BILLABONG

HALF YEAR RESULTS PRESENTATION 2010-11

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

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

Billabong International Limited today announced its first half financial performance for the six months to 31 December 2010. Reported Group sales revenue of $834.9 million was up 24.4% in constant currency[1] terms *(*up 15.8% in reported Australian dollar (AUD) terms*)* compared to the prior year corresponding period (pcp). Reported net profit after tax (NPAT) of $57.2 million was down 9.8% in constant currency terms or down 18.0% in reported AUD terms.

The strength of the AUD, principally against the Euro and the US dollar (USD), had a significant adverse impact on the translation of the Group's reported results. On a constant currency basis, that is in the absence of the overall adverse impact of the strong AUD, sales revenue would have been approximately $49 million higher and NPAT approximately $6 million higher than the reported results.

Earnings per share of 22.8 cents was down 18.3%, in line with the decline in reported NPAT, compared to the pcp.

Directors declared an interim dividend of 16 cents per share, partially franked to 50%. The record date for the dividend is 21 March 2011 and the payment date is 21 April 2011.

Regional Performance (in constant currency terms compared to the pcp)

Americas:
- Sales revenue of $408.4 million was up 38.2%;
- Operational earnings before interest, tax, depreciation and amortisation (operational EBITDA[2]) of $46.6 million was up 12.5%; and
- Operational EBITDA margins were 11.4% (from 14.0%), in part reflecting the initial dilutive impact of the recent acquisition of Canadian retailer West 49 whose results are yet to reflect the benefit of wholesale margins on company owned branded product.

Europe:
- Sales revenue of $157.2 million was up 14.3%;
- Operational EBITDA of $30.8 million was up 7.7%; and
- Operational EBITDA margins were 19.6% (from 20.8%), principally reflecting higher product input costs.

Australasia:
- Sales revenue of $269.3 million was up 13.0%;
- Operational EBITDA of $51.8 million was down 22.9%; and
- Operational EBITDA margins were 19.3% (from 28.2%), principally reflecting the combined impact of a very weak retail environment in Australia and the initial dilutive impact of the recent acquisitions of Australian retailers SDS/Jetty Surf and Rush Surf whose results are yet to reflect the benefit of wholesale margins on company owned branded product.

[1] Constant currency measures are calculated using prior year results restated at current year exchange rates.
[2] Operational EBITDA excludes inter-company royalties, sourcing fees and an allocation of global overhead costs. The majority of the increase in global overhead costs from $23.9 million in the pcp to $35.7 million for the six months to 31 December 2010 reflects higher financing and advertising and promotion (A&P) expenditure and foreign exchange losses and is further discussed in the CFO presentation below.

Highlights

As noted above, the strong sales revenue growth for the six months to 31 December 2010 of 24.4% in constant currency terms compared to the pcp, primarily reflects the execution of various strategic moves to enhance the route to market for the Group's compelling brand portfolio. While dilutive to EBITDA margins in the short term, reflecting the absence of full vertical margins, including wholesale margins, on company owned branded product, these moves provide key platforms to drive EBITDA margin expansion over time as various strategic and operational synergies are realised. These include increased Group brand share in acquired retail stores generating higher vertical margins, including wholesale margins, improved third party brand supplier terms, migration of company owned retail stores to common systems and greater interaction between wholesale and company owned retail operations to ensure timely design and delivery of on-trend product to market.

The Americas segment delivered strong sales revenue growth of 38.2% in constant currency terms, driven principally by the acquisition of West 49 but also by good improvement in company owned retail operations in the important US market. Overall, company owned retail EBITDA margins in North America, including West 49, improved to 9.0% (3.5% in the pcp in constant currency terms), with the greatest improvement being seen in the Honolua banner in Hawaii and the multi-branded Beachworks banner in southern California. Within the wholesale account base, trading conditions showed some improvement, albeit some retailers remain cautious in their approach to holding inventory. In South America, sales revenues and operational EBITDA both continued to grow strongly. Company owned retail EBITDA margins in South America improved to 18.7% (12.1% in the pcp in constant currency terms).

The European segment continued to deliver strong sales revenue growth of 14.3% in constant currency terms, driven principally by the Element, Nixon and DaKine brands in Germany, France and central European countries and improved performance in company owned retail, offset by continued softness in some key southern territories, including Spain which is traditionally a strong area for the Billabong brand. Overall, company owned retail EBITDA margins in Europe improved to 14.5% (10.4% in the pcp in constant currency terms).

Sales revenues in the Australasian segment lifted 13.0% in constant currency terms, reflecting the addition of new company owned retail, including the acquisitions of SDS/Jetty Surf and Rush Surf in Australia. However, the performance of the underlying Australian business weighed on the region. A very weak summer and hi-summer indent, combined with cool, wet summer weather along Australia's east coast, including major rainfall in Queensland in particular, led to soft sales at company owned retail and lower repeat business within the wholesale account base. Overall, company owned retail EBITDA margins in Australasia, including SDS/Jetty Surf and Rush Surf, were 18.0% (24.4% in the pcp in constant currency terms). Sales revenue lifted strongly in constant currency terms in Asia and Japan.

The number of company owned stores lifted to 635 as at 31 December 2010 compared to 380 at 30 June 2010, principally reflecting the acquisitions of West 49, SDS/Jetty Surf and Rush Surf. Collectively, company owned retail represented approximately 40% of Group sales revenues for the half year ended 31 December 2010. At a Group level, company owned retail EBITDA margins were 13.6% (14.9% in the pcp in constant currency terms), reflecting the combined impact of an improvement in margins in the Americas and European segments offset by weaker margins in Australia and the initial dilutive impact of the abovementioned acquisitions.

The Group's online operations in Australia and the US continued to show very strong growth and work was completed on the upgrade of a key operating platform to facilitate lower cost expansion into other international territories. The Group continues to invest in its online businesses and this includes the planned rollout of an in-store application that is designed to facilitate greater online business opportunities for bricks and mortar retail.

The Group retains the world's most dynamic portfolio of action sports and youth fashion brands. A particular focus through the half was the integration of the recently acquired RVCA brand which is progressing well. The brand is maintaining strong sales momentum in the US and a fashion forward focus on its heritage markets of boardsports, art, music and mixed martial arts. RVCA was also awarded the Surf Industry Manufacturers Association (SIMA) 2010 Men's Apparel Brand of the Year. Billabong, a defining brand in the global surf community, continued to invest in major boardsport-inspired events and athletes. Key marketing initiatives included the hosting of the Billabong Pro World Championship Tour surfing events in South Africa and Tahiti and the Billabong Pipeline Masters in Hawaii, along with the World Junior Championships in Australia. Billabong-sponsored surfers continued to perform well on the world stage, with Joel Parkinson winning his third successive Vans Triple Crown of Surfing title and Jack Freestone winning the 2010 World Junior Championships. Billabong Girls was awarded the 2010 SIMA Women's Apparel Brand of the Year, while Billabong was a finalist in the Men's Apparel Brand of the Year category. Among other Group brands, Xcel was awarded the 2010 SIMA Wetsuit of the Year and Nixon the 2010 SIMA Men's Marketing Campaign of the Year.

Outlook

As previously stated, the Group views the 2010-11 financial year as a transition year, with the strong sales revenue growth in the first half primarily reflecting the execution of various strategic moves to enhance the route to market for the Group's compelling brand portfolio.

Group sales revenues for the full financial year ending 30 June 2011 are expected to be in the order of $1.7 billion at current exchange rates, representing an increase in the order of 25% in constant currency terms over the pcp. This strong revenue growth, driven in part by the acquisitions of West 49, SDS/Jetty Surf and Rush Surf, provides a solid base for EBITDA margin expansion over time as full vertical margins on company owned branded product are realised.

In line with previous guidance provided on 15 December 2010 and in the absence of any unforeseen, exceptional circumstances impacting the global boardsports market, the Group expects NPAT to be flat in constant currency terms[3] for the full financial year ending 30 June 2011 and, thereafter, assuming global trading conditions gradually improve, in particular in the Australian consumer environment, the Group expects to return to more historic EPS growth rates in excess of 10% per annum in constant currency terms.

[3] Given the recent volatility and unpredictability of AUD exchange rates, it is very difficult to assess the ultimate impact on full year results in reported terms. However, as an example only and not to be construed as guidance, taking the year to date December actual results, together with estimated results for January, and assuming monthly average exchange rates for the AUD/USD of $1.00 and AUD/Euro of 74 cents for the period from February 2011 through to June 2011, reported NPAT for the 2010-11 financial year would be approximately 10% down compared to the prior year.

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

- Net profit after tax (NPAT) for the half-year ended 31 December 2010 was $57.2 million, a decrease of 9.8% in constant currency terms (a decrease of 18.0% in reported terms) compared to the prior corresponding period (pcp).

- Reported NPAT was significantly adversely impacted in particular by the unfavourable effect of the strong AUD against the Euro and the USD relative to the pcp. More specifically, the monthly average AUD exchange rate against the Euro and the USD, which the Group applies to translate its monthly results, appreciated significantly over the months from July to December 2010. Furthermore, the majority of the Group's profit for the half year is earned in the months of November and, in particular, December, in part reflecting the shift in the business towards a greater proportion of sales revenues being generated through company owned retail compared to the pcp. In combination these two factors have significantly adversely impacted reported NPAT.

  The components of this result include:

  - Group sales revenue of $834.9 million, excluding third party royalties, represents a 24.4% increase on the pcp in constant currency terms (up 15.8% in reported terms).

  - Consolidated gross margins remained strong at 54.3% (55.5% in the pcp).

  - Group EBITDA of $94.6 million represents a decrease of 17.3% in constant currency terms (a decrease of 23.4% in reported terms) compared to the pcp. The consolidated EBITDA margin of 11.3% decreased by 5.8% compared to that of the pcp of 17.1% principally reflecting:
    - the impact of a very weak retail environment in Australia;
    - the unfavourable regional mix impact of the appreciation of the AUD against the USD and the Euro relative to the pcp;
    - the initial combined dilutive impact of the recent acquisitions of retailers West 49 in Canada and SDS/Jetty Surf and Rush Surf, both in Australia;
    - one-off M&A and restructuring costs of $10.3 million; and
    - an increase in global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements) of $11.8 million to $35.7 million compared to $23.9 million in the pcp. This increase is primarily attributable to costs associated with the rollover and extension of the Syndicated Debt Facility, timing of A&P expenditure due to the Teahupoo Tahiti WCT event falling in the half-year ended 31 December 2010 (with no comparable expenditure in the pcp) and foreign exchange losses.

  - Excluding the one-off M&A and restructuring costs, EBITDA margins were 12.6%, a decrease of 4.5% compared to that of the pcp of 17.1%.

- Earnings per share of 22.8 cents for the half-year ended 31 December 2010 was down 18.3% compared to the pcp, in line with the decline in reported NPAT.

- Return on capital employed at 31 December 2010 was 12.6% (14.7% in the pcp), primarily reflecting the impact of recent acquisitions by the Group, the benefits of which are expected to be realised in future financial years.

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

- Depreciation and amortisation expense increased 24.7% in constant currency terms (16.0% in reported terms) compared to the pcp due to the acquisition of RVCA, West 49, SDS/Jetty Surf, Rush Surf and retail store expansion.

- Net interest expense increased 73.4% in constant currency terms (58.7% in reported terms) compared to the pcp, driven by increased borrowings to fund the abovementioned acquisitions.

- The income tax expense for the half-year ended 31 December 2010 is $5.1 million ($28.7 million in the pcp), an effective tax rate of 8.2% (29.2% in the pcp). The lower effective tax rate is primarily driven by one-off amounts including an Original Issue Discount interest deduction of $5.0 million in the US on deferred consideration, recognition of prior year carry forward tax losses in the UK of $3.5 million and a prior year refund of withholding tax of $1.4 million from the French Tax Authority as a result of a reduction in the withholding tax rate from 10% to 5%, effective 1 January 2010. Adjusting for these one-off amounts, the effective tax rate for the Group would have been approximately 24.0% for the half-year ended 31 December 2010 (28.0% in the pcp adjusting for one-off amounts).

Table 3: Balance Sheet

- Working capital at $386.6 million represents 22.6% as a percentage of the prior twelve months' sales (including an estimate of pre-acquisition sales to reflect a twelve month period) stated at half-year end exchange rates, being 6.5% lower compared to the pcp of 29.1%.

- Excluding the significant retail acquisitions of West 49, SDS/Jetty Surf and Rush Surf, working capital represents 28.6% as a percentage of the prior twelve months' sales stated at half-year end exchange rates, being 0.5% lower compared to the pcp of 29.1%.

- The doubtful debts provision at $20.6 million is considered to be conservative and should be sufficient to meet the Group's requirements.

- Net debt increased to $382.7 million as at 31 December 2010 as a result of the abovementioned acquisitions.

- The Group has a conservative gearing ratio (net debt to net debt plus equity) of 24.6% (14.4% in the pcp).

- Interest cover remains strong at 8.8 times for the half-year ended 31 December 2010 (8.9 times in the pcp).

- 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 interim dividend to be paid on 21 April 2011, 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 2011 interim dividend at any time prior to the record date of 21 March 2011. The DRP in relation to the 2011 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 2010.

- The unfranked portion of the interim ordinary dividend to be paid on 21 April 2011 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 inflow from operating activities decreased to $63.8 million, being 33.3% lower compared to $95.6 million in the pcp, principally reflecting:
  - lower net cash receipts from customers, in part due to the strong AUD, in particular against the Euro and USD; and
  - higher finance costs associated with the rollover and extension of the Syndicated Debt Facility.

- Net cash receipts from customers of $100.6 million were 16.4% lower compared to $120.4 million in the pcp, reflecting the lower EBITDA result.

- Net cash receipts from customers for the half-year ended 31 December 2010 represented 106% of EBITDA compared to 97% for the pcp reflecting strong trading cash flows for the period relative to EBITDA.

- Cash outflow from investing activities of $236.7 million was in accordance with expectations and includes the acquisition of RVCA, West 49, SDS/Jetty Surf, Rush Surf 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

	2010 $m	2009 $m	2010 Change %
Results as Reported (AUD)			
• Sales Revenue[1]	834.9	721.0	15.8
• EBITDA	94.6	123.5	(23.4)
• EBITDA Margin	11.3%	17.1%	
• NPAT	57.2	69.7	(18.0)
• Earnings per Share	22.8c	27.9c	(18.3)
• Return on Capital Employed *	12.6%	14.7%	
Results in Constant Currency (AUD)			
• Sales Revenue** [1]	834.9	671.4	24.4
• EBITDA**	94.6	114.4	(17.3)
• NPAT**	57.2	63.4	(9.8)

* Return on Capital Employed (ROCE) includes cash – excluding cash ROCE was 11.1% in 2010 and 13.0% in 2009

** 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, Net Interest Expense and Tax Expense

Results as Reported (AUD)	2010 $m	2009 $m	2010 Change %
• Depreciation	19.6	17.2	13.7
• Amortisation	0.7	0.3	162.9
• Net Interest Expense	12.0	7.6	58.7
• Tax Expense	5.1	28.7	(82.2)

2

Table: 3
Balance Sheet

Working Capital in Constant Currency (AUD)	2010 $m	2009 $m	2010 Change %
• Receivables	314.1	297.3	5.7
• Inventory	320.6	221.2	44.9
• Creditors	(248.1)	(139.3)	78.1
	386.6	379.2	1.9
Gearing Levels			
• Borrowings (net)	382.7	200.1	
• Gearing Ratio (Net Debt/Net Debt + Equity)	24.6%	14.4%	
• Interest Cover	8.8 times	8.9 times	

3

Table: 4
Cash Flow Statement

	2010 $m	2009 $m	2010 Change %
Receipts from Customers (inclusive of GST)	927.8	820.3	
Payments to Suppliers and Employees (inclusive of GST)	(827.2)	(699.9)	
	100.6	120.4	(16.4)
Interest Received	1.0	1.5	
Other Revenue	2.2	1.5	
Finance Costs	(21.0)	(12.7)	
Income Taxes Paid	(19.0)	(15.1)	
Net Cash Inflow from Operating Activities	63.8	95.6	(33.3)
Payment for Purchase of Subsidiaries, net of Cash Acquired	(209.2)	(37.4)	
Payments for Plant and Equipment	(23.9)	(19.0)	
Payments for Intangibles	(3.9)	(2.1)	
Proceeds from Sale of Plant and Equipment	0.3	0.1	
Net Cash Outflow from Investing Activities	(236.7)	(58.4)	
Payments for Treasury Shares held in Employee Share Plan Trusts	(4.4)	(3.5)	
Net Proceeds/(Repayments) from/(of) Borrowings	242.7	(103.1)	
Dividends Paid	(41.6)	(35.5)	
Net Cash Inflow/(Outflow) from Financing Activities	196.7	(142.1)	
Net Movement in Cash Held	23.8	(104.9)	

4

SEGMENT RESULTS

Americas Segment

	2010 $m	2009 $m	2010 Change %
Results as Reported (AUD)			
• Sales Revenue	408.4	317.5	28.6
• EBITDA excluding Global Allocation	46.6	44.2	5.4
• EBITDA Margin excluding Global Allocation	11.4%	13.9%	
• EBITDA including Global Allocation	29.1	33.7	(13.7)
• EBITDA Margin including Global Allocation	7.1%	10.6%	
Results in Constant Currency (AUD)			
• Sales Revenue	408.4	295.6	38.2
• EBITDA excluding Global Allocation	46.6	41.4	12.5
• EBITDA Margin excluding Global Allocation	11.4%	14.0%	
• EBITDA including Global Allocation	29.1	30.9	(5.8)
• EBITDA Margin including Global Allocation	7.1%	10.4%	

5

European Segment

Results as Reported (AUD)	2010 $m	2009 $m	2010 Change %
• Sales Revenue	157.2	164.0	(4.1)
• EBITDA excluding Global Allocation	30.8	34.6	(10.9)
• EBITDA Margin excluding Global Allocation	19.6%	21.1%	
• EBITDA including Global Allocation	24.1	29.1	(17.4)
• EBITDA Margin including Global Allocation	15.3%	17.8%	
Results in Constant Currency (AUD)			
• Sales Revenue	157.2	137.6	14.3
• EBITDA excluding Global Allocation	30.8	28.6	7.7
• EBITDA Margin excluding Global Allocation	19.6%	20.8%	
• EBITDA including Global Allocation	24.1	23.2	3.9
• EBITDA Margin including Global Allocation	15.3%	16.8%	

6

Australasian Segment

Results as Reported (AUD)	2010 $m	2009 $m	2010 Change %
• Sales Revenue	269.3	239.5	12.4
• EBITDA excluding Global Allocation	51.8	67.6	(23.3)
• EBITDA Margin excluding Global Allocation	19.3%	28.2%	
• EBITDA including Global Allocation	40.3	59.7	(32.5)
• EBITDA Margin including Global Allocation	15.0%	24.9%	
Results in Constant Currency (AUD)			
• Sales Revenue	269.3	238.2	13.0
• EBITDA excluding Global Allocation	51.8	67.3	(22.9)
• EBITDA Margin excluding Global Allocation	19.3%	28.2%	
• EBITDA including Global Allocation	40.3	59.4	(32.1)
• EBITDA Margin including Global Allocation	15.0%	24.9%	

7

Note:

Segment Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) excludes inter-company royalties and sourcing fees.

Global overhead costs include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements and 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 2011 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

8