period. The Group recorded positive comparable store sales in the US for the month of October, while the months of November and December were slightly negative. Two underperforming stores were closed in the half-year, with the overall number of Company-owned doors in the US totalling 94 at half-year end (from 92 doors at 30 June 2009).

The Group's South American business continued to show good growth, with further penetration into Brazil. In constant currency terms, sales lifted in excess of 10% and EBITDA grew more than 20% at improved margins compared to the prior corresponding period.

Across the full financial year, the Group anticipates no significant improvement on the weak trading conditions in the US. Lower operating costs associated with overhead reduction during the past year should help the Group grow margins when the consumer market begins to recover. Trading conditions through January 2010 remained challenging, but forward orders to key specialty accounts were generally in line with expectations in the early phase of the summer indent season.

Europe:

Sales of $164.0 million were up 2.6% in constant currency terms compared to the prior corresponding period as the Group's brands continued to perform strongly in a number of key territories, while reported sales were 7.8% lower reflecting the negative currency impact when results were translated into Australian dollars.

EBITDA of $29.1 million was 5.1% lower in constant currency terms compared to the prior corresponding period, while reported EBITDA was 18.5% lower, again reflecting the negative currency impact when results were translated into Australian dollars. EBITDA margins of 17.8% were lower (from 20.1% in the prior corresponding period), primarily reflecting the abovementioned impact of the allocation of global overhead costs and weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period. Excluding the global overhead allocation and segment foreign exchange gains and losses, EBITDA margins declined slightly to 21.9% (from 22.4% in the prior corresponding period).

The overall European result was a highlight, despite being heavily impacted by currency movements. Sales and product sell-through at retail were strong as the Group's brands remained in demand. Germany and France were the strongest performing territories and each experienced double-digit growth in constant currency terms compared to the prior corresponding period. Sales in Spain, historically one of the Group's larger markets in Europe, continue to be challenging due to the country's ongoing economic difficulties and high unemployment. Italy also had some softer market conditions, while sales into central Europe continued to grow strongly.

Sales through Company-owned retail doors grew in excess of 20% compared to the prior corresponding period, with particularly good results in the multi-branded Two Seasons chain in the UK but lower than expected results in Spain. The Group ended the period with a total of 90 Company-owned doors, comprising 56 standalone retail stores and 34 shop-in-shop concepts. The number of standalone stores remained steady from 30 June 2009, while the number of shop-in-shop concepts grew by nine.

Confidence in the Group's products and brands among the wholesale account base remained strong. The sale of skate and urban-oriented product continues to strengthen in Europe and Element and Nixon are beneficiaries of this trend. Healthy snow falls across Europe in the latter part of December have resulted in good sell-through of winter and technical products. The UK market is showing some positive signs, with very cold weather driving winter product sales, while Spain remains challenging away from the coast. Across the wider European region, the indent season for winter 2010 is currently underway and is performing to expectation. A gradual margin pick up is expected in the second half in Europe as product purchases have been hedged at higher rates.

Australasia:

Sales of $239.5 million were down 1.4% in constant currency terms compared to the prior corresponding period, with a relatively strong performance in Australia offset by weakness in South Africa, Japan and New Zealand. In reported terms, sales were down 2.5%.

EBITDA of $59.7 million was down 14.0% in constant currency terms compared to the prior corresponding period, while reported EBITDA was down 14.2%. EBITDA margins decreased to 24.9% (from 28.3% in the prior corresponding period), primarily reflecting the abovementioned impact of the allocation of global overhead costs, the segment's changing regional mix and weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period. Excluding the global overhead allocation and segment foreign exchange gains and losses, EBITDA margins were 27.9% (from 29.5% in the prior corresponding period).

The primary market of Australia performed strongly, with sales lifting 4.1% in constant currency terms compared to the prior corresponding period despite cycling the prior year's government-supported economic stimulus package around the busy Christmas period. Gross profit margins in Australia were challenged by significantly weaker foreign currency hedge rates for product purchases, with only some of the margin recovered through price increases. There was strong support for the Group's brands among the smaller independent specialty accounts, which generally outperformed larger accounts. All brands performed well, with particularly strong momentum among the Group's emerging brands including Tigerlily, DaKine and Sector 9.

The overall regional sales performance, while sound, was buffeted by general economic turbulence and negative foreign exchange impacts in markets including South Africa and New Zealand. Japan also remained difficult, with erratic sales trends. The Group continued to invest throughout the Asian region, establishing new operations in Thailand and South Korea, increasing the Company-owned retail presence in the region and launching the Nixon brand in a number of territories.

The number of Company-owned retail stores in Australasia lifted to 157 (from 143 at 30 June 2009), with more than 75% of those located outside of Australia. The new store openings included the Group's first Company-owned doors in Thailand, the first Billabong airport store in Asia and the first beachculture store in Asia.

The Group ended the half-year period with good momentum, although the retail environment in Australia weakened into the early part of the second half. The Australian business is expected to start to benefit from stronger product purchase hedge rates and a reduction in duties on apparel products which came into effect on 1 January 2010, although some of the benefit has been handed back in the form of better prices and margins for retailers. New Zealand experienced a subdued start to the year, with the softer sales in part reflecting some poor summer weather. Sales in Japan remain generally erratic, while South Africa is expected to remain difficult in the short term as sporting goods retailers heighten their focus on merchandise associated with the upcoming Soccer World Cup.

Summary and Outlook:

The Group generally performed in line with expectations in the first six months of the 2009-10 financial year. Within key markets, trading in Australia was slightly ahead of expectation, Europe performed generally in line with forecasts and the US experienced patchy trade. Operationally, the Company had strong cashflow and retained a strong, disciplined balance sheet, with working capital under control and overhead reductions over the prior twelve months helping to lower the cost base of the business. Foreign exchange movements continued to buffet the business, particularly from a profit translation perspective, but the benefits from stronger product purchase hedge rates are expected to start to flow through to the business from late in the second half.

Retail markets remain extremely volatile and difficult to predict, consumer spending patterns remain erratic and global economic concerns continue to weigh on general sentiment. Against this backdrop, the Group's North American business continues to experience challenging conditions. While there is some stability emerging within the independent specialty channel, there is no recovery evident amongst the Group's larger mall-based customers. Australasia is showing mixed performances, with South Africa, Japan and New Zealand expected to remain soft but the balance of the region remaining steady. Europe, a highlight in the first half, is expected to remain relatively buoyant.

At the time of the Annual General Meeting in October 2009, the Company retained its earlier guidance of 5% growth in net profit after tax in constant currency terms excluding the prior corresponding period's impairment charge (or 10% growth when including this impairment charge) for the year ending 30 June 2010 compared to the prior corresponding period. The Company reaffirms this guidance, in the absence of any unforeseen exceptional circumstances. How this guidance translates into reported earnings is dependent on a range of currency assumptions.

As an example only, based on the Group's current 2009-10 full year profit forecast, year-to-date actual average monthly exchange rates and assuming spot rates of AUD/USD 90.0 cents and AUD/Euro of 65.0 cents for the balance of the financial year, NPAT growth in reported terms would be down by approximately 8% compared to the prior corresponding period when excluding the prior corresponding period's impairment charge or down approximately 3% when including the prior corresponding period's impairment charge.

To assist shareholders in making their own determination of the future impact of the volatile Australian dollar on reported full-year results, the Company also provides the following updated currency sensitivities:

- For the AUD/USD, each 1 cent movement in the average monthly exchange rate for the remaining five months of the year above or below 90.0 cents will move reported NPAT by approximately $500,000.
- For the AUD/Euro, each 1 cent movement in the average monthly exchange rate for the remaining five months of the year above or below 65.0 cents will move reported NPAT by approximately $600,000.

Marketing

Billabong:
Billabong retains its place as one of the world's most recognised authentic action sports brands. The brand adopts a very narrow marketing focus, concentrating almost exclusively on the promotion of products and sponsored athletes and events. A key highlight during the first half was sponsored rider Joel Parkinson winning his second consecutive Triple Crown of Surfing in Hawaii and finishing runner up on the Association of Surfing Professionals World Championship Tour (WCT). Also in Hawaii, sponsored rider Taj Burrow won the Billabong Pipeline Masters, the final event of the world tour, Silvana Lima finished second on the Women's WCT, while team rider Greg Long won the prestigious Quiksilver in Memory of Eddie Aikau big wave event at Waimea Bay. Australian surfer Dave Rastovich continued to build on his profile as one of surfing's leading environmental ambassadors by kayaking some 700km from Byron Bay to Bondi Beach to raise awareness about whaling activities. Billabong also maintained its commitment to the development of the sport through its ongoing staging of the World Junior Championships. In snowboarding, Billabong signed Japanese rider Tadashi Fuse to its team and hosted another highly successful Billabong Air & Style TTR World Tour event at Innsbruck in Austria. Two Billabong riders also earned qualification to the 2010 Winter Olympic Games in Canada, with Scotty Lago selected on the USA team and winning a bronze medal in the men's halfpipe and Steph Hickey selected on the Australian team. Last month, Billabong snowboarders Jenny Jones and Jamie Anderson also dominated competition in the slopestyle division of the winter X-Games in Colorado, winning gold and silver respectively, while French snowboarder Anne-Flore Marxer was welcomed to the team. Among skate athletes, Bucky Lasek won the 2009 Dew Cup vert title in the US, while Renton Millar won the 2009 World Cup Skateboarding Vert Champion title in Germany. Other Billabong highlights through the year included the launch of a new range of stretch boardshorts and the release of the surf film Still Filthy, which won the coveted video of the year at the Surfer Poll Awards. Billabong also maintained its contribution to community groups including humanitarian organisation SurfAid International and the US-based Surfrider Foundation.

Tigerlily:
Tigerlily is a premium swimwear and fashion brand for women. The brand, founded in Australia and now in the early phase of expansion into the US, continues to show strong sales growth. Within Australia, the brand continues to build a good presence through the surf-inspired retail channel, along with swim and fashion stores. A key to its growth in the period was the development of in-store concept spaces where retailers merchandised Tigerlily as a collection. Separately, three Company-owned Tigerlily stores were opened in the half-year period. The stores, which include a new boutique in the Australian designer precinct within Chadstone Shopping Centre in Melbourne, help to showcase the unique handwriting and style that defines the brand. Tigerlily also entered discussions with brand founder Jodhi Meares to extend her relationship with Tigerlily. This has subsequently led to a new agreement that includes Jodhi's retention as the brand's creative director.

Element:
Element remains a world-leading skate-inspired fashion brand. Marketing through online activities, films, athletes and events remains a key driver of the brand. During the first half, Element premiered the first chapter of its film Make It Count: The

Element Story at the Lido theatre in California. Subsequent chapters of the film were released online over the following three months, generating more than 200,000 views. The online release was supported by an east coast USA retail store tour, which was met with an overwhelming response as audiences flocked to meet sponsored athletes including Bam Margera, Chad Muska and Mike Vallely. Another successful retail partnership involved the inaugural Element Family Camp, where key retailers were invited to experience a weekend in Element's skate camp. The brand also completed a collaborative initiative with TOMS Shoes that delivered hundreds of skateboards and thousands of shoes to underprivileged children in South Africa. To better educate consumers about Element hardgoods, the brand launched its Proformance initiative involving in-store clinics, online tutorials and on-product information. The Element Eden women's range was also active at a marketing level and this contributed to a fourfold increase in its social network traffic. Advocates Miya Ando and Brooke Redit crafted artworks to raise funds for various charities and causes, while a signature Element Eden skateboard and denim collection was launched with pro snowboarder, double amputee and motivational speaker Amy Purdy. Element Eden also had widespread involvement with key fashion publications through product placement opportunities and input into celebrity gift packs.

Honolua:

Honolua continued to build on its heritage as a brand that celebrates the life of the waterman – men and women whose lives revolve around the surf lifestyle. A key development in this market is the revival of stand-up paddle boarding, an ancient art that is being rediscovered in oceans and waterways around the world. The Hawaii-based Honolua has been an integral part of the revival as stand-up paddle boarding (SUP) fits with the brand's core market, being those whose association with the ocean spans decades. The growth in the sport, popular in rivers, lakes and oceans, has led to the emergence of retailers catering almost exclusively to the SUP market and has allowed Honolua to penetrate into non-coastal areas. It is also opening up opportunities for new product development. Honolua-sponsored big-wave surfer and lifeguard Archie Kalepa, of Hawaii, showed the growth of the sport in non-coastal communities by paddling a world record 187 miles through the Grand Canyon at the invitation of American Indian community leaders. Honolua's links to the history of the sport of surfing were also evident through its sponsorship of events such as The Harbour Chronicles: A Life in Surfboard Culture, a unique surf exhibition covering the 50-year career of Californian shaper and retailer Rich Harbour.

DaKine:

Technical accessories brand DaKine maintained its strong sales growth and high visibility in the action sports channel. Among sponsored athletes, team rider Kristin Boese earned an historic ninth world kiteboarding title, the most ever achieved by a female athlete in the sport. Windsurfer Josh Angulo was crowned World Wave Champion for the second time. Snowboard team riders Queralt Castellet and Sarah Conrad placed first and second respectively at the Dew Tour Superpipe event in Colorado. Fellow team rider Annie Boulanger was awarded Transworld Snowboarding Magazine's Women's Rider of the Year and Women's Video Part of the Year, in addition to being a featured character in a new Xbox 360 game. DaKine also added Eric Jackson, Shayne Pospisil and Jed Anderson to the international snowboard team. Surfers Hank Gaskell and Pancho Sullivan took first and second respectively in the 2009 Xcel Pro in Hawaii and Eric and Evan Geiselman extended their contracts with the brand. DaKine sponsored skateboarders, including Kyle Berard, Andrew Langi, Ryan Decenzo, Bas Janssen and Steven Reeves, continue to achieve strong results in competitions in the US and Europe. DaKine, which received favourable reviews for its new range of bike shorts, sponsored numerous bike events in the US. The DaKine sponsored MSP Films' In Deep: the skiing experience received Best Film Award at the International Free Ride Film Festival in France, while the ski film Edias won Best Film at the IF3 film festival in Canada. DaKine continued to evolve its social media initiatives to enable direct communication with consumers. The initiatives range from online coverage of photographic shoots with sponsored athletes, thus creating uses for the content beyond the development of advertising and marketing collateral, through to the development of free applications for iPhone users. Within traditional media, DaKine also benefited from product reviews in major mainstream and boardsport publications throughout the US. At a product level, DaKine maintained its commitment to the Project Blue ocean protection initiative with the offer of backpacks made from recycled plastic bottles. This is an extension of the brand's environment-focused Re-Gen Collection of products, which includes PVC-free packs made from recycled materials.

Sector 9:

Sector 9 continued to pioneer the development and growth of the skate longboard market. The brand exceeded sales expectations in developing markets such as Australia and continued to achieve strong results in its home market of the US. Based on product turn rates, it was voted the number one brand in the US by Transworld Business. Following a two-year development program Sector 9 launched its patented 'Kush Technology', which is a suspension skateboard truck designed to provide a smoother ride. The brand also launched a safety accessories collection including helmets and gloves. Development of the Sector 9 range also extended into softgoods, with the brand's environment-conscious apparel finding pockets of success in the US. In marketing developments, Sector 9 signed surfer and environmentalist Dave Rastovich to its team of riders, while its downhill skateboarding film Second Nature won awards at the Mammoth and X-Dance film festivals in the US. A new website designed to better showcase the brand is under development and expected to launch towards the end of the second half of the current financial year.

Xcel:

Xcel experienced solid sales growth as the brand continued to build on its heritage as an innovator in the manufacture of wetsuits and sun protection apparel. The Hawaii-based brand retained a strong marketing focus on its events and athletes. Its signature event, the Xcel Pro at Sunset Beach in Hawaii, ran in epic conditions in its 26th year. The winner was awarded entry into the 2010 Von Zipper Trials at Teahupoo, the qualification event for the 2010 Billabong Pro Tahiti. Xcel team rider Bede Durbidge finished third on the 2009 world surfing tour, making it the third consecutive year he has finished in the top five, while fellow team rider Greg Long won the Quiksilver in Memory of Eddie Aikau big wave event in Hawaii. More recently, the 2009 WWA Wakeboard World Champion, Canadian Aaron Rathy, joined the Xcel team. Outside of athletes and events, Xcel continued to promote skin cancer awareness initiatives. This included ongoing work with the Cancer Research Centre of Hawaii, which is a beneficiary of sales from Xcel's UV performance products.

Nixon:

Nixon is a leading designer and innovator in the watch and accessories categories in the global action sports market. The brand's unique style has also led to the inclusion of some of its limited edition product in select high-end fashion retail stores including

Barneys in North America, Harvey Nichols in the UK and Citadium in France. The brand opened its first pop-up shop in retailer Henri Bendel in New York and opened a pop-up sound lounge in Sydney International Airport to feature its range of headphones. Included in the Nixon headphone range is the Trooper style, which was selected for a Good Design Award by the Japan Industrial Design Promotion Organisation. Nixon's Timeteller watch was also selected as the year's best travel watch by Travel & Leisure Magazine. In marketing initiatives, Nixon signed Grammy nominated hip-hop artist Santigold and ASP World Championship Tour surfer Dusty Payne to its team. Among existing athletes, Travis Pastrana set a world record for the longest jump in a rally car, while Lyn-Z Adams Hawkins became the first female to complete a 540 McTwist manoeuvre during a skateboarding event in France.

Von Zipper:

Von Zipper remained the most directionally fashion forward brand in the eyewear category within the global action sports market and the allied fields of music and entertainment. Sponsored riders continued to represent the brand at the highest levels, with snowboarder John Jackson winning the TransWorld Snowboarding Rider's Poll Award for Men's Rider of the Year and Men's Video Part of the Year. Moto rider Ryan Capes set a world record for a ramp-to-ramp motorcycle jump and a range of athletes including skateboarder Bucky Lasek, surfers Greg Long, Joel Parkinson and Taj Burrow and freestyle motocross rider Brian Deegan had major event wins. A range of high profile entertainers were photographed in Von Zipper shades. They included singer Katy Perry at a fashion show in France and in a music video, actress Drew Barrymore and singers Rhianna, Chris Brown and Tegan from the indie rock band Tegan and Sarah. VonZipper is also supporting the upcoming Australian tour of Hollywood hip hop artist Mickey Avalon and has product featured in his latest music video releases. The brand also launched a range of new styles and products, including eyewear frames made from sustainable materials and snow goggles with headphones built into the straps.

Kustom:

Kustom continues to build its profile as an emerging footwear brand within the global boardsports channel. A key marketing initiative remains its Kustom Airstrike event, an eight-month global search to reward the most innovative aerial surfing manoeuvre. The 2009 event was won by Hawaiian surfer Dusty Payne, while the 2010 event has been boosted by the inclusion of a filmed series called Landscape Altered that features progressive aerial surfers joining on a boat trip to try to win the Airstrike prize. The Landscape Altered series will premiere on the Kustom Airstrike website from April 2010. The brand is receiving good results in its home market of Australia with its vulcanised range of footwear. In the US, Kustom has had strong sell through in stores where retailers formed partnerships that led to better visual merchandising and product availability for the brand. This has resulted in Kustom performing competitively against more established footwear brands and has helped to invigorate the brand and earn it new account opportunities.

Palmers:

Palmers retained its niche position as a manufacturer of surf wax and accessories and extended its direct distribution outside its home market in Australia. This included direct sales into Europe and South Africa and planning for direct sales into markets including Japan and the US. Palmers also continued to evolve its apparel offer, which primarily focuses on products including boardshorts, walkshorts and 'Australian humour' t-shirts. The apparel range is generally available at lower price points than the Group's premium brands, allowing retailers to fill their entry-level product offer. At a marketing level, the brand launched a 'wax up and win' promotion that allows consumers to earn prizes from tokens inside Mrs Palmers wax. This promotion helped drive sales and awareness of the brand over the Australian summer. Palmers also maintained its sponsorship of athletes, including Australians Josh Kerr and Heath Joske.

Presentation by Craig White
Billabong International's Chief Financial Officer

The following commentary should be read in conjunction with the attached tables.

Table 1: Consolidated Results

- As previously stated, reported net profit after tax (NPAT) for the half-year ended 31 December 2009 was $69.7 million, a decrease of 15.4% in reported terms (a decrease of 7.6% in constant currency terms) compared to the 2008-09 half-year ended 31 December 2008 (the prior corresponding period). Excluding the after tax impact of an impairment charge expense in the prior corresponding period, the NPAT for the half-year ended 31 December 2009 was a decrease of 17.5% in reported terms (a decrease of 9.5% in constant currency terms) compared to the prior corresponding period.

  Reported NPAT was adversely impacted in particular by the unfavourable effect of the appreciation of the AUD against the USD and the Euro relative to the prior corresponding period, weak trading conditions at a consumer level, especially in North America, and softer gross margins in Australia and Europe reflecting weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period, offset in part by overhead reductions across the business.

  The components of this result include:

  - Reported sales revenue of $721.0 million, excluding third party royalties, represents a 10.8% decrease over the prior corresponding period. Constant currency sales revenue decreased 2.8% over the prior corresponding period.

  - Consolidated gross margins remained strong and strengthened to 55.5% compared to the prior corresponding period's 53.8%, reflecting improved gross margins in North America in a less promotional environment, offset by softer gross margins in Australia and Europe driven by weaker foreign exchange hedge rates achieved for product purchases compared to the prior corresponding period.

  - Reported Group EBITDA of $123.5 million, represents a decrease of 16.2% in reported terms (9.5% decrease in constant currency terms) compared to the prior corresponding period, principally reflecting the unfavourable impact of the appreciation of the AUD against the USD and the Euro relative to the prior corresponding period and the continuing challenging trading environment as indicated above.

  - The consolidated EBITDA margin of 17.1% decreased by 1.1% compared to that of the prior corresponding period of 18.2%, reflecting the difficult trading environment and changing regional mix, combined with a significant foreign exchange gain of $4.4 million in the prior corresponding period and a foreign exchange loss of $1.7 million in the current half-year, a difference of $6.1 million between the reporting periods.

  - In addition to the specific factors discussed by reporting segment in the CEO's presentation, segment EBITDA margins have been unusually affected by an increase in global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements) and the allocation of these costs to each segment. The increase in global overhead costs compared to the prior corresponding period is almost entirely attributable to foreign exchange movements. Weaker EBITDA margins in Australasia and Europe in part reflect an increased allocation of global overhead costs compared to the prior corresponding period, given these segments represent a larger proportion of the Group's sales relative to the prior corresponding period and the fact that global overhead costs in the prior corresponding period benefited from the inclusion of a significant foreign exchange gain.

- Earnings per share was 27.9 cents, a decrease of 26.8% over the prior corresponding period (38.1 cents). This reduction reflects the lower profit result and an increase in the weighted average number of shares on issue following the prior year's capital raising and the introduction of the dividend reinvestment plan during the previous financial year.

- Return on average equity was 13.3% (19.6% in the prior corresponding period).

Table 2: Depreciation, Amortisation, Impairment Charge, Net Interest Expense and Tax Expense

- Depreciation and amortisation expense was in line with the prior corresponding period in reported terms (increase of 8.3% in constant currency terms due to investment in owned retail globally).

- No impairment charge was recorded in the half-year ended 31 December 2009 however in the prior corresponding period, as a result of an impairment review of retail store assets, certain assets were written down to their recoverable amount, being their value-in-use. For the prior corresponding period, this resulted in a pre-tax impairment charge in respect of retail stores which amounted to $2.3 million.

- The decrease in net interest expense of 56.7% in reported terms (52.6% in constant currency terms) compared to the prior corresponding period was principally driven by a reduction in borrowings as a result of the repayment of debt from the proceeds received from the capital raising announced in May 2009, together with several initiatives which have been implemented to improve treasury management efficiency across the Group.

- The income tax expense for the half-year ended 31 December 2009 was $28.7 million ($27.5 million in the prior corresponding period), an effective rate of tax of 29.2% (25.0% in the prior corresponding period). The effective tax rate reflects in part the impact of net exempt income from branch operations, in particular GSM (Europe) Pty Ltd, together with several one-off prior year tax adjustments in the half-years ended 31 December 2008 and 31 December 2009. Adjusting for these one-off prior year tax adjustments, the effective tax rate for the Group would have been approximately 28% in the half-year ended 31 December 2009 (26% in the prior corresponding period).

  In addition to the bilateral Advanced Pricing Agreement the Group has in place with both the Australian Tax Office and the United States Internal Revenue Service, on 2 July 2009 a unilateral Advanced Pricing Agreement was entered into with the French Taxation Authority in France in relation to the royalty rate used by GSM (Europe) Pty Ltd for the right to use certain Group brands and trademarks. This agreement will cover the period 1 July 2006 to 30 June 2011 and provides certainty for the Group in respect of royalties being paid in accordance with French transfer pricing rules and regulations.

Table 3: Balance Sheet

- Working capital at $422.8 million represents 29.1% as a percentage of the prior twelve months' sales stated at half-year end exchange rates, being a 0.1% decrease over the prior corresponding period (29.2%), or a 1.9% increase in absolute dollars compared to revenue growth over the prior twelve month period of 2.6% in constant currency terms.

- The doubtful debts provision at $20.1 million is considered to be conservative and should be sufficient to meet the Group's requirements.

- Net debt decreased 69.4% to $200.1 million over the prior corresponding period as a result of the repayment of debt from the proceeds received from the capital raising announced in May 2009, together with several initiatives which have been implemented to improve treasury management efficiency across the Group.

- The Group has a conservative gearing ratio (net debt to net debt plus equity) of 14.4% (42.4% in the prior corresponding period).

- Interest cover remains strong at 8.9 times (8.6 times in the prior corresponding period).

- On 7 September 2009 the Group completed the extension of its US$100 million unsecured multi-currency drawdown facility to 1 July 2012 which was due for rollover on or prior to 17 July 2010.

- The Dividend Reinvestment Plan (DRP) was approved by the Directors on 21 August 2008. For the interim dividend to be paid on 22 April 2010, the DRP is optional and offers ordinary shareholders the opportunity to acquire fully paid ordinary shares which rank equally with all other shares issued, without transaction costs, at the prevailing market value. A shareholder can elect to participate in or terminate their involvement in the DRP in respect of the 2010 interim dividend at any time prior to the record date of 22 March 2010. The DRP in relation to the 2010 interim dividend will not be underwritten. The terms of the DRP may be varied for future dividends beyond the interim dividend for the half-year ended 31 December 2009.

- The unfranked portion of the interim ordinary dividend to be paid on 22 April 2010 is declared to be conduit foreign income. Australian dividend withholding tax is not payable by non-resident shareholders on the unfranked portion of the dividend sourced from conduit foreign income.

Table 4: Cash Flow Statement

- Cash flow from operations of $95.6 million represents a strong increase of 108.3% over the prior corresponding period driven principally by higher net cash receipts and lower finance cost payments. Net cash receipts of $120.4 million are 54.1% higher than the prior corresponding period ($78.1 million).

- Cash outflow from investing activities of $58.4 million was in accordance with expectations and includes the acquisition of the United States based online boardsports retailer Swell.com as announced on 24 November 2009, the second installment payment for the DaKine acquisition and investment in owned retail globally.

The following tables should be read in conjunction with the presentation by Billabong's Chief Executive Officer and presentation by Billabong's Chief Financial Officer as set out in the Half-year Results Summary.

CONSOLIDATED RESULTS

Table: 1
Consolidated Results

	2009 $m	2008 $m	2009 Change %
Results as Reported (AUD)			
• Sales Revenue[1]	721.0	808.6	(10.8)
• EBITDA	123.5	147.3	(16.2)
• EBITDA Margin	17.1%	18.2%	
• NPAT (pre-impairment charge)	69.7	84.5	(17.5)
• NPAT (post-impairment charge)	69.7	82.4	(15.4)
• Earnings per Share	27.9c	38.1c	(26.8)
• Return on Equity	13.3%	19.6%	
Results in Constant Currency (AUD)			
• Sales Revenue* [1]	721.0	741.4	(2.8)
• EBITDA*	123.5	136.4	(9.5)
• NPAT (pre-impairment charge)	69.7	77.0	(9.5)
• NPAT (post-impairment charge)	69.7	75.4	(7.6)

* 2008 results have been adjusted assuming local currencies were translated at the same rates as for 2009

[1] Excluding third party royalties.

1

Table 2:
Depreciation, Amortisation, Impairment Charge, Net Interest Expense and Tax Expense

	2009 $m	2008 $m	2009 Change %
Depreciation	17.2	17.6	(2.0)
Amortisation	0.3	---	100.0
Impairment Charge	---	2.3	(100.0)
Net Interest Expense	7.6	17.5	(56.7)
Tax Expense	28.7	27.5	4.5

2

Table 3:
Balance Sheet

	2009 $m	2008 $m	2009 Change %
Working Capital in Constant Currency (AUD)			
Receivables (inc factored receivables)	333.9	329.5	
Inventory	246.9	269.4	
Creditors	(158.0)	(183.8)	
	422.8	415.1	1.9
Gearing Levels			
Borrowings (net)	200.1	653.0	(69.4)
Gearing Ratio (Net Debt/Net Debt + Equity)	14.4%	42.4%	
Interest Cover	8.9 times	8.6 times	

3

Table 4:
Cash Flow Statement

	2009 $m	2008 $m	2009 Change %
Net Cash Inflow from Operating Activities	95.6	45.9	108.3
Payment for Purchase of Subsidiaries, net of Cash Acquired	(37.4)	(139.3)	
Net Payments for Plant and Equipment	(19.0)	(39.2)	
Payments for Intangibles	(2.1)	(3.6)	
Proceeds from Sale of Plant and Equipment	0.1	---	
Net Cash Outflow from Investing Activities	(58.4)	(182.1)	
Proceeds from Issues of Shares, net of Transaction Costs	---	21.4	
Payments for Treasury Shares held in Employee Share Plan Trusts	(3.5)	(7.2)	
Net (Repayment)/Proceeds (of)/from Borrowings	(103.1)	195.4	
Dividends Paid	(35.5)	(51.0)	
Net Cash (Outflow)/Inflow from Financing Activities	(142.1)	158.6	
Net Movement in Cash Held	(104.9)	22.4	

4

SEGMENT & BRAND RESULTS

Americas Segment

	2009 $m	2008 $m	2009 Change %
Results as Reported (AUD)			
• Sales Revenue	317.5	385.1	(17.6)
• EBITDA	33.7	40.8	(17.4)
• EBITDA Margin	10.6%	10.6%	
Results in Constant Currency (AUD)			
• Sales Revenue	317.5	338.7	(6.2)
• EBITDA	33.7	35.1	(4.0)

5

European Segment

	2009 $m	2008 $m	2009 Change %
Results as Reported (AUD)			
• Sales Revenue	164.0	177.8	(7.8)
• EBITDA	29.1	35.7	(18.5)
• EBITDA Margin	17.8%	20.1%	
Results in Constant Currency (AUD)			
• Sales Revenue	164.0	159.9	2.6
• EBITDA	29.1	30.7	(5.1)

6

Australasian Segment

	2009 $m	2008 $m	2009 Change %
Results as Reported (AUD)			
• Sales Revenue	239.5	245.7	(2.5)
• EBITDA	59.7	69.6	(14.2)
• EBITDA Margin	24.9%	28.3%	
Results in Constant Currency (AUD)			
• Sales Revenue	239.5	242.9	(1.4)
• EBITDA	59.7	69.4	(14.0)

7

Note:

Segment Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) excludes inter-company royalties and sourcing fees and includes an allocation of global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements). Consistent with prior reporting periods global overhead costs have been allocated to each segment based on each segment's sales as a proportion of Group sales.

2009 FX Impacts

- **The current policy of hedging purchases, but not profit translation, remains unchanged.**
- **The short term impact of currency movements on the 2010 half-year result (profit translation) is as follows:**

1 cent increase in the average monthly rate for the AUD against the

USD = decrease NPAT by 0.1%
EURO = decrease NPAT by 0.6%

8