

BILLABONG

2008 CONCISE ANNUAL REPORT

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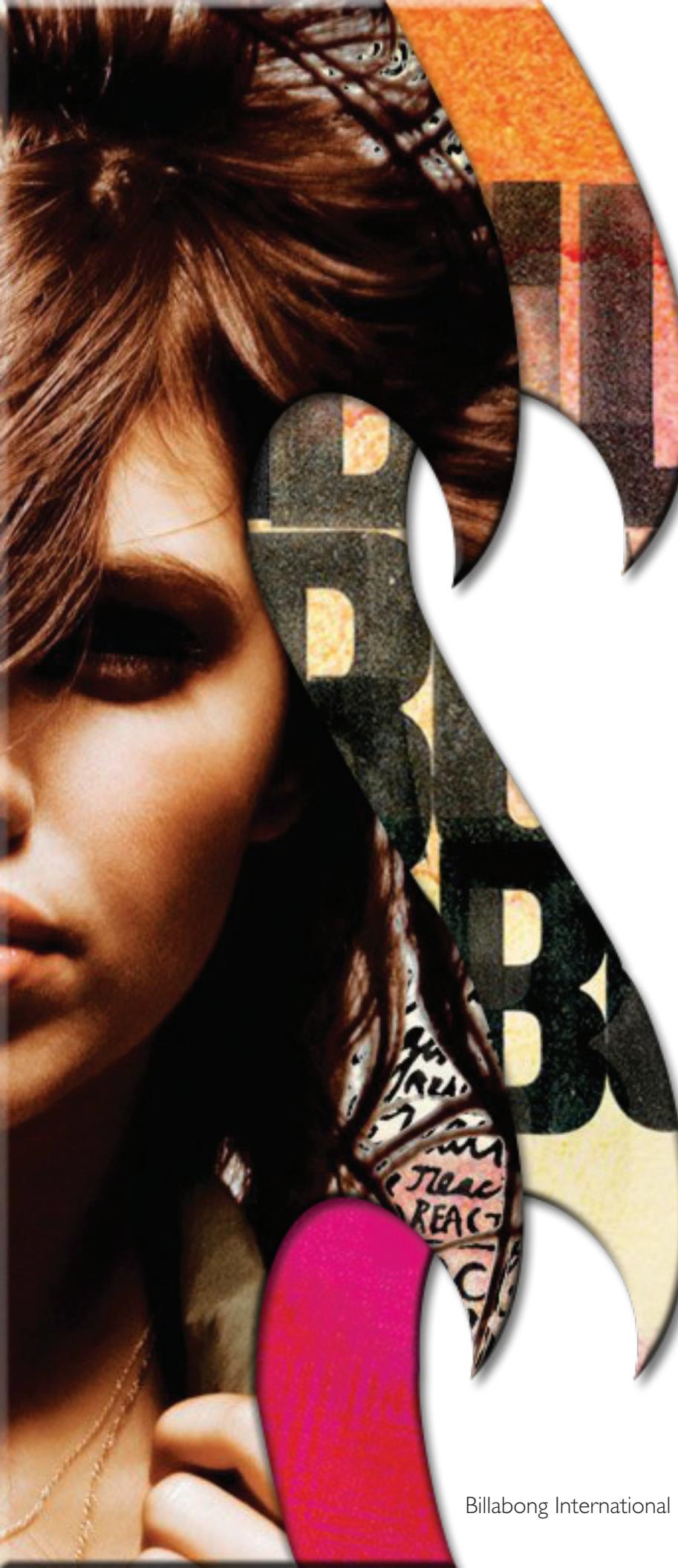


TABLE OF CONTENTS

Introduction	2
About Billabong and It's Objectives	3
Chairman's Review and Performance Highlights.....	4
Financial Review.....	7
Statement of Income	8
The Year in Review	10
Board of Directors	11
Retail.....	13

INTRODUCTION

This Concise Annual Report has been derived from the Full Financial Report for the year ended 30 June 2005. The Full Financial Report and Independent Auditors' Report will be sent to shareholders upon request, free of charge. Shareholders should contact the Share Registry on telephone number 1300 552270, by fax on (+61 7) 3229 9860 or by email on brisbane.services@computer-share.com.au to request a copy. Both the Concise Annual Report and the Full Financial Report can be accessed on the internet at Billabong's corporate website, www.billabongcorporate.com.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Billabong International Limited and its controlled entities as the Full Financial Report. Billabong International Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Billabong International Limited
1 Billabong Place,
Burleigh Heads Qld 4220.

For enquiries in relation to our reporting please call (+61 7) 5589 9899 or e-mail secretary@billabong.com.au.



ABOUT BILLABONG AND ITS OBJECTIVES

Billabong International Limited's core business is the marketing, distribution, wholesaling and retailing of apparel, accessories and eyewear under the Billabong, Element, Von Zipper, Honolua Surf Company, Kustom and Palmers Surf brands.

The Company's products are licensed and distributed in excess of 100 countries. The majority of revenue is generated through wholly-owned operations in Australia, North America, Europe, Japan, New Zealand and Brazil.

The Company's brands are marketed and promoted internationally through association with high profile athletes, junior athletes and events. Products are distributed through specialised boardsports retailers and through the Company's own branded retail outlets. Billabong International retains young, regionalized and vibrant product development teams for each of its brands.

Billabong International Limited continues to achieve outstanding results that demonstrate the importance of adherence to its core values. The Company continues to seek opportunities to grow revenues which provides value to shareholders.

CHAIRMAN'S REVIEW ...

Since assuming chairmanship of Billabong International Limited in January 2007 I have developed a heightened appreciation and respect for the Company's past and hold greater anticipation for its future. Billabong is a company that is global in its reach, dynamic in its product development and a standout in its adherence to core brand values and the resultant support of the surf, skate and snow industries. The core Billabong brand has become one of the world's iconic brands and the Company's emerging brands are building their own niche identities within the youth-inspired boardsports sector.

The net result of building on this core brand heritage is the evolution of a well managed, progressive and internationally identifiable company. Since its public listing on the Australian Stock Exchange in August 2000, Billabong International has delivered total shareholder returns of 47.7% per annum. Over the same period, EPS has grown at a compound annual rate of 30.2%. Staff and management can be justifiably proud of such an outstanding achievement.

The 2006-07 financial year was a particularly strong period for Billabong International and has set a significantly higher benchmark from which future performance will be judged. That said, the Company has entered the 2007-08 year in very good shape and

BILLABONG
evolution of an icon



... AND PERFORMANCE HIGHLIGHTS

thus the prospects for future growth remain positive. Management and staff, whom I wholeheartedly congratulate for their performance in the 2006-07 year, remain motivated and confident in their ability to maintain Billabong International's place as a consistent, long-term performer.

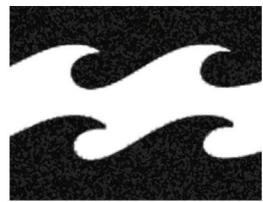
Finally, I wish to thank the former Chairman, Gary Pemberton, for his outstanding leadership since the Initial Public Offering in August 2000. During this period the shareholder value creation has been truly remarkable. The Board welcomes his ongoing counsel and continued support as a Director and major shareholder of Billabong International. The transition has been smooth and I look forward to the challenges ahead.



Ted Kunkel

Chairman







FINANCIAL REVIEW

Consolidated Results

The consolidated net profit after tax of \$125.4 million represented an increase of 44.1% and continued Billabong's history of delivering strong growth at good margins. Consolidated sales revenue of \$843.6 million represented an increase of 25.0%. Consolidated gross margins at 51.8% were higher than the prior year at 49.0%.

The consolidated gross margin improvement was attributable to three areas:

- Increased purchasing power due to the higher AUD and Euro against the USD, which contributed over 50% of the total margin improvement.
- Stronger sales on higher margin product, including accessories.
- Continued improvements in the supply chain.

SALES REVENUE

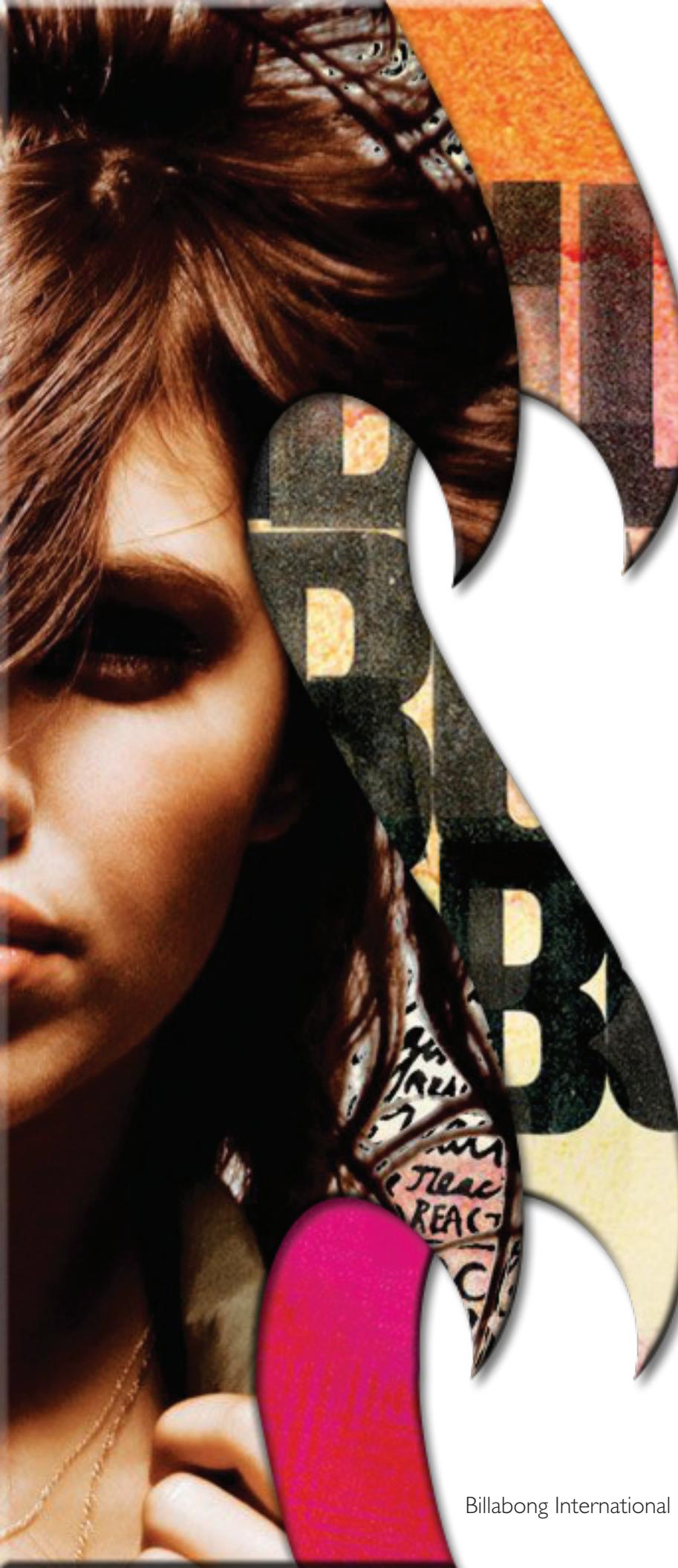
	2007 Million	2006 Million	% Increase
Australasia	\$275.7	\$192.7	43.1%
Americas	\$394.0	\$323.1	21.9%
Europe	\$173.9	\$158.9	9.4%
Total	<u><u>\$843.6</u></u>	<u><u>\$674.7</u></u>	<u><u>25.0%</u></u>

STATEMENT OF INCOME

This Concise Financial Report relates to the consolidated entity consisting of Billabong International Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007. The accounting policies adopted are consistent with those of the previous year. The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in financial reports. Amounts in the Concise Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

DISCUSSION AND ANALYSES

- Working capital (including factored receivables) at \$183.5m increased 8.6%,
- Receivables before provision for doubtful debts, increased \$5.9m to \$184.7m as a result of revenue growth generally.
- Inventory increased \$8.3m to \$111.8m reflecting the growth of the business.
- Payables increased \$2.1m to \$114.7m, consistent with increased inventory levels.
- Interest cover has increased to a strong 43.8 times due to lower interest expense and a stronger Group earnings before interest and tax (EBIT).



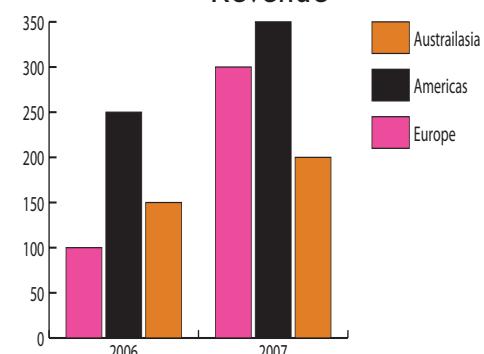
STATEMENT OF INCOME

DISCUSSION AND ANALYSES

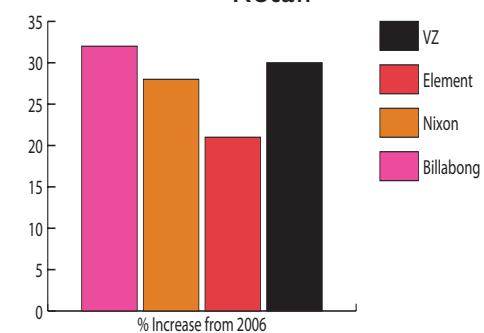
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- Cash flows from operations increased 74.7% to \$116.4m.
- Payments for property, plant and equipment and intangible assets of \$37.8m(4.5% of sales) includes the acquisition of the Palmers and Kustom and Beach Access businesses (\$22.1m), and purchases for owned retail store fitouts, instore fittings for retail customers and warehousing upgrades.
- The increase in cash inflows from operations has supported the increase in cash outflows from financing activities, including record dividend payments by the Group.

Revenue



Retail

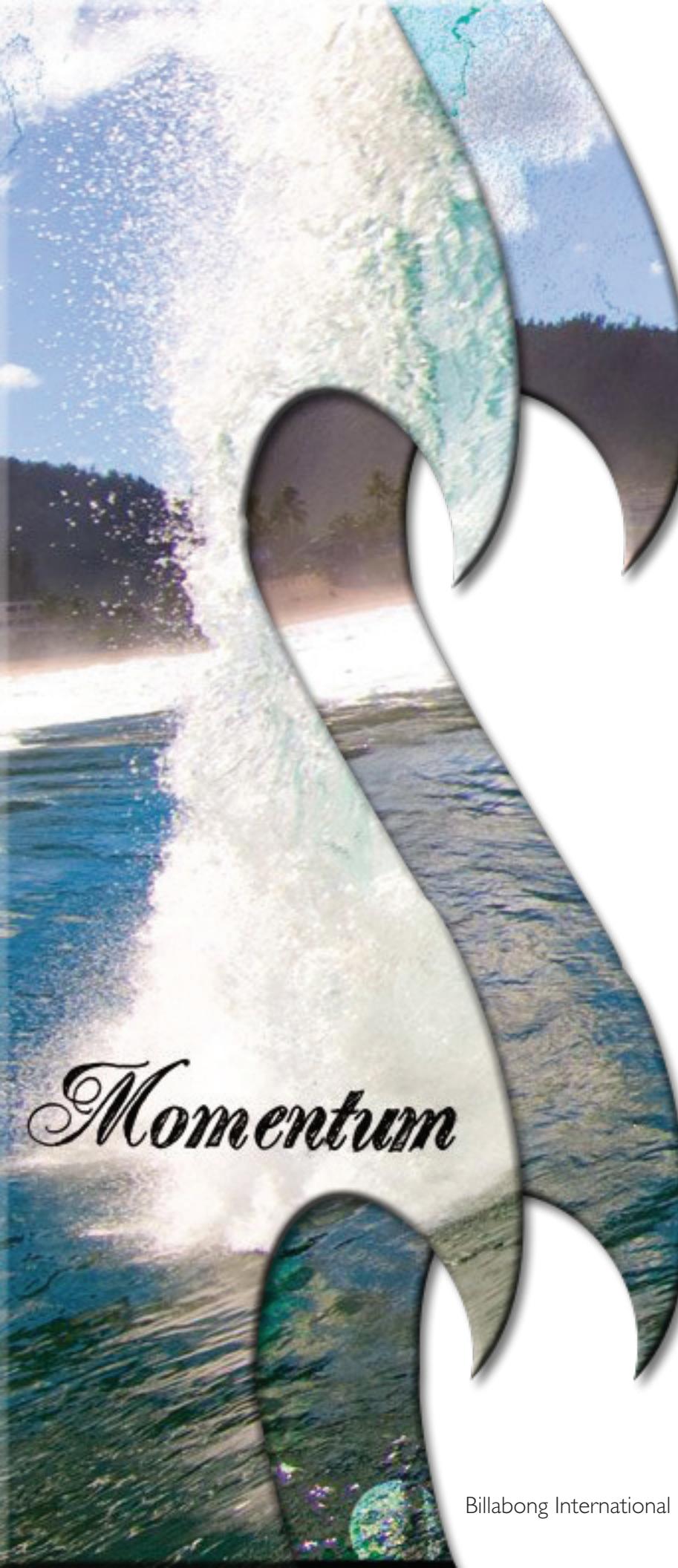


THE YEAR IN REVIEW

Compared with the prior year, sales revenue increased 28.7% to US\$293.9 million (up from US\$228.5 million), EBITDA rose 46.9% to US\$63.3 million (up from US\$43.1 million) and EBITDA margins lifted to a new high of 21.5% (up from 18.8%). In AUD terms, sales revenue in the Americas increased 21.9% to \$394.0 million and EBITDA of \$84.8 million was 39.2% higher than the prior year.

Strong conditions in the boardsports segment, cutting edge product, supply chain refinement and continued innovative marketing and promotional campaigns have underpinned the strong result. Both men's and girls categories showed good growth in the US, with key products including t-shirts, fleece, track jackets and denim jeans. Men's boardshorts and girls swimwear were also popular among youth boardsport inspired consumers.

Element apparel and hardgoods continued to build on solid foundations and the brand was firmly entrenched as the leader in the skateboard category. Von Zipper continued to capture growing awareness in the US, while Honolua Surf Company achieved its first-year objectives.



BOARD OF DIRECTORS



Derek O'Neill
Chief Executive Officer

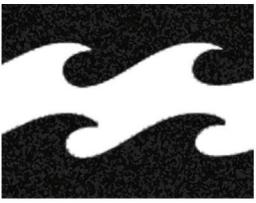


Ted Kunkel
Non-Executive Chairman



Allan McDonald
Non-Executive Chairman

Momentum



with the sea.
THE SEA.

MY

sea.
heart





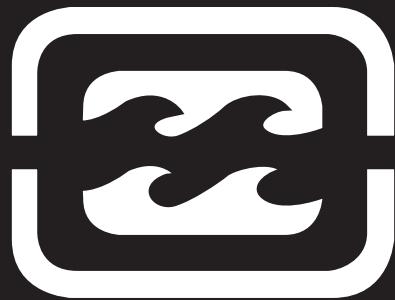
RETAIL

Billabong International Limited's retail store network operates under four branded concepts – Billabong, Honolua Surf Company, Beachworks and now Element.

The Company increased its global retail presence through the 2004-05 year, with the headline opening being new Billabong and Element-branded retail stores in New York. The stores opened side by side in Times Square, the high profile retail, tourism and entertainment precinct in the city's signature destination of Broadway. The stores are operated under license and opened late in the second half.

On the back of the New York openings Billabong has received heightened global inquiry from other retailers wishing to explore similar partnering arrangements. A number of other licensed stores were opened in the period, taking total licensed store numbers to 22. The new openings included four stores in Australia.

The importance of retail to the Group is continuing to increase and the Company will remain opportunistic in relation to future openings and acquisitions.



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