Billabong International Limited

ABN 17 084 923 946

Contents

INTERIM FINANCIAL REPORT 31 DECEMBER 2007

This interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2007 and any public announcements made by Billabong International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Billabong International Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
1 Billabong Place, Burleigh Heads Qld 4220
For queries in relation to our reporting please call +61 7 5589 9899 or email secretary@billabong.com.au
Corporate website: www.billabongbiz.com

APPENDIX 4D
Half-yearly Report

Billabong International Limited
ABN 17 084 923 946

Extracts from this report for announcement to the market.

	Half-year			
	2007	2006	Change	
	$'000	$'000	$'000	%
Total revenue from continuing operations	665,335	614,122	51,213	8.3%
Profit from continuing operations after tax attributable to members	88,698	90,472	(1,774)	(2.0%)
Net profit for the period attributable to members	88,698	90,472	(1,774)	(2.0%)
Adjusted net profit for the period attributable to members	88,698	90,472	(1,774)	(2.0%)

Dividends	Amount per Security	Franked amount per security
Interim dividend	27.0 cents	27.0 cents
Previous corresponding period interim dividend	23.5 cents	23.5 cents

Record date for determining entitlements to the dividend is 24 March 2008.

Explanation of Results

Please refer to the Review of Operations within the Directors Report for an explanation of the results.

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Billabong International Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

Directors
The following persons were Directors of Billabong International Limited during the whole of the half-year and up to the date of this report:

E.T. Kunkel
D. O'Neill
M.A. Jackson
F.A. McDonald
G.S. Merchant
P. Naude
C. Paull

A.G. Froggatt was appointed a Director on 21 February 2008 and continues in office at the date of this report.

Review of operations
A summary of consolidated revenues and results for the half-year by significant geographical segments is set out below:

Segment	**Segment revenues**		**Segment EBITDA ***	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Australasia	231,029	200,288	70,673	63,370
Americas	287,538	286,270	48,015	51,067
Europe	143,395	124,100	27,686	22,105
Third party royalties	903	2,083	903	2,083
	662,865	612,741	147,277	138,625
Less: Net interest expense			(9,663)	(7,746)
Depreciation and amortisation			(12,378)	(10,135)
Profit from continuing operations before income tax expense			125,236	120,744
Income tax expense			(36,649)	(30,041)
Profit from continuing operations after income tax expense			88,587	90,703
Loss/(Profit) attributable to minority interest			111	(231)
Profit attributable to the members of Billabong International Limited			88,698	90,472

* 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). Consistent with the half-year ended 31 December 2006, corporate overhead costs have been allocated to each segment based on each segment's sales as a proportion of Group sales.

Comments on the operations and the results of those operations are set out below:

Consolidated Result
Profit after tax for the half-year ended 31 December 2007 was $88.7 million, a decrease of 2.0% in reported terms but an increase of 4.7% in constant currency terms over the 2006-07 half-year (the prior year). Reported profit after tax was significantly impacted by a strong appreciation in the AUD against the USD, with an average half-year rate of 86.8 cents compared to the prior half-year average rate of 76.0 cents, and to a lesser extent an appreciation in the AUD against the Euro. In addition, ignoring certain one-off tax benefits amounting to $6.3 million in the prior year, profit after tax growth over the prior year was 13.1% in constant currency terms.

Sales revenue of $662.0 million, excluding third party royalties, represented an increase of 15.8% in constant currency terms (8.4% in reported terms) over the prior year. At a segment level, in constant currency terms, sales revenue in Australasia increased 16.8%, the Americas increased 13.2% and Europe increased 19.6% over the prior year.

Consolidated gross margins remained strong and strengthened to 55.2% compared to the prior year's 53.7%.

Review of operations (continued)

EBITDA increased to $147.3 million, an increase of 12.5% in constant currency terms (6.2% in reported terms) over the prior year. The Europe segment was a highlight, with EBITDA growth, in constant currency terms, of 30.2%.

The consolidated EBITDA margin of 22.2% decreased slightly compared to that of the prior year of 22.7%, principally due to segment mix with strong EBITDA growth and improving margins in Europe offset by slightly lower margins in Australasia and the Americas.

Australasia
Compared with the prior year in constant currency terms, Australasian sales revenue was up 16.8% to $231.0 million and EBITDA increased by 12.1% to $70.7 million. EBITDA margins were slightly lower at 30.6% compared to 31.6% in the prior year, reflecting the segment's changing regional mix, a full six months of the Amazon retail business and the first time inclusion of sales from South Africa.

In AUD terms, sales revenue in Australasia increased 15.3% to $231.0 million and EBITDA increased 11.5% to $70.7 million.

Sales revenue growth was principally driven by Japan, New Zealand and the acquisition of the South African wholesale licensee business.

Americas
Compared with the prior year, sales revenue increased 13.2% to US$249.6 million (up from US$220.4 million) and EBITDA rose 7.9% to US$41.7 million (up from US$38.6 million). EBITDA margins were slightly lower at 16.7% compared to 17.8% in the prior year, due to a combination of the impact on retail of softer tourism in Hawaii, reduced sales to Pacific Sunwear and growing contributions from the lower margin South American business.

In AUD terms, sales revenue in the Americas increased 0.4% to $287.5 million and EBITDA of $48.0 million was 6.0% lower than the prior year.

Double digit sales revenue growth was achieved in all regions of the Americas.

Europe
Compared with the prior year, sales revenue increased 19.6% to €87.9 million (up from €73.5 million) and EBITDA rose 30.2% to €17.0 million (up from €13.0 million). EBITDA margins lifted to 19.3% (up from 17.8%), driven by a combination of operational synergies and product purchasing benefits due to the stronger Euro against the USD.

In AUD terms, sales revenue in Europe was $143.4 million, a 15.5% increase and EBITDA showed strong growth of 25.2% to $27.7 million.

Italy and Germany both recorded strong double digit sales revenue growth.

Europe's strong sales revenue and EBITDA result demonstrates continued solid business performance.

Net Interest Expense
Net interest expense growth of 24.7% was driven by the capital expenditure requirements for acquisitions and organic retail store expansion, together with increased working capital requirements to support both organic growth as well as acquired businesses.

Depreciation and Amortisation Expense
Depreciation and amortisation expense growth of 22.1% was principally driven by both acquisitions and retail store expansion.

Review of operations (continued)

Income Tax Expense
The income tax expense for the half-year ended 31 December 2007 is $36.6 million (2006 - $30.0 million), an effective rate of tax of 29.3% (2006 - 24.9%).

The following one-off items had a significant impact in determining the prior year's income tax expense for the Group:

(a) Intra-group royalties - as part of a continuing comprehensive review the Group has made a number of changes to its intra-group royalties. In this regard the income tax expense for the half-year to 31 December 2006 included a prior year income tax benefit of $1.8 million relating to the 30 June 2006 financial year.

(b) Timing of recognition of royalty income - a revision of the Group's method for recognising royalty income earned for income tax purposes from a cash to accruals basis resulted in a non-recurring benefit of $4.5 million.

Consolidated Balance Sheet, Cash Flow Items and Capital Expenditure
Working capital (including factored receivables) at $322.5 million increased 18.2% over the prior year compared to revenue growth of 15.8% in constant currency terms, in part reflecting the impact of the acquisitions made by the Group.

Cash flow from operations of $89.1 million represents a 240.8% increase over the prior year period driven by both higher net cash receipts and the timing of income tax payments in the prior year. Net cash receipts of $127.0 million are 38.5% higher than the prior year period.

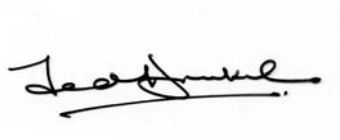
Capital expenditure of $74.8 million was in accordance with expectations and includes the acquisition of Billabong's licensee in South Africa, Xcel Wetsuits and Tigerlily together with general investment in owned retail globally.

Net debt increased to $303.6 million, but is still relatively low at a debt to equity ratio of 38.8% and interest cover of 11.2 times.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts
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 the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



Ted Kunkel
Chairman
Gold Coast, 22 February 2008

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Auditor's independence declaration

As lead auditor for the review of Billabong International Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Billabong International Limited and the entities it controlled during the period.

Robert Hubbard
Partner

PricewaterhouseCoopers

Brisbane, 22 February 2008

Consolidated income statement
For the half-year ended 31 December 2007 **: :**

	Half-year **2007 $'000**	Half-year 2006 $'000
Revenue from continuing operations	665,335	614,122
Cost of goods sold	(296,521)	(282,627)
Other income	362	503
Selling, general and administrative expenses	(193,884)	(167,430)
Other expenses	(37,586)	(34,917)
Finance costs	(12,470)	(8,907)
Profit before income tax	125,236	120,744
Income tax expense	(36,649)	(30,041)
Profit for the half-year	88,587	90,703
Loss/(Profit) attributable to minority interest	111	(231)
Profit attributable to members of Billabong International Limited	88,698	90,472

Earnings per share for profit attributable to the ordinary equity holders of the Company	**Cents**	Cents
Basic earnings per share	43.1	44.0
Diluted earnings per share	42.8	43.7

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 31 December 2007 **: :**

	31 December **2007** **$'000**	30 June 2007 $'000	31 December 2006 $'000
ASSETS			
Current assets			
Cash and cash equivalents	126,727	113,212	87,737
Trade and other receivables	286,612	274,369	235,081
Inventories	194,006	171,833	174,753
Current tax receivables	2,374	---	---
Other	15,275	14,104	13,479
Total current assets	624,994	573,518	511,050
Non-current assets			
Receivables	8,513	12,875	12,885
Property, plant and equipment	123,610	106,991	102,372
Intangible assets	700,944	660,104	662,465
Deferred tax assets	21,803	35,371	22,337
Other	1,600	1,719	2,481
Total non-current assets	856,470	817,060	802,540
Total assets	1,481,464	1,390,578	1,313,590
LIABILITIES			
Current liabilities			
Trade and other payables	160,652	152,226	131,601
Borrowings	7,034	6,791	6,497
Current tax liabilities	---	2,420	1,808
Provisions	6,864	10,836	7,768
Total current liabilities	174,550	172,273	147,674
Non-current liabilities			
Borrowings	423,303	360,565	331,991
Deferred tax liabilities	79,809	78,727	79,822
Provisions and other payables	6,484	4,575	1,065
Deferred payment	14,242	14,755	14,800
Total non-current liabilities	523,838	458,622	427,678
Total liabilities	698,388	630,895	575,352
Net assets	783,076	759,683	738,238
EQUITY			
Contributed equity	316,317	316,174	315,215
Treasury shares	(24,896)	(19,708)	(19,708)
Option reserve	5,842	9,363	6,668
Other reserves	(20,640)	(21,940)	(11,567)
Retained profits	506,453	473,762	445,726
Total parent entity interest	783,076	757,651	736,334
Minority interest	---	2,032	1,904
Total equity	783,076	759,683	738,238

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the half-year ended 31 December 2007 **: :**

	Notes	Half-year **2007 $'000**	Half-year 2006 $'000
Total equity at the beginning of the half-year		759,683	712,123
Cash flow hedge reserve movement, net of tax		(111)	(942)
Exchange differences on translation of foreign operations		1,411	(11,244)
Net income/(expense) recognised directly in equity		1,300	(12,186)
Profit for the half-year		88,587	90,703
Total recognised income for the half-year		89,887	78,517
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	4	143	1,687
Dividends paid	5	(56,007)	(48,695)
Treasury shares purchased by employee share plan trusts		(10,751)	(7,726)
Option reserve in respect of employee share plan		2,042	2,332
Acquisition of subsidiary minority interest		(1,921)	---
		(66,494)	(52,402)
Total equity at the end of the half-year		783,076	738,238
Total recognised income and expense for the half-year is attributable to:			
Members of Billabong International Limited		89,998	78,286
Minority interest		(111)	231
		89,887	78,517

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement
For the half-year ended 31 December 2007 **: :**

	Half-year **2007 $'000**	Half-year 2006 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	677,465	645,906
Payments to suppliers and employees (inclusive of GST)	(550,462)	(554,203)
	127,003	91,703
Interest received	2,466	1,024
Other revenue	1,366	1,876
Finance costs	(10,449)	(8,034)
Income taxes paid	(31,315)	(60,435)
Net cash inflow from operating activities	89,071	26,134
Cash flows from investing activities		
Payments for purchase of subsidiaries and businesses, net of cash acquired	(48,137)	(21,317)
Payments for property, plant and equipment	(26,264)	(19,123)
Payments for intangible assets	(430)	(257)
Proceeds from sale of property, plant and equipment	67	320
Net cash outflow from investing activities	(74,764)	(40,377)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	143	1,687
Payments for treasury shares held by employee share plan trusts	(10,751)	(7,726)
Proceeds from borrowings	158,750	163,549
Repayment of borrowings	(92,675)	(72,796)
Dividends paid	(56,007)	(48,695)
Net cash (outflow)/inflow from financing activities	(540)	36,019
Net increase in cash and cash equivalents	13,767	21,776
Cash and cash equivalents at the beginning of the half-year	113,212	67,855
Effects of exchange rate changes on cash and cash equivalents	(252)	(1,894)
Cash and cash equivalents at the end of the half-year	126,727	87,737

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Basis of preparation for the half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Billabong International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Certain comparative amounts for the 2006 half-year have been reclassified to conform with the presentation adopted in the 2007 full financial year. These include prior half-year business combination cash flows totalling $21.3 million which have been reclassified to 'Payments for purchase of subsidiaries and businesses, net of cash acquired'. Previously the business combination cash flows were recognised across both 'Net cash inflow from operating activities and 'Net cash outflow from investing activities'.

Note 2. Segment information

Primary reporting format – geographic segments

Half–year 2007	**Australasia $'000**	**Americas $'000**	**Europe $'000**	**Rest of the world $'000**	**Total $'000**
Sales to external customers	231,029	287,538	143,395	---	661,962
Other revenue, including interest revenue	1,554	703	213	903	3,373
Total segment revenue	232,583	288,241	143,608	903	665,335
Segment result	70,673	48,015	27,686	903	147,277
Add/(Less): inter-company royalties and sourcing fees	45,807	(27,729)	(18,078)	---	---
Less: depreciation and amortisation	(3,634)	(4,941)	(3,803)	---	(12,378)
Less: net interest expense	(2,508)	(5,201)	(1,954)	---	(9,663)
Profit before income tax	110,338	10,144	3,851	903	125,236

Half–year 2006	**Australasia $'000**	**Americas $'000**	**Europe $'000**	**Rest of the world $'000**	**Total $'000**
Sales to external customers	200,288	286,270	124,100	---	610,658
Other revenue, including interest revenue	728	652	1	2,083	3,464
Total segment revenue	201,016	286,922	124,101	2,083	614,122
Segment result	63,370	51,067	22,105	2,083	138,625
Add/(Less): inter-company royalties and sourcing fees	42,457	(31,634)	(10,823)	---	---
Less: depreciation and amortisation	(2,695)	(4,652)	(2,788)	---	(10,135)
Less: net interest expense	(2,476)	(4,595)	(675)	---	(7,746)
Profit before income tax	100,656	10,186	7,819	2,083	120,744

Note 3. Income tax expense

The income tax expense for the half-year ended 31 December 2007 is $36.6 million (2006 - $30.0 million), an effective rate of tax of 29.3% (2006 - 24.9%).

The following one-off items had a significant impact in determining the prior year's income tax expense for the Group:

(a) Intra-group royalties - as part of a continuing comprehensive review the Group has made a number of changes to its intra-group royalties. In this regard the income tax expense for the half-year to 31 December 2006 included a prior year income tax benefit of $1.8 million relating to the 30 June 2006 financial year.

(b) Timing of recognition of royalty income - a revision of the Group's method for recognising royalty income earned for income tax purposes from a cash to accruals basis resulted in a non-recurring benefit of $4.5 million.

Note 4. Equity securities issued

	Half-year		Half-year	
	2007 Shares	2006 Shares	**2007 $'000**	2006 $'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Billabong Executive Incentive Option Plan	---	166,098	---	1,356
Exercise of options issued under the Element acquisition agreement	13,363	46,122	143	331
	13,363	212,220	143	1,687
Movements in treasury shares during the half-year				
Acquisition of shares by the employee share plan trusts	(681,523)	(522,484)	(10,751)	(7,726)
Employee share scheme issue	492,637	---	5,563	---
Net movement	(188,886)	(522,484)	(5,188)	(7,726)

Note 5. Dividends

	Half-year **2007 $'000**	Half-year 2006 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	56,007	48,695
Dividends not recognised at the end of the half-year		
In addition to the above, since the end of the half-year the Directors have recommended the payment of an interim dividend of 27.0 cents per fully paid ordinary share (2006 – 23.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 11 April 2008 (2006 - 10 April 2007) out of retained profits at 31 December 2007, but not recognised as a liability at the end of the half-year, is	56,007	48,740

Note 6. Business combinations

Current period

(a) Summary of acquisitions

On 1 July 2007 GSM Trading (South Africa) Pty Ltd and GSM Manufacturing (South Africa) (Proprietary) Limited acquired the assets and certain liabilities of Billabong South Africa (Proprietary) Limited, Kustom and Palmers Surf (Proprietary) Limited, Country Feeling CC, Element Skateboards South Africa CC and Von Zipper South Africa CC.

On 1 September 2007 Xcel International, Inc and Seal Trademarks Pty Ltd acquired the assets and certain liabilities of Xcel Hawaii, Inc., KEM Hawaii Incorporated and MKD Wetsuits, Inc.

On 11 December 2007 GSM (Operations) Pty Ltd and Pineapple Trademarks Pty Ltd acquired the assets and certain liabilities of Tiger Lily Swimwear Pty Ltd.

The acquired businesses contributed revenues of $28.3 million and net profit after tax of $6.5 million to the Group for the period from acquisition to 31 December 2007.

Details of the aggregated fair value of the assets and liabilities related to these acquisitions are as follows:

	$'000
Purchase consideration:	
Cash paid	49,101
Estimated cash payable	4,325
Direct costs relating to the acquisition	914
Total purchase consideration	54,340
Fair value of net identifiable assets acquired	17,586
Goodwill	36,754

The goodwill is attributable to the high profitability of the acquired businesses and synergies expected to arise after the acquisition of the businesses.

(b) Assets and liabilities acquired

The aggregated fair value of identifiable assets and certain liabilities acquired are based on discounted cash flow models. The aggregated identifiable assets and liabilities arising from the acquisitions are as follows:

	Acquiree's carrying amount $'000	**Fair value $'000**
Cash and cash equivalents	1,878	1,878
Trade receivables	8,525	8,525
Inventory	4,971	4,971
Plant and Equipment	659	659
Prepayments	420	420
Employee entitlements	(42)	(42)
Trade payables	(2,962)	(2,962)
Identifiable intangible asset	---	4,137
Net identifiable assets acquired	13,449	17,586

In regards to the 'Billabong South Africa (Proprietary) Limited, Kustom and Palmers Surf (Proprietary) Limited, Country Feeling CC, Element Skateboards South Africa CC and Von Zipper South Africa CC' and 'Xcel Hawaii, Inc., KEM Hawaii Incorporated and MKD Wetsuits, Inc' acquisitions, in the event that certain specific conditions are achieved additional consideration may be payable in cash. If it becomes probable that additional consideration will be payable it will be brought to account as a component of the goodwill arising on the acquisition when the amount can be reliably measured. The Group will review the likelihood of these payments at future reporting dates.

Note 6. Business combinations (continued)

The above accounting in regards to the 'Tiger Lily Swimwear Pty Ltd' acquisition has been determined provisionally due to the timing of the business combination.

If the acquisitions had occurred on 1 July 2007, consolidated revenue and consolidated net profit after tax for the half-year ended 31 December 2007 would have been $671.3 million and $89.3 million respectively.

Prior period

(a) Summary of acquisition

On 1 November 2006 Amazon (New Zealand) Pty Ltd (previously Billabong New Zealand Pty Ltd) acquired the assets and certain liabilities of Amazon Group Limited. The acquired business contributed revenues of $7.9 million and net profit after tax of $1.0 million to the Group for the period from 1 November 2006 to 31 December 2006.

Details of the aggregated fair value of the assets and liabilities related to this acquisition are as follows:

	$'000
Purchase consideration:	
Cash paid	21,146
Cash payable	1,234
Direct costs relating to the acquisition	180
Total purchase consideration	22,560
Fair value of net identifiable assets acquired	14,899
Goodwill	7,661

The goodwill is attributable to the high profitability of the acquired business and synergies expected to arise after the acquisition of the business.

(b) Assets and liabilities acquired

The aggregated fair value of identifiable assets and certain liabilities acquired are based on discounted cash flow models. The aggregated identifiable assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	**Fair value $'000**
Cash and cash equivalents	9	9
Inventory	9,874	9,874
Plant and Equipment	3,951	3,951
Prepayments	80	80
Employee entitlements	(147)	(147)
Other liabilities	(68)	(68)
Identifiable intangible asset	---	1,200
Net identifiable assets acquired	13,699	14,899

The acquisition was disclosed provisionally in the interim financial report for the half-year ended 31 December 2006. The one adjustment to the provisional values disclosed in the interim financial report for the half-year ended 31 December 2006 relates to the recognition of the intangible asset relating to the Amazon brand name which at acquisition date is considered to have a carrying value of NZD$1.38 million or AUD$1.2 million.

In regards to the 'Amazon Group Limited' acquisition, in the event that certain specific conditions are achieved additional consideration may be payable in cash. If it becomes probable that additional consideration will be payable it will be brought to account as a component of the goodwill arising on the acquisition when the amount can be reliably measured. The Group will review the likelihood of these payments at future reporting dates.

If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated net profit after tax for the half-year ended 31 December 2006 would have been $623.8 million and $90.6 million respectively.

Note 7. Net tangible asset backing

	Half-year **2007**	Half-year 2006
Net tangible asset backing per ordinary share	$0.40	$0.37

Note 8. Contingencies

Contingent liabilities
There has been no change in the nature of contingent liabilities of the consolidated entity since the last annual reporting date.

Note 9. Events occurring after the balance sheet date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration : :

In the Directors' opinion:

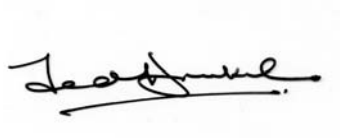
(a) the financial statements and notes set out on pages 7 to 15 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Billabong International Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Ted Kunkel
Director

Gold Coast, 22 February 2008

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Independent auditor's review report to the members of
Billabong International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Billabong International Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Billabong International Limited Group (the consolidated entity). The consolidated entity comprises both Billabong International Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Billabong International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report
This review report relates to the financial report of Billabong International Limited (the Company) for the half-year ended 31 December 2007 included on Billabong International Limited's web site. The company's directors are responsible for the integrity of the Billabong International Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Billabong International Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
22 February 2008

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