BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

BILLABONG.

FULL YEAR

Results Presentation 09 10

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

A solid second half performance in a challenging global consumer and business environment carried Billabong International Limited to a net profit after tax (NPAT) of $146.0 million for the financial year ended 30 June 2010. The result is up 8.1% in constant currency terms compared with the 2008-09 year (the prior year). Excluding the after tax impact of an impairment charge expense of $7.4 million in the prior year, NPAT for the year ended 30 June 2010 increased 3.1% in constant currency terms compared with the prior year. After adding back one-off post-tax acquisition transaction costs of $2.7 million, which under new accounting standard requirements now have to be expensed and cannot be capitalised, constant currency NPAT growth lifts to 5.0% compared with the prior year excluding the prior year impairment charge.

In reported terms, NPAT was down 4.5% compared with the prior year when including the prior year's impairment charge or down 8.9% when excluding this impairment charge. Reported NPAT was adversely impacted by the unfavourable effect of the continued appreciation of the AUD against the Group's 16 functional currencies, in particular against the USD and the Euro, relative to the prior year.

Earnings per share of 58.3 cents was down 15.8%, principally reflecting the lower reported NPAT result and the increase in the weighted average number of shares on issue following the prior year's capital raising.

Directors declared a final ordinary dividend of 18.0 cents per share, franked to 50%. This takes the full year dividend to 36.0 cents per share, representing a full year EPS payout ratio of approximately 62%.

Total Group sales of $1.48 billion was flat in constant currency terms and down 11.2% in reported terms compared with the prior year, again reflecting the negative impact of foreign exchange movements when translating the result into Australian dollars.

Gross margins strengthened to 54.4% from 53.2% in the prior year, reflecting a less promotional retail environment, primarily in the USA.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) of $253.3 million was down 0.9% in constant currency terms and down 11.1% in reported terms compared with the prior year. There was significant improvement across all regions in the second half, with EBITDA lifting 9.0% in constant currency terms following a 9.5% first-half decline. EBITDA margins for the full year remained steady at 17.1%.

Profit before tax, which was down 3.9% in the first half, lifted 24.6% in the second half to finish the year up 8.9% in constant currency terms.

Cashflow from operations was up 6.6% on the prior year, driven by lower finance cost payments. Overall the Group delivered a stronger cash flow result compared with the prior year as demonstrated by net cash receipts from customers and payments to third parties representing 100% of EBITDA compared with 91% for the prior year.

Working capital at $422.4 million represents 28.3% as a percentage of the prior 12 months sales stated at year-end exchange rates, being in line with the prior year.

All reported regional results were adversely impacted by foreign exchange translation. In addition, EBITDA margins have been affected by the allocation of 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 with the prior year is primarily attributable to foreign exchange movements and a change in the accounting standards which require transaction costs attributable to acquisitions to be expensed rather than capitalised as has historically been the treatment.

European sales of $344.0 million were up 5.2% in constant currency terms, but down 11.3% in reported terms. European EBITDA of $69.8 million was up 5.1% in constant currency terms, but down 15.2% in reported terms, while EBITDA margins of 20.3% eased from 21.2% in the prior year. Excluding the allocation of global overhead costs, EBITDA margins were slightly higher at 23.4% compared to 23.3% in the prior year.

Sales of $712.6 million in the Americas were down 1.2% in constant currency terms, or down 14.8% in reported terms. EBITDA of $92.3 million was up 5.4% in constant currency terms, but down 7.6% in reported terms. EBITDA margins in the Americas improved, lifting in the second half to finish the year at 13.0% from 11.9% in the prior year. Excluding the allocation of global overhead costs, the improvement in EBITDA margins was stronger at 16.0% compared to 14.0% in the prior year.

Australasian sales of $425.7 million were down 1.9% in constant currency terms, or down 4.2% in reported terms. Australasian EBITDA of $89.2 million was down 10.3% in constant currency terms, or down 11.2% in reported terms, principally due to weak trading results in Japan, New Zealand and South Africa. EBITDA margins in Australasia were 20.9%, down from 22.6% in the prior year, due to the changing regional mix and the aforementioned weak trading results in Japan, New Zealand and South Africa. Excluding the allocation of global overhead costs, EBITDA margins were slightly lower at 24.0% compared to 24.7% in the prior year.

Revenue from company-owned retail operations contributed approximately 24% of the Group’s global sales, with the number of doors lifting to 380 (from 335 in the prior year). Retail EBITDA margins improved to 10.9%, from 10.2% in the prior year, despite the dilutionary impact of new store openings which were yet to achieve full performance as evidenced by EBITDA margins for stores opened two years or longer which improved to 14.6% (from 11.8% in the prior year).

The ongoing evolution of the global action sports industry has been accelerated by the impact of the global financial crisis, which precipitated dramatic changes to the global business and consumer environment. Evidence of this accelerated evolution can be seen in the analysis by reporting segment below. The Billabong Group has proactively responded to these changes by focusing on and executing long term strategies to maximise future profitable growth opportunities for shareholders. Further commentary regarding these strategies is contained in the Summary and Outlook section of this presentation.

Americas

Sales in the Americas increased 3.2% in constant currency terms in the second half, taking the full-year total to $712.6 million (down 1.2% from $721.6 million in the prior year). EBITDA in the second half increased 11.6% in constant currency terms, which was significantly ahead of sales and demonstrated operational improvements and reduced promotional activity at retail, lifting the full-year EBITDA to $92.3 million (up 5.4% from $87.6 million in the prior year). Strengthening EBITDA margins in the second half increased the full-year EBITDA margins to 13.0%, from 11.9% in the prior year. In reported terms, sales declined 14.8% (from $836.8 million in the prior year) and reported EBITDA was down 7.6%, on improved EBITDA margins, with both reflecting the adverse translation impact of the continued strength of the Australian dollar against the US dollar. Gross margins in the Americas lifted for the year.

The influential US market showed steady improvement through the year, although progress was not uniform across the country. Some retailers returned to positive same store sales growth in the latter part of the second half as the hangover from the global financial crisis slowly eased, while tight credit conditions continued to challenge some of the smaller specialty retail account base. Company-owned retail banners all showed good EBITDA margin improvement, in particular Quiet Flight where margins almost doubled to be in the mid teens. Overall, there was a shift towards more normalised ordering patterns as the wholesale account base started to reduce its reliance on price and value-based offers in favour of well merchandised and historically proven product. Online sales through the acquired Swell business grew strongly and, coupled with the existing online businesses of Nixon, VonZipper and Sector 9, the Group is well positioned to service this emerging market.

Nixon was a standout performer in the region, achieving solid double-digit sales growth, while DaKine also performed very well although there was an impact from the transfer of sales to Europe following the conversion of distributor sales into directly-controlled operations. Tigerlily continued to generate good interest in its push into the US market, while the licensing of the Plan B skate brand midway through the second half added further depth to the portfolio. Specialist wetsuit manufacturer Xcel performed well in its market niche, while Honolua and Kustom both had good growth. Both the Billabong and Element brands were adversely impacted by a continued deterioration in sales to mall-based account Pacific Sunwear. Overall, Group sales to Pacific Sunwear declined 40%. While Pacific Sunwear now only accounts for approximately 6% of the Group's North American sales, the retailer did start to demonstrate a renewed interest in working with third party heritage brands and this may prove to be a positive for the overall business. Excluding sales to Pacific Sunwear, the Group's North American sales increased in constant currency terms. Product categories that showed strength included stretch boardshorts, tank tops, woven shirts and outerwear for men. In women's, fashion forward styles performed particularly well and continued to distinguish branded apparel from that offered by vertical price-point operators.

In general, the east coast outperformed the west coast, which experienced a slow start to summer due to unseasonably cold weather. Retailers around the Gulf states were also impacted by the protracted efforts to contain a major offshore oil spill and the resultant erosion in visitor numbers to the region.

South America continued to perform very well, with Group sales lifting 10.6% in constant currency terms on improved EBITDA margins. Brazil delivered a solid performance, Peru improved and Chile's early promise was affected by a devastating earthquake which had a significant impact on business in the territory.

Within the Group's company-owned store network, sales in North America were up 9.2% in constant currency terms. The stores showed a good recovery through the year, with positive same store sales returning in several months in the second half. The Group's company-owned retail door count in the Americas remained unchanged at 111, with 11 doors closed and 11 doors opened through the year. On 30 June 2010 the Group announced a bid for West 49, the Group's largest retail account in Canada. If successful, the acquisition will add 138 doors in the region and introduce further retail management experience into the Group. The acquisition remains subject to a vote of West 49 shareholders, subsequent court approvals and customary closing conditions.

The Group anticipates that the modest improvements in trading conditions in the US in the final quarter of the 2009-10 financial year will continue into the 2010-11 financial year. An ongoing focus on overhead costs and a less promotional retail environment are expected to lead to continued improvement in EBITDA margins within the Group's wholesale business. A modest lift in revenues, tight cost controls and the ongoing management of under-performing doors is also expected to lead to further improvements in retail EBITDA margins. Forward orders for the Billabong brand are up on the prior year following good performances in both the men's and girl's businesses. While street skate hardware has been soft, the Element brand has been performing well and continues to gain market share. Nixon, Sector 9 and VonZipper are performing strongly and DaKine, which experienced production and shipping delays out of China towards the end of the financial year, is indenting well. The recent addition of the RVCA brand is also expected to make a strong contribution to the region. The Group's own retail store performance was promising in July, with positive same store sales across multiple banners.

Europe

Sales in Europe lifted 7.6% in constant currency terms in the second half, taking full year sales to $344.0 million, an increase of 5.2% over the prior year. EBITDA was up 13.9% in the second half in constant currency terms, lifting full-year EBITDA to $69.8 million (up 5.1% from $66.4 million in the prior year). EBITDA margins improved slightly in the second half, taking the full-year EBITDA margins to 20.3% from 21.2% in the prior year. In reported terms, sales were down 11.3% (from $388.0 million in the prior year) reflecting the adverse translation impact of the continued strength of the Australian dollar against the Euro. Reported EBITDA was down 15.2% (from $82.4 million in the prior year). Gross margins in Europe remained steady.

The Group performed strongly in the second half in Europe, driven by DaKine, despite capacity constraints and shipping delays out of China and the general economic uncertainty created by the European region's sovereign debt issues. There was double-digit sales growth in Central Europe, with Germany showing strong momentum across all brands and good growth recorded in smaller territories such as Austria and Belgium. Sales in France were also up. The southern European market was impacted by the effects of the regional economic slowdown, with Italy and Spain showing double-digit sales declines. The United Kingdom was challenging in the latter part of the year, with a general decrease in store traffic across the core distribution channel. Scandinavia and the Eastern Countries, while showing some signs of recovery in the later part of the financial year, experienced slight sales declines.

At a brand level, Nixon, Xcel and Element each experienced good growth, while the conversion of some of DaKine's European distributor business into direct-sales operations in the second half contributed to a strong performance for the brand. In the absence of the direct sales for DaKine, overall sales growth for the Group would have been slightly negative in Europe. Sales of the Billabong brand were the most impacted in the region, with double-digit falls in the markets of Spain and Italy, but good growth in Central Europe. Nixon and Xcel performed strongly in all European territories off a low base. Element experienced strong sales throughout Europe, although its growth was tempered by the challenging economic conditions in Italy and the UK.

Key products through the period included the Group's technical range of snowboard outerwear and wetsuits, which showed double-digit sales growth and reflected the increased number of active boardsport participants in Europe. Erratic weather patterns across Europe resulted in a late start for both summer and winter and this impacted boardshort sales. The t-shirt category continued to show good momentum and accessories performed strongly, particularly the backpack segment, while the girl's market remained challenging.

Company-owned retail operations in Europe delivered a strong performance. In constant currency terms, total sales were up 18.2%, with positive same-store sales achieved in most months. The number of company-owned doors lifted to 103, from 81 in the prior year, with 28 doors opened and six closed in the period. The new doors included the opening of 14 branded shop-in-shop concepts in Spain, while the integration of the local distributor in the Czech Republic included a six door retail business. New openings in the UK under the Two Seasons banner performed well. Overall, there were improved performances across the Group's retail operations in Europe.

The Group continues to perform well in Europe and this is expected to see the business maintain its strong growth profile in the region. Changes are being introduced throughout the business to allow it to support greater speed to market and therefore accommodate the needs of the growing company-owned retail base. The Billabong brand is experiencing the greatest competition, much of it supported by brands offering significant promotional opportunities to the boardsports account base. Element is performing very well, capturing the urban skate trends that are emerging in southern Europe, while Nixon, DaKine and VonZipper are each showing strong reorders. The RVCA brand, which has very low presence but increasingly strong demand in Europe, will be transitioned from a licensee operation to direct sales from calendar 2011.

Australasia

Sales in Australasia were down 1.9% in constant currency terms or 4.2% in reported terms to $425.7 million (down from $444.3 million in the prior year). After being down 14.0% in the first half, EBITDA recovered in the second half to finish 10.3% lower across the full year in constant currency terms or 11.2% in reported terms to $89.2 million (down from $100.4 million in the prior year). The continued change in regional mix within the Australasian region, combined with weak trading results in Japan, New Zealand and South Africa, saw EBITDA margins drop to 20.9% from 22.6% in the prior year, while gross margins remained steady.

On a regional level, sales in Australia were marginally higher across the full financial year but there was a sharp deterioration in trading conditions in the final quarter. This reflected a general consumer slowdown post the cycling of the Federal Government's fiscal stimulus of the prior year. Continued weak trading conditions, coupled with a retail and consumer focus on merchandise relevant to the soccer World Cup, led to a double-digit sales decline in South Africa. Elsewhere in the region, Group sales in Japan lifted in the second half to finish in line with the prior year in constant currency terms, while New Zealand remained challenging and ended the year down in the mid single-digit range. The Group's Asian businesses continued to develop, with good initial results from direct operations established in Korea and Thailand. A distributor was also appointed in Taiwan through the period and this led to the opening of a retail door in Taipai just after the close of the period.

Eyewear brand VonZipper and Tigerlily experienced solid sales growth in Australasia, while DaKine, Xcel and Sector 9 had very strong growth off a lower base. Element experienced a slight decline in sales, as did the Billabong brand as sales slowed in the final three months of the year in Australia, in particular. Despite the retail contraction in the second half, overall inventory levels continued to improve and are expected to further benefit from a move towards more global styles, reduced range sizes and the introduction of a new global product lifecycle management system.

Company-owned retail operations in Australasia recorded sales growth of 5.9% in constant currency terms. The number of Company-owned retail stores lifted to 166 (from 143 in the prior year), with 13 doors closed and 36 opened. The majority of new doors were opened in Australia, where the door count lifted to 41 (from 29 in the prior year). Company-owned retail in Australia performed strongly in the first half but sales declined in the double-digit range in the second half, with locations relying on tourism being most heavily impacted. A new Tigerlily store concept was introduced at locations including Chadstone, Melbourne Central and Warringah Mall in Sydney and all performed very well. A new IT system was introduced into the Group's Australian retail operations and is expected to be progressively rolled out into New Zealand and Asia. Since the close of the financial year, the Group also entered a joint venture with the two door Surfection retail business in Sydney. Surfection will continue to be run by its principal, Chris Athas, and he will drive a planned expansion of the banner. Additionally, the Group today announced a conditional agreement to acquire the 36-door Rush Surf chain, primarily based in regional Queensland. Other planned store openings include a Billabong concept store in the Sydney CBD and a 500 square metre multi-branded store on premises adjoining Billabong's head office on the Gold Coast. In online retailing, the acquisition of an interest in Surfstitch, Australia's premier online retailer for the boardsports community, is performing well and is helping the Group satisfy the growing demand for direct-to-consumer sales.

The sharp consumer slowdown evident in Australia in the final three months of the financial year created caution within the Group's wholesale account base and this has been reflected in declines in the range of 20% for summer and hi-summer forward orders, which is also expected to lead to a soft winter order book. It is anticipated many retailers will be short on inventory and will have to chase product in season. The Australian business is expected to benefit from the distribution of the licensed footwear brands DVS and Lakai, the extraction of synergies from the addition of acquired retail banners and the purchase of the RVCA brand. The addition of RVCA is generating excellent interest at retail and significant investment will be made into the brand to ensure it realises its long term potential. Business in New Zealand, while still soft, is showing signs of improvement and the Group recorded positive same store sales in the month of July 2010. South Africa remains a challenging market, while business continues to develop in south-east Asia. The Group has reached agreement to establish a new joint venture in China in preparation for the Billabong brand's entry into the market. Initial entry is through a series of shop-in-shop concepts, the first of which have opened in the southern China provinces of Shenzen and Guangzhou.

Summary and Outlook

Billabong International Limited has historically demonstrated its willingness to evolve and adapt its business model to accommodate the changing competitive environment and broader economic landscape. In recent times, the Group has been exposed to extreme swings in foreign exchange rates, regional economic shocks and related consumer slowdowns, discounting from competitors and supply chain pricing pressures.

The Billabong Group's response to these challenges has been to progressively build its brand portfolio and retail expertise over the past 10 years. The global consumer slowdown of the past 18 months, combined with the growth of vertical private label products and increased margin demands from larger retailers in particular, has highlighted the need to accelerate these changes, particularly at a retail level in order to protect and preserve the Group's route to market.

This dynamic has resulted in various proactive strategies being focused on and executed by the Group, including:

- Fast-tracking growth of the Group's direct-to-consumer model through both bricks and mortar retail and online retail, including:
    - the acquisition of the West 49 retail business in Canada (which remains subject to approvals), conditional agreement to acquire the Rush Surf chain in Australia, the acquisition of a number of smaller heritage retailers including Becker Surf and Sport in the US, Bay Action in Australia and, through a joint venture, Surfection in Australia;
    - the acquisition of swell.com and an interest in surfstitch.com online businesses;
    - the opening of greenfield retail stores.

  These initiatives afford further ability to provide the end consumer with access to the Group's compelling brand portfolio and, while they are expected to contribute only marginally to the Group's 2010-11 financial results, they reinforce the foundations on which the future growth of the business will be built. In revenue terms, the retail acquisitions are expected to lift the company-owned retail contribution to Group sales to approximately 35% in 2010-11, while positive contributions to EBITDA margins are expected to flow from the 2011-12 financial year onwards as the stores lift their percentage of company-owned brands, while maintaining support of compelling third-party brands in a multi-brand retail environment.

- Extension of the Group's already strong brand portfolio with the acquisition of the dynamic RVCA brand. RVCA is widely viewed as one of the most exciting brands to emerge from within the boardsports sector and its growth opportunities, both within the boardsports market and as a brand that bridges the gap into the wider street and youth market, are considerable.

- Implementation of a new global product lifecycle management system to better manage and leverage the global product design, sampling and manufacturing process.

- Ongoing adjustments to overhead costs throughout the business to better reflect the changing dynamic and balance between wholesale and retail operations.

- Formation of new media partnerships and strategic alliances to capitalise on the growing use of social media and the convergence of the internet and television. By way of example, these included an association with Fuel TV which facilitated the live broadcast of major events on television in countries including Australia, Brazil, Portugal and Germany and packaged feeds into countries including the USA.

- Renegotiation of the Group's Syndicated Revolving Multi-Currency Facility to increase the total facility balance from US$483.5 million to US$790.0 million. The renegotiation of this facility provides the Group with improved tenor, lower borrowing margins compared to those available when the Group rolled-over a portion of the facility on 11 August 2009, the capacity to fund the forecast requirements of the Group over the four year business plan period, while retaining conservative headroom available under the facility over this period.

While the Group has been proactive in executing the above strategies, there remain a number of constants – including a commitment to brand authenticity and integrity, the preservation of the specialty retail account base and a set of rigorous financial metrics that serve as guiding principles for the business. These metrics include the aspiration to achieve and maintain strong wholesale and retail EBITDA margins, ongoing improvements to pre-tax return on capital employed relative to the Group's pre-tax cost of capital, conservative gearing and the maintenance of appropriate financing headroom. Commitment to each of these is expected to drive strong business performance over time for the benefit of shareholders.

Looking ahead, in the absence of any further unforeseen, exceptional circumstances impacting the global boardsports market, the Group is providing a range within which it expects to perform in the 2010-11 financial year. At this time, NPAT in constant currency terms is expected to grow in the range of 2% to 8% compared with the prior year as an improving outlook in the Americas and continued strength in Europe is offset by a challenging market in the key territory of Australia. This earnings guidance, which reflects a reasonably flat expected EBIT result, higher interest costs and a lower effective tax rate, is expressed as a range due to continued volatility in the global markets in which the Group operates, in particular the Australian consumer market.

The Company views the 2010-11 financial year as a transition year, with various strategic moves enhancing its route to market to deliver its target consumer the compelling branded portfolio offer that the Company has developed over the past 10 years.

Thereafter, as the anticipated global recovery gradually takes hold, and given the successful execution of various strategic and operational initiatives, the Group expects to return, in the absence of further unforeseen, exceptional circumstances, to more historic EPS growth rates in excess of 10% per annum in constant currency terms.

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, net profit after tax (NPAT) for the year ended 30 June 2010 was $146.0 million, an increase of 8.1% in constant currency terms (a decrease of 4.5% in reported terms) compared with the 2008-09 year (the prior year). Excluding the after tax impact of an impairment charge expense of $7.4 million in the prior year, NPAT for the year ended 30 June 2010 increased 3.1% in constant currency terms (decreased 8.9% in reported terms) compared with the prior year. After adding back one-off post-tax acquisition transaction costs of $2.7 million, which under new accounting standard requirements now have to be expensed and cannot be capitalised, constant currency NPAT growth lifts to 5.0% compared with the prior year excluding the prior year impairment charge.

  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 year, generally softer trading conditions at a consumer level, especially in North America, Japan, New Zealand and South Africa, offset in part by overhead reductions across the business.

  The components of this result include:

  - Group sales revenue of $1,482.3 million, excluding third party royalties, was in line with the prior year in constant currency terms (down 11.2% in reported terms).

  - Consolidated gross margins strengthened to 54.4% compared with the prior year's 53.2%, reflecting improved gross margins in North America in a less promotional environment.

  - Group EBITDA of $253.3 million represented a decrease of 0.9% in constant currency terms (a decrease of 11.1% in reported terms) compared with the prior year principally reflecting the unfavourable impact of the appreciation of the AUD against the USD and the Euro relative to the prior year and the generally soft trading environment.

  - The consolidated EBITDA margin of 17.1% was in line with the prior year.

  - In addition to the specific factors discussed by reporting segment in the CEO's presentation, EBITDA margins have been affected by the allocation of 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 with the prior year is primarily attributable to foreign exchange movements and a change in the accounting standards which require transaction costs attributable to acquisitions to be expensed rather than capitalised as has historically been the treatment.

- Earnings per share was 58.3 cents, a decrease of 15.8% over the prior year (69.2 cents). This reduction principally reflects the lower reported NPAT result, which was adversely impacted by the appreciation of the AUD as noted above, and an increase in the weighted average number of shares on issue following the prior year's capital raising.

- Return on average equity was 12.2% (2009: 15.5%).

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

- Depreciation and amortisation expense decrease of 6.7% in reported terms (increase of 5.8% in constant currency terms) was principally driven by both acquisitions and retail store expansion.

- There is no impairment charge expense in the year ended 30 June 2010 however in the prior year, as a result of the impairment review of retail store assets, certain assets were written down to their recoverable amount, being their value-in-use. For the prior year, this resulted in a pre-tax impairment charge in respect of retail stores which amounted to $9.5 million (constant currency $8.3 million).

- The decrease in net interest expense of 52.7% in reported terms (45.9% in constant currency terms) compared with the prior year 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 year ended 30 June 2010 is $57.9 million (2009: $53.2 million), an effective rate of tax of 28.5% (2008: 25.8%). The higher effective tax rate reflects the impact of several one-off tax adjustments included in the prior year. Adjusting for these one-off tax adjustments, the effective tax rate in the prior year would have been approximately 28.0%.

- 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 $422.4 million represents 28.3% as a percentage of the prior twelve months' sales stated at year end exchange rates, being in line with the prior year.

- The doubtful debts provision at $21.5 million is considered to be conservative and should be sufficient to meet the Group's requirements.

- Net debt decreased 3.7% to $216.7 million over the prior year.

- The Group has a conservative gearing ratio (net debt to net debt plus equity) of 15.1% (16.0% in the prior year).

- Interest cover remains strong at 12.6 times (2009: 7.1 times).

- On 4 August 2010, the Group renegotiated its Syndicated Revolving Multi-Currency Facility which included:
    - an increase in the total facility balance from US$483.5 million to US$790.0 million to be split equally between the two tranches under the facility;
    - an extension to 1 July 2013 of the three year tranche of the facility, to remain a three year facility; and
    - an extension to 1 July 2014 of the three year tranche of the facility, to become a four year facility.

  The renegotiation of this facility provides the Group with improved tenor, lower borrowing margins compared to those available when the Group rolled-over a portion of the facility on 11 August 2009, the capacity to fund the forecast requirements of the Group over the four year business plan period, while retaining conservative headroom available under the facility over this period.

- The Dividend Reinvestment Plan ("DRP") was approved by the Directors on 21 August 2008. For the final dividend to be paid on 22 October 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 final dividend at any time prior to the record date of 24 September 2010. The DRP in relation to the 2010 final dividend will not be underwritten. The terms of the DRP may be varied for future dividends beyond the final dividend for the year ended 30 June 2010.

- The unfranked portion of the final ordinary dividend to be paid on 22 October 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 $187.2 million represents a 6.6% increase over the prior year driven by lower finance cost payments. Net cash receipts of $252.1 million are slightly lower than the prior year reflecting the lower reported EBITDA result. Overall the Group delivered a stronger cash flow result compared with the prior year as demonstrated by net cash receipts from customers and payments to third parties representing 100% of EBITDA compared with 91% for the prior year.

- Cash outflow from investing activities of $105.8 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 acquisition of an interest in the Australian based online boardsports retailer surfstitch.com as announced on 23 December 2009, the second instalment 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 Full Year Results Summary.

CONSOLIDATED RESULTS

Table: 1
Consolidated Results

	2010 $m	2009 $m	2010 Change %
Results as Reported (AUD)			
• Sales Revenue[1]	1,482.3	1,669.1	(11.2)
• EBITDA	253.3	284.8	(11.1)
• EBITDA Margin	17.1%	17.1%	
• NPAT (pre-impairment charge)	146.0	160.2	(8.9)
• NPAT (post-impairment charge)	146.0	152.8	(4.5)
• Earnings per Share	58.3c	69.2c	(15.8)
• Return on Equity	12.2%	15.5%	
Results in Constant Currency (AUD)			
• Sales Revenue* [1]	1,482.3	1,482.6	(0.0)
• EBITDA*	253.3	255.6	(0.9)
• NPAT (pre-impairment charge)	146.0	141.6	3.1
• NPAT (post-impairment charge)	146.0	135.0	8.1

* 2009 results have been adjusted assuming local currencies were translated at the same rates as for 2010

[1] Excluding third party royalties.

1

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

	2010 $m	2009 $m	2010 Change %
Depreciation	35.0	37.6	(7.2)
Amortisation	0.6	0.5	26.0
Impairment Charge	---	9.5	(100.0)
Net Interest Expense	14.7	31.2	(52.7)
Tax Expense	57.9	53.2	8.8

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Table 3:
Balance Sheet

	2010 $m	2009 $m	2010 Change %
Working Capital in Constant Currency (AUD)			
Receivables (inc factored receivables)	403.1	376.8	
Inventory	240.4	238.7	
Creditors	(221.1)	(202.4)	
	422.4	413.1	2.3
Gearing Levels			
Borrowings (net)	216.7	225.0	(3.7)
Gearing Ratio (Net Debt/Net Debt + Equity)	15.1%	16.0%	
Interest Cover	12.6 times	7.1 times	

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Table 4:
Cash Flow Statement

	2010 $m	2009 $m	2010 Change %
Net Cash Inflow from Operating Activities	187.2	175.7	6.6
Payment for Purchase of Subsidiaries, net of Cash Acquired	(49.6)	(143.8)	
Net Payments for Plant and Equipment	(53.1)	(65.3)	
Payments for Intangibles	(3.4)	(6.2)	
Proceeds from Sale of Plant and Equipment	0.3	0.1	
Net Cash Outflow from Investing Activities	(105.8)	(215.2)	
Proceeds from Issues of Shares, net of Transaction Costs	---	316.9	
Payments for Treasury Shares held in Employee Share Plan Trusts	(3.5)	(7.2)	
Net (Repayment)/Proceeds (of)/from Borrowings	(110.4)	32.3	
Dividends Paid	(78.1)	(92.2)	
Net Cash (Outflow)/Inflow from Financing Activities	(192.0)	249.8	
Net Movement in Cash Held	(110.6)	210.3	

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SEGMENT & BRAND RESULTS

Americas Segment

	2010 $m	2009 $m	2010 Change %
Results as Reported (AUD)			
• Sales Revenue	712.6	836.8	(14.8)
• EBITDA	92.3	99.9	(7.6)
• EBITDA Margin	13.0%	11.9%	
Results in Constant Currency (AUD)			
• Sales Revenue	712.6	721.6	(1.2)
• EBITDA	92.3	87.6	5.4

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European Segment

	2010 $m	2009 $m	2010 Change %
Results as Reported (AUD)			
• Sales Revenue	344.0	388.0	(11.3)
• EBITDA	69.8	82.4	(15.2)
• EBITDA Margin	20.3%	21.2%	
Results in Constant Currency (AUD)			
• Sales Revenue	344.0	327.2	5.2
• EBITDA	69.8	66.4	5.1

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Australasian Segment

	2010 $m	2009 $m	2010 Change %
<u>Results as Reported (AUD)</u>			
• Sales Revenue	425.7	444.3	(4.2)
• EBITDA	89.2	100.4	(11.2)
• EBITDA Margin	20.9%	22.6%	
<u>Results in Constant Currency (AUD)</u>			
• Sales Revenue	425.7	433.8	(1.9)
• EBITDA	89.2	99.4	(10.3)

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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.

2010 FX Impacts

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

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

USD = decrease NPAT by 0.3%
EURO = decrease NPAT by 0.7%

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