Full Year Results 05/06

ABN 67 085 950803 T/A BILLABONG

Address by Derek O'Neill
Billabong's Chief Executive Officer

The Billabong International Limited results for the 2005-06 financial year continue to demonstrate the strength of the Company's global business strategy. This was a year in which the Company achieved a number of significant milestones, including:

- more than AUD$1 billion in global sales for the first time;
- more than AUD$500 million in sales in the Americas for the first time;
- more than AUD$200 million in sales in Europe for the first time.

Strong sales growth in the Americas and Europe coupled with continued margin improvements in Europe and a steady performance in Australasia helped lift net profit after tax to $145.9 million, a rise of 16.5% on the prior year. The result was achieved on global sales of $1.02 billion, a rise of 21.1%. Group EBITDA of $235.2 million was up 19.2% on the prior year, while Group EBITDA margins remained steady at 23.1% (from 23.5%), despite greater contributions from northern hemisphere regions which generate lower EBITDA margins than Australasia. Earnings per share lifted 16.1% to 70.8 cents per share.

Directors declared a final ordinary fully franked dividend of 23.5 cents per share (up 14.6%), lifting the full year dividend to 44.0 cents (up 15.8%). This represents a payout ratio of 62.1%, consistent with prior periods.

At a regional level, the Americas was again a standout performer with reported Australian dollar sales of $521.9 million representing a rise of 32.8% or 30.4% in constant currency terms. European sales lifted 17.0% (20.3% in constant currency terms) to $201.1 million, while sales in Australasia rose 7.1% to $295.2 million. The performance in the Americas and Europe highlighted the great demand for the Company's portfolio of brands, while the ability to sustain sales in the challenging Australasian market was pleasing given the high sales base in the comparative period.

The period saw the acquisition of two businesses – US-based Nixon watches and accessories and a controlling interest in the Australia-based beachculture airport retail business. The Nixon purchase was completed in the second half of the year and its true impact is expected to be realised in future results. beachculture was acquired in the latter part of the first half and has been integrated well into the Australian business.

Among the Company's established brands, element performed extremely well, the core Billabong brand continued to grow globally, Von Zipper extended its retail penetration, Honolua Surf gained new retail space and the international expansion of Kustom footwear progressed in line with expectations.

The year was one in which Billabong International again demonstrated its place as a leader in the international boardsports sector, a global market that continues to offer considerable growth opportunities. Billabong International is well positioned to capitalise on these opportunities to ensure consistent, long-term performance benchmarks are met.

AMERICAS

Sales growth in the Americas continued to accelerate to push the full-year sales to US$385.7 million, a rise of 30.4% (up from US$295.7 million). EBITDA lifted 35.0% to US$73.6 million (up from US$54.5 million). When viewed in Australian dollar terms, sales were up 32.8% to $521.9 million (up from $393.1 million) and EBITDA was up 37.3% to $99.7 million (up from $72.6 million). EBITDA margins lifted to 19.1% from 18.5% previously.

The result includes the first contribution from the Nixon watch and accessories business, which was acquired in the second half of the year. The Nixon purchase was slightly earnings accretive in the period and is on target to deliver a positive earnings contribution in line with expectations in its first full financial year within the Group.

Demand for the Company's products remained healthy, with very strong sales growth among specialist retailers in the core boardsports channel and good growth across the Group's mall-based retail accounts. Sales to Pacific Sunwear continued to grow strongly, but reduced slightly as a proportion of total sales in the Americas.

The Billabong brand experienced double-digit sales growth, with the key categories of boardshorts and t-shirts underpinning a particularly strong performance in men's apparel. Other strong product categories included fashion t-shirts, fleece sweatshirts, jackets and walkshorts. Among the girls range there were good performances in categories including knit tops, t-shirts, tanktops, swimwear and accessories such as bags and wallets. Denim remains a consistent category within the youth market.

element maintained very strong growth levels. Men's apparel remained very strong, while an increased focus on the girls line led to solid sales growth. The element shoes line made a strong debut in a market that was generally soft for skate shoe brands. Von Zipper continues to achieve excellent growth in both apparel and eyewear. Kustom footwear made its US debut during the period and competed well against established brands. The Honolua Surf wholesale range continues to grow off a low base. Nixon watches, which was acquired in the second half, made its first contribution to Group sales and performed in line with expectations.

Company-owned retail operations performed very well, with Beachworks rolling out the first of its new concept stores during the period. The store is located in California's iconic surf retail destination of Orange County and will be used as a blueprint for a wider rollout through the established Beachworks chain.

Among the regions, sales in mainland USA were extremely strong, Canada lifted in excess of 50% and South America lifted in excess of 60%. Licensees in Peru and Chile were brought under control of Billabong Brazil during the period.

The Americas entered the new year with excellent momentum, particularly among the core specialty store base.

EUROPE

A stronger second half helped lift full-year sales in Europe by 20.3% to €120.1 million (up from €99.9 million in the prior year). EBITDA rose 36.4% to €21.1 million (up from €15.5 million). In Australian dollar terms, sales grew 17.0% to $201.1 million (up from $171.9 million), with EBITDA growing 32.7% to $35.4 million (up from $26.7 million). EBITDA margins lifted to 17.6%, from 15.5% previously.

The business performed very strongly under a generally improved retail climate and the new management team focused on product design, supply chain efficiencies and costs. Spain, the Company's largest territory in the region, France, Italy and Germany each experienced strong double-digit sales growth. The UK remained relatively static but will be an area of increased focus for the Company's planned retail expansion in the region.

The best performing brands in Europe were Billabong, with solid double-digit sales growth, and element, which experienced very strong growth throughout the major territories. The launch of the element shoe line into select accounts in Europe was well received as a new brand. There was a general move towards simplified, sneaker-styled footwear and this helped Kustom achieve very strong sales in its debut season in Europe.

The direct distribution of element softgoods into the UK was started on 1 July 2005. The integration has gone well and other territories remain under review. The addition of footwear into the element line is accelerating this process.

Key categories for Billabong included boardshorts – which were backed by a global marketing program – t-shirts and walkshorts. In the girls categories, swimwear, boardshorts and accessories were well received across each of the key territories and there was general benefit from refinements and improvements to the overall collection. The snow line also showed good strength, as did the wetsuits and surf hardware categories.

The Company achieved further operational efficiencies, including the implementation of semi-automated picking and fully-automated packing processes. These came on line towards the close of the period and are operated out of a facility in Paris, the hub of distribution for the whole European region. The new processes enhance the ability to be faster to market with new product and better position the Company to take advantage of future growth opportunities in the region.

A number of Company-owned Billabong retail stores are planned for the UK market in the 2006-07 financial year. Their rollout will be overseen by a newly-recruited retail division based in the region. The first Beachworks store outside of the US is also planned to open in the UK during the first half of the 2006-07 financial year, with a further two store openings in the planning. These stores will be used as a test for possible further expansion into Europe.

AUSTRALASIA

Sales in the Australasian region – comprising Australia, Japan, New Zealand and the South Pacific – lifted 8.0% in local currency terms, or 7.1% in Australian dollar terms, to $295.2 million (up from $275.7 million previously). EBITDA increased 1.6% in local currency terms, or 1.1% in Australian dollar terms, to $94.9 million (up from $93.9 million). EBITDA margins eased in the second half but over the full year remained extremely healthy at 32.2% (down from 34.1%).

Overall this is considered to be a strong result given the exceptional growth for both sales revenue and EBITDA in the prior year and the more recent subdued Australian retail environment. The Company responded to the conditions by working closely with its account base to ensure the timely delivery of product and the maintenance of manageable inventory levels.

A new distribution centre was opened in Australia during the period to accommodate future growth of the Group's brands. The distribution centre, while lifting overheads in the short term, is viewed as essential in maintaining the Company's high performance delivery capabilities to its national account base. As volumes grow, per unit distribution costs will fall.

The core Billabong brand performed strongly, with the move to a global boardshorts program built around key athletes proving a major success. It resulted in strong boardshort sales but, importantly, the same themes were carried through to other product across the range and resulted in strong sales. Among shirts, darker colours replaced the softer pastels, while rock 'n' roll themes were prominent. Dark jeans and basic, five-pocket skinny denim took over from the previously strong sand-blasted traditional blue denim. Among the girls categories, there was a shift from graphic artwork to all-over patterns on most apparel. A heightened level of sophistication in both design and marketing has also emerged within the girls line. This led to the extension of the accessories line to further complement the apparel range.

Among the brands, Honolua Surf was introduced into select Australian stores during the year and has met with a positive response. Kustom footwear and Palmer's Surf had their first full year in the Group and have established a solid foundation for future growth. The Von Zipper sunglasses, apparel and accessories brand achieved further market penetration. A new Von Zipper swimwear line was also introduced during the year and is performing well. The element apparel and skateboard brand had good growth in both hardware and apparel. The element apparel range is continuing to grow and there was a good response to the continued extension of the element girls range during the second half.

At a regional level, revenue lifted in all territories, with double-digit increases in New Zealand and Japan. Australian management is now overseeing a number of new initiatives in Asia. During the second half a distribution agreement was entered into with Li & Fung Limited for the distribution of Billabong in the territories of Hong Kong, Macau, Korea and Thailand. This is an exciting partnership given that Li & Fung is one of the world's leading apparel companies and a specialist in trading, distribution and supply chain management throughout the Asian region.

Elsewhere in the region, a new Company-owned subsidiary has been formed in Indonesia to assume control of the territory's formerly licensed business. Shortly after the close of the period the first Billabong store in Singapore was opened.

OTHER REGIONS

Third-party royalties grew 24.8% in the period. Excellent performances in South Africa and Argentina were slightly offset by softness in tourism in the Indonesian region.

Following the close of the period, a major youth survey saw Billabong judged the 'coolest brand' in South Africa. The same survey also identified Billabong as the country's top clothing label and favourite sports store among the South African youth market.

BRANDS

Billabong

Billabong is the Group's foundation brand and plays a key role in the development of the global boardsports sector, particularly within the surf community. The Billabong brand remains the dominant contributor to Group sales and still has major growth opportunities on a global level.

element

element apparel and skateboard hardgoods has remained one of the best performing brands within the boardsports sector and experienced global sales growth in excess of 40%. It continues to perform well in all major markets and represents more than 16% of Group sales. The new element shoe line was launched during the period and performed to expectation in a broadly soft market for technical skate footwear. The element girls range continued to expand and was further integrated into ranges in all key regions.

Von Zipper

The Von Zipper brand continues to build strong support at retail level, with global sales climbing more than 35%. The growth was achieved in each of the apparel, eyewear and accessory categories. The growth in the apparel category in the US was particularly strong, albeit off a low base, while new categories are being tested in some of the key regions.

Honolua Surf Company

The Honolua Surf wholesale range is performing to expectation and sales are growing strongly off a low base. The range was introduced into select accounts in the Australian retail market through the year and has started to build brand presence and a niche identity within the surf community. The range was only available in the US and Australia but, as momentum builds, there are plans to introduce it to other territories.

Kustom and Palmers Surf

Sales grew strongly within the Kustom footwear brand as it was introduced to various international markets through the year. Its rollout in the second half into the US market, where it is largely an open-toe business, saw it compete well with established brands. The brand also experienced a very strong start in Europe. The Palmers Surf brand retained its position as a leading provider of surf wax around the world.

Nixon

The purchase of the US-based Nixon watches and accessories business was completed in the second half of the year and made a solid initial contribution to sales in line with expectations. As indicated at the time of the acquisition, the purchase is expected to be EPS positive in its first full year within the Group. Nixon's integration into the Group has progressed well and the brand is beginning to tap into a wider selection of the Billabong distribution network.

MARKETING

Marketing to youth and active participants in the core surf, skateboard and snow channels remains the Group's primary focus. This combines athlete sponsorship, event-based marketing, in-store promotions, advertising in specialist surf, skate and snow media, the production of film and television programs and various internet-based initiatives.

The Company has been a long-time supporter of surfing's world championship tour (WCT) and continues to sponsor men's events in South Africa and Tahiti and, returning this year, an event at Mundaka in Spain, as well as two women's WCT events in Brazil and Maui. Billabong also stages the world junior championships held in Sydney, along with a host of other junior, amateur and grassroots surfing events around the world.

Various brands within the Group sponsor their own surf, skate and snow events to support the development and growth of action sports and their participants. Athlete sponsorship across each of the boardsports remains an integral part of the Company's marketing philosophy. The Group maintains the world's leading roster of boardsport athletes, with the line up boosted through the year with the addition of Nixon-sponsored surfers, skaters and snowboarders.

The Billabong Adventure Division, comprising a group of elite surfers who seek new surf destinations in their pursuit of the world's best waves, generated excellent mainstream and specialist surf media exposure for the Group during the period. Their most covered expeditions included big-wave sessions in remote parts of Tasmania and Teahupoo in Tahiti, with the Company's audio-visual capabilities ensuring the images were distributed globally in an extremely timely manner.

The implementation of a global program involving the release of a signature series of boardshorts proved a major success. The signature series saw individual designs linked to specific team riders and then supported by international marketing initiatives. An example of this was the Andy Irons 'rising sun' design, which emerged globally as one of the Company's all-time best selling boardshorts. The themes developed in the signature series were then incorporated into other product categories, including apparel and accessories with great success.

A new global website providing a detailed overview of Billabong's complete wetsuit range was launched during the second half. This was supported by extensive athlete-based marketing and has led to increased sales, particularly in the progressive new Solution Platinum series. Wetsuits in the Solution Platinum series are technically advanced, with the Soundwave edition incorporating a waterproof MP3 player developed by Freestyle Audio.

At a grassroots level, a new series of Billabong surf camps were promoted in various international territories and created good brand exposure. The camps are run over several days and provide tuition, advice and exposure to the surf lifestyle for both new participants and aspiring young competition surfers. One day events such as the 'Girls Get Out There' day also created excellent brand exposure.

RETAIL

Billabong International maintains a disciplined distribution strategy, with product availability concentrated on core surf, skate and snow specialty stores. This network of stores combines specialist independent retailers, specialist chain retailers and the Company's own retail store network.

Globally, the Company now owns and operates a total of 110 retail stores and outlets (up from 64 in June 2005) and a further 43 branded concept stores are operated under license (up from 22 previously). The new store openings were generally focused around the US, Europe and Japan, with Australian retail store growth primarily through the acquisition of beachculture.

Sales within the Company's own retail network grew more than 50% in the 2005-06 financial year and accounted for more than 10% of Group revenue, while the increasing EBITDA margins were in line with those achieved across the wider Group. Retail continues to be an important category in the Company's future plans.

The Company's retail stores are operated under six concepts, being Billabong and element, the US-based Honolua Surf Company and Beachworks chains, the airport-focused beachculture business based in Australia and the Group's outlet stores. The retail stores give the Company the capacity to better showcase its brands, while the outlet stores provide an enhanced ability to manage end-of-season inventory and brand integrity.

The Honolua Surf retail chain, which comprises 21 stores, continued to perform strongly within the Hawaiian islands. The Beachworks chain, a California-focused retail chain which commenced business with 10 stores in the previous corresponding period, has grown to 14 stores. Planning is under way for the rollout of the new Beachworks retail concept in all existing store locations following its successful implementation in a flagship store in Orange County's South Coast Plaza during the period. Further growth of the Beachworks network is anticipated in the 2006-07 financial year.

Within Australia, following the acquisition of a majority interest in the airport-based beachculture business in the first half, these multi-branded stores have been rearranged to provide a better product mix and enhanced customer experience. The beachculture concept has the potential to be rolled out into other international airport destinations in the future.

SUMMARY AND OUTLOOK

This time last year, after delivering a particularly buoyant result, I sought to underline to stakeholders that Billabong International had set itself a significantly higher profit base from which future performance would be judged. This was particularly the case within Australasia, where sales had lifted 43.1% in the 2004-05 financial year. That the Company has managed to exceed that level in Australasia in the 2005-06 financial year is a significant achievement given the markedly slower retail climate that characterised the period.

The Australasian region is also growing in geographic terms and this should contribute to future sales growth. The US market was particularly strong and the Company has started the 2006-07 financial year very well. The re-emergence of the European business was pleasing and it should continue to provide growth at a very healthy rate. As in all territories, any growth will be balanced against the maintenance of brand integrity and authenticity to help protect the existing sales base.

The Group's retail business grew strongly through the year, both in terms of store numbers and sales. A number of exciting growth opportunities remain in retail, particularly by partnering with established specialist retailers or opening up new business in territories where the Company's brands remain under-represented.

Given the sales milestones the Company achieved, most noticeably the $1 billion in Group revenue, it is perhaps timely to consider how far the Company has come in recent years. In 2001, Billabong International's first reporting period as a public entity, the Company had global sales revenue of $380.2 million. Since then sales have grown at a compound annual rate of 21.8%, EBITDA at 25.6% and EPS at 27.3%. The Company's market capitalisation has grown dramatically over this period from approximately $460 million to position Billabong International among the world's largest apparel businesses. Growth of this magnitude can only be achieved with the drive and commitment of a dedicated team of staff and I thank them for their contribution to the result.

As Billabong International continues to grow in both sales and geographical spread, the Company becomes more exposed to economic fluctuations that have the ability to impact on regional performance. However, this same regional spread, coupled with a strong portfolio of brands and further opportunities in the global boardsports sector, will help the Group overcome individual market fluctuations. Billabong International remains well positioned for future challenges and, in the absence of any unforeseen exceptional circumstances, the outlook for 2007 is for robust revenue growth in the Americas and Europe and more moderate growth in Australasia. The Company expects to achieve 15% earnings per share growth in the 2006-07 financial year.

Address by Craig White
Billabong's Chief Financial Officer

Thank you Derek and good morning everyone.

Table 1: Consolidated Results

- The reported NPAT of $145.9m represented an increase of 16.5% over the prior year. The components of this result include:

  - Sales revenue of $1,018.2m, excluding third party royalties, represented a 21.1% increase over the prior year ($840.7m). On a 2006 constant currency basis revenue growth was also 21.1%.

  - Consolidated gross margins at 53.2% were stronger than the prior year's 51.7%.

    The gross margin improvement was principally attributable to three areas:

    - Increased purchasing power due to the higher AUD and Euro against the USD, which more than offset a slight margin reduction in Australia.
    - Higher margin sales driven by customer and product mix in the USA and Europe.
    - Favourable impact of the removal of import quotas in the USA in the first half of the year.

  - Group EBITDA of $235.2m represented a 19.2% increase over the prior year ($197.3m) in both reported and constant currency.

  - Group EBITDA margin of 23.1% remains strong and was similar to that for the prior year of 23.5%, a positive result. It was anticipated that global margins would reduce as regions with lower margins (primarily the Americas and Europe) increased as a proportion of global EBITDA. However, EBITDA margin increase in the Americas and Europe has largely negated this effect and resulted in the group maintaining global margins.

  - Return on average equity increased to 21.6%, representing a 1.0% increase over the prior year.

  - Earnings per share was 70.8 cents, an increase of 16.1% on the prior year, consistent with NPAT growth.

Table 2: Depreciation, Amortisation, Interest Expense and Taxation

- Depreciation and amortisation expense increased by 56.4% to $15.6m. Higher depreciation charges from acquisitions and retail store growth has been offset by slightly reduced amortisation expense.

- Net interest expense increased 79.7% to $6.6m driven by additional borrowing required to fund the acquisition of Nixon Inc., acquisition of the beachculture retail chain in Australia, acquisition of the USA based outlet stores previously operated under licence, acquisition of the Billabong International Limited Australian and International headquarters at Burleigh Heads, acquisition of a North Shore property in Hawaii for use by Billabong sponsored athletes and general investment in owned retail.

- Income tax expense of $67.3m represents an effective rate of 31.6% which is consistent with the prior year's effective rate of 31.8%.

Table 3: Balance Sheet

- Working capital (including factored receivables) at $264.1m increased 40.4% compared to revenue growth of 21.1% in constant currency terms. Key drivers of this result are the acquisition of Nixon Inc., which increased working capital balances by 6.4% and sales by 2.4%, a return in Australia to more sustainable working capital levels after abnormally low working capital at the end of last year, and increases in inventory levels with continued brand and retail expansion. A more meaningful three year historical growth comparison to 30 June 2006 shows constant currency working capital growth of 26.2% only marginally leads sales growth over the same period of 23.1%. Excluding the impact of the Nixon Inc. acquisition, comparable growth rates would be 24.3% and 22.3% respectively.

- The doubtful debts provision at $13.0m remains conservative in accordance with the Company's policy.

- Net debt levels ($195.7m) have increased 201.8% from the prior year reflecting the investments made during the period, discussed previously. Consequently the net debt/equity ratio of 27.5% is higher than at 30 June 2005 (10.2%) but remains conservative.

- Interest cover remains strong at 24.2 times.

Table 4: Cashflow Statement

- Cashflow from operations of $107.7m represents a 12.0% decrease on the prior year driven by increased working capital requirements as previously discussed.

Table 5: AIFRS Reporting

- The Billabong Group's financial statements, including comparatives, are now prepared and presented on an AIFRS basis. The impact of the transition from the previous AGAAP to AIFRS on the Billabong Group has been immaterial.

I'll now hand back over to Derek for some further comments.

The following tables should be read in conjunction with the Address by Billabong's Chief Executive Officer and Address by Billabong's Chief Financial Officer as set out in the Full Year Results Summary.

CONSOLIDATED RESULTS

Table: 1
Consolidated Results

	2006 $m	2005 $m	2006 Change %
Results in Constant Currency			
• Sales Revenue* [1]	1,018.2	840.7	21.1
• EBITDA*	235.2	197.3	19.2
* 2005 results have been adjusted assuming local currencies were translated at the same rates as for 2006			
[1] Excluding third party royalties.			
Results as Reported			
• Sales Revenue	1,018.2	840.7	21.1
• EBITDA	235.2	197.3	19.2
• EBITDA Margin	23.1%	23.5%	
• NPAT	145.9	125.2	16.5
• Return on Equity	21.6%	20.6%	1.0
• Earnings per Share	70.8c	61.0c	16.1

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Table 2:
Depreciation, Amortisation,
Interest Expense and Taxation

	2006 $m	2005 $m	2006 Change %
Depreciation	14.4	8.7	65.5
Amortisation	1.2	1.3	-4.1
Net Interest Expense	6.6	3.7	79.7
Tax Expense	67.3	58.4	15.2

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Table 3:
Balance Sheet

	2006 $m	2005 $m	2006 Change %
Working Capital (constant currency)			
Receivables (inc factored receivables)	232.0	181.0	
Inventory	162.0	116.6	
Creditors	(129.9)	(109.5)	
	264.1	188.1	40.4
Gearing Levels			
Borrowings (net)	195.7	64.8	201.8
Net Debt/Equity Ratio	27.5%	10.2%	
Interest Cover	24.2 times	35.2 times	

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Table 4:
Cash Flow Statement

	2006 $m	2005 $m	2006 Change %
Net Cash Inflow from Operating Activities	107.7	122.3	(12.0)
Payment for Purchase of Subsidiary, net of cash acquired	(70.3)	---	
Proceeds and Payments for Plant and Equipment	(63.1)	(15.6)	
Loans to Related Parties	(5.0)	---	
Payments for Intangibles	(6.8)	(21.9)	
Net Cash Outflow from Investing Activities	(145.2)	(37.5)	
Proceeds from Issues of Shares	3.6	11.4	
Payments for Treasury Shares held in ESP Trusts	(6.2)	(5.8)	
Net Proceeds (Repayment) of Borrowings	139.3	(27.5)	
Dividends Paid	(84.9)	(64.9)	
Net Cash Inflow (Outflow) from Financing Activities	51.8	(86.8)	
Net Movement in Cash Held	14.3	(2.0)	

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Table 5:
AIFRS Reporting

	Previous AGAAP $m	AIFRS $m	Change $m
Profit attributable to members of Billabong International Limited			
For year ended 30 June 2005	**125.4**	**125.2**	**(0.2)**
Net assets of the Billabong International Limited Group			
As at 30 June 2005	**643.9**	**637.3**	**(6.6)**

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SEGMENT & BRAND RESULTS

Americas Segment

	2006 $m	2005 $m	2006 Change %
Results in USD			
• Sales Revenue	385.7	295.7	30.4
• EBITDA	73.6	54.5	35.0
Results as Reported (in AUD)			
• Sales Revenue	521.9	393.1	32.8
• EBITDA	99.7	72.6	37.3
• EBITDA Margin	19.1%	18.5%	

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European Segment

	2006 $m	2005 $m	2006 Change %
Results in Euro			
• Sales Revenue	120.1	99.9	20.3
• EBITDA	21.1	15.5	36.4
Results as Reported (in AUD)			
• Sales Revenue	201.1	171.9	17.0
• EBITDA	35.4	26.7	32.7
• EBITDA Margin	17.6%	15.5%	

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Australasian Segment

	2006 $m	2005 $m	2006 Change %
Results as Reported			
• Sales Revenue	295.2	275.7	7.1
• EBITDA	94.9	93.9	1.1
• EBITDA Margin	32.2%	34.1%	

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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 head office corporate overhead costs (including international advertising and promotion costs). Corporate overhead costs have been allocated to each segment based on each segment's sales as a proportion of Group sales. In prior reporting periods these overhead costs were allocated entirely to the Australasian segment. The revised approach is considered to be more appropriate given that these costs relate to the entire Group and not just the Australasian segment. All prior period comparative figures have been adjusted for this allocation to ensure a meaningful comparison.

EMERGING BRANDS

element Brand

- Strong revenue growth in excess of 40% driven by introduction of element shoes and continued strong growth of softgoods.
- EBITDA margin remains comparable to the Billabong brand.

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Von Zipper Brand

- Strong revenue growth in excess of 35% driven by apparel, eyewear and accessory categories.
- EBITDA margin has continued to grow and is now comparable to the Billabong brand.

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Kustom Brand

- Roll out of Kustom into key international territories continues with strong revenue growth in excess of 45%.
- EBITDA margin is comparable to the Billabong brand.

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Nixon Brand

- Solid initial contribution to sales in the second half in line with expectations.
- Integration into the Group has progressed well.

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2006 FX Impacts

- The current policy of hedging purchases, but not profit translation, remains unchanged.
- The short term impact of currency movements on the 2006 result (profit translation) is as follows:

1 cent increase in the average full year rate for the AUD against the

USD = decrease NPAT by 0.6%
EURO = decrease NPAT by 0.3%

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