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# CHAIRMAN'S REPORT

The 2007-08 financial year was a period in which the Company continued to experience growth in sales, margins, profitability and market share. These are, and will continue to be, the internal business metrics on which management is focused and rewarded. However, a number of external factors, principally the unsettled global macro economic environment and a strong Australian dollar, influenced the Company's reported performance. Through all of this, the Company delivered strong underlying growth in net profit after tax to cement its place as one of the most consistent, long term performers on the Australian Securities Exchange (ASX). Such growth is testament to the strength of the Group's products and brands and the performance of its people.

A range of external parties recognised the Group's performance through the year. The United States-based Surf Industry Manufacturers' Association (SIMA) awarded Billabona Girls the titles of Women's Apparel Brand of the Year and Women's Marketing Campaign of the Year, while Billabong Mens was awarded Environmental Product of the Year for its recycled boardshorts. The SIMA awards also recognised the Nixon 51-30 watch as the Accessory Product of the Year and the Xcel Infiniti Drylock as the Wetsuit of the Year. Among other awards, the Global Habbo Youth Survey of 58,000 teens in 31 countries identified Billabona as one of the world's top clothing brands, the International Council of Shopping Centres acknowledged Billabong as one of the world's 'hottest retailers' and the Australian Surfing Awards recognised Billabona as the inaugural winner of the Surf Industry Award for its environmental initiatives.

External judgement of performance also extended to the Group's monitoring of third party contractors in its supply chain through the continued application of Social Accountability International's SA8000 workplace compliance program.

Similarly, the Group joined the Continuous Improvement in Central American Workplaces initiative and extended its support of key social and environmental aroups and causes including SurfAid International and its progressive schools program. The Group also continued to voluntarily measure, independently verify and publicly disclose its global carbon footprint, some details of which can be found in this Shareholder Review. This is one of a suite of measures designed to improve overall environmental performance.

The 2007-08 year saw some strengthening of the Group's Board of Directors with the appointment of Tony Froggatt as a Non-Executive Director. Tony is a former chief executive officer of brewer Scottish and Newcastle PLC and a current board member of a number of prominent Australian public companies. His vast international business and brand management experience is a valuable and welcome addition to the Billabong Group.

After the close of the financial year, the Board approved the introduction of a dividend reinvestment plan ahead of the

payment of the final dividend on 24 October 2008. Shareholders should note that ongoing dividends are likely to be partially unfranked. This follows the growing internationalisation of the Group's business and the consequent reduction in its Australian tax credits.

This growth of the Group's international business, which has seen the revenue contribution from the Group's Australian operations fall below 20% for the first time ever, has provided something of a natural hedge to the Company by minimising its exposure to any single territory or regional economic fluctuation. It has also led to the growth of the Company's international employee numbers and I take this opportunity to thank all employees for their contribution to the Group's performance. Finally, on behalf of the Board of Directors, I thank all shareholders for their continued support of the Billabong Group.

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Ted Kunkel Chairman

# CEO'S REPORT

The strength of Billabong International Limited's multi-region, multi-brand business model was apparent in the 2007-08 financial year. Against a backdrop of slowing world economies and declining sentiment, the Company continued to experience strong underlying growth in all key markets. In constant currency terms, net profit after tax lifted 12.6% and Group sales revenues lifted 17.6% driven by growth of 16.1% in the Americas, 20.3% in Europe and 18.1% in Australasia. Other highlights included 19.9% growth in EBITDA on a constant currency basis and 10% growth in the full-year dividend.

The increased demand for the Group's products during the 2007-08 financial year saw the Company continue its expansion, particularly at an international level. Billabong International remains a leader within the boardsports sector, with clean boardsports-focused distribution, world class margins and strong product all key drivers of the business model. The Company is proud of its operational capabilities which allow it to service the wholesale customer account base in over 100 countries in which the Group's products are sold. While Billabong remained the largest brand within the Group, this year saw continued strong performance from the other brands within the portfolio, in both established and emerging territories.



The Group also increased its owned retail presence and at the end of the period owned 242 stores around the world. Billabong International continues to look at retail as an option to get product in front of the end consumer in regions that are underdeveloped or under-serviced by the available customer account base.

Over past years the Company has followed a carefully executed strategy of acquiring a portfolio of brands that are the leader, or have the potential to be the leader, in all categories sold within the boardsports channel. Previously acquired brands such as Nixon and Element, for example, are not only the leading brands internationally in their respective categories, but also have strong margins which add to the Group. This past financial year has seen a number of additions to the Group which will add to the strength and positioning within both the wholesale and retail channels.

At the beginning of the financial year the Group's formerly licensed business in South Africa was converted to a Company-owned operation, which accounted for much of the growth in the Australasian region. Hawaiian-based wetsuit brand Xcel, a multiple winner of the Surf Industry Manufacturer's Association wetsuit of the year title, was acquired in September

2007 and integrated into the Group. This was followed in December 2007 by the acquisition of the Australia-based Tigerlily brand, marking the Group's first purchase of a brand focused solely on the girls market. Towards the close of the reporting period, the 13-door Quiet Flight retail business based on the east coast of the United States was also acquired. Following the close of the reporting period, the Group also acquired the California-based Sector 9 skateboard brand and conditionally gareed to acquire the Oregonbased DaKine technical boardsport accessories brand. The acquisitions are part of a longerterm strategy to build a portfolio of some of the strongest brands in the industry - brands that not only lead their category in their home market. but also offer international growth appeal. The building of this brand portfolio is now largely complete.

Product innovation remained a key driver of growth and I congratulate the Group's design teams for their commitment, drive and passion for each of the brands. It was pleasing to note that the introduction of a range of boardshorts made from recycled plastic bottles was well received by consumers. This resulted in the extension of the range and heightened investment in future environment-friendly projects. This is in addition to the Group's ongoing commitment to voluntarily measuring, independently verifying and publicly

reporting its global carbon footprint. For the 2007-08 financial year the footprint was measured against both the Australian Government's National Greenhouse and Energy Reporting Act 2007 and, where appropriate, the Greenhouse Gas Protocol. The Group remains committed to reducing its emissions and remains well under the threshold for mandatory reporting.

Overall, the 2007-08 financial year demonstrated the ongoing demand for the Group's brands, the commitment and depth of its staff and the resilience of its global business. The Group enters the new financial year with good momentum and remains confident that it will retain its place as one of the most consistent, long term performers on the ASX and a leader in the global boardsports market.

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Derek O'Neill Chief Executive Officer





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# FINANCIAL HIGHLIGHTS

NPAT \$176.4 MILLION SALES REVENUE \$1.35 BILLION

EBITDA EPS \$292.0 MILLION ★5.5%

ORDINARY FULLY FRANKED DIVIDEND

55.5 cents (FULL YEAR) ↑10%

Billabong International Limited - Year ended 30th June							
	AIFRS* FY 2007-8	AIFRS* FY 2006-7	AIFRS* FY 2005-6	AGAAP* FY 2004-5	AGAAP* FY 2003-4	AGAAP* FY 2002-3	
Income statement (\$million)							
Third Party Sales	1,347.6	1,222.9	1,018.2	840.7	674.7	622.9	
EBITDA	292.0	259.1	235.2	197.3	144.1	125.3	
Depreciation	(27.1)	(21.4)	(14.4)	(8.7)	(8.1)	(6.7)	
EBITA	264.9	237.7	220.8	188.7	136.0	118.6	
Amortisation	(0.1)	(0.4)	(1.2)	(1.3)	(2.9)	(2.6)	
EBIT	264.8	237.3	219.6	187.4	133.1	116.0	
Net Interest Expense	(19.2)	(15.5)	(6.6)	(3.7)	(5.2)	(7.1)	
Profit Before Income Tax	245.6	221.8	212.9	183.7	127.9	108.9	
Income Tax Expense	(69.3)	(54.2)	(67.3)	(58.4)	(40.9)	(32.7)	
Profit for the Year	176.3	167.6	145.7	125.2	87.0	76.2	
Minority Interest	0.1	(0.4)	0.2	0.0	0.0	0.0	
Profit Attributable to Members of Billabong International Limited	176.4	167.2	145.9	125.2	87.0	76.2	
Basic Earnings per Share	85.7 cents	81.2 cents	70.8 cents	61.0 cents	43.0 cents	38.1 cents	
Dividend per Share	55.5 cents	50.5 cents	44.0 cents	38.0 cents	26.5 cents	23.5 cents	

<sup>\*</sup> Historical results of Billabong International Limited (BBG) as a listed entity on the Australian Securities Exchange. BBG listed on 11/8/2000.

# FINANCIAL OVERVIEW

Net profit after tax for the year ended 30 June 2008 was \$176.4 million, an increase of 12.6% in constant currency terms (5.5% in reported terms) over the 2006-07 financial year. Ignoring one-off tax benefits (\$7.8 million) in the prior year, underlying constant currency net profit after tax growth was 18.5%.

Reported net profit after tax was significantly impacted by a strong appreciation in the AUD against the USD, with an average full-year rate of US89.6 cents compared to the prior average full-year rate of US78.4 cents, and to a lesser extent an appreciation in the AUD against the Euro.

Sales revenue of \$1,347.6 million, excluding third party royalties, represented an increase of 17.6% in constant currency terms (10.2% in reported terms) over the prior year. At a segment level, in constant currency terms, sales revenue in Australasia increased 18.1%, the Americas increased 16.1% and Europe increased 20.3% over the prior year.

Consolidated gross margins remained strong and strengthened to 54.9% compared to the prior year's 53.3%.

EBITDA increased to \$292.0 million, an increase of 19.9% in constant currency terms (12.7% in reported terms) over the prior year. The Europe segment was a highlight, with EBITDA growth of 36.7% in constant currency terms.

The consolidated EBITDA margin of 21.7% increased by 0.5% compared to that of the prior year of 21.2%, principally due to segment mix with strong EBITDA growth and improving margins in Europe, and to a lesser degree Australasia, partially offset by slightly lower margins in the Americas.



### **Australasia**

In constant currency terms, Australasian sales revenue was up 18.1% to \$412.7 million and EBITDA increased by 17.5% to \$110.1 million. EBITDA margins were slightly higher at 26.7% compared to 26.4% in the prior year, reflecting the segment's changing regional mix, a full 12 months of the Amazon retail business and the first time inclusion of sales from South Africa.

In AUD terms, sales revenue in Australasia increased 16.7% to \$412.7 million and EBITDA increased 18.1% to \$110.1 million.

Sales revenue growth in local currencies was particularly strong in New Zealand, Japan and Asia, with the latter territory delivering strong EBITDA growth following a period of investment.

### **Americas**

Sales revenue increased 16.1% to US\$557.1 million (up from US\$479.7 million) and EBITDA rose 16.0% to US\$100.8 million (up from US\$86.7 million). EBITDA margins were slightly lower at 18.1% compared to 18.5% in the prior year, partially due to growing contributions from the lower margin South American business.

In AUD terms, sales revenue in the Americas increased 2.6% to \$620.5 million and EBITDA of \$112.0 million was 0.1% higher than the prior year.

Strong double digit sales revenue growth in constant currency terms was achieved in all regions of the Americas.

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### **Europe**

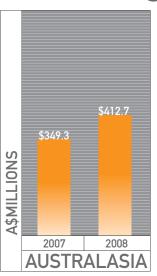
Sales revenue increased 20.3% to €191.0 million (up from €158.8 million) and EBITDA rose 36.7% to €41.2 million (up from €30.2 million). EBITDA margins lifted to 21.6%, up from 19.0% in the prior year, driven by a combination of operational synergies and product purchasing benefits due to the stronger Euro against the USD.

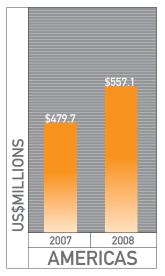
In AUD terms, sales revenue in Europe was \$314.4 million, an 18.8% increase, and EBITDA showed strong growth of 35.2% to \$68.0 million.

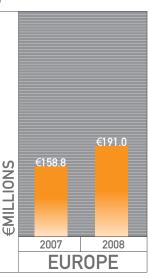
Italy and Germany both recorded strong double digit sales revenue growth, while trading conditions in the United Kingdom remained difficult.

Europe's strong sales revenue and EBITDA result demonstrates continued strong business performance and positions the region well for the 2008-09 financial year.

### SALES REVENUE







## ZBLLABONG.

Billabong remained one of the world's premier, authentic boardsports brands.

The brand maintained its sponsorship of 4 of the 11 Association of Surfing Professionals World Championship Tour (WCT) events for men and 2 of the 8 events on the women's WCT. Billabong-sponsored athletes finished in 3 of the top 6 places on the 2007 men's WCT and 2 of the top 8 on the women's WCT. Former world champion Mark Occhilupo retired from the WCT but retained his long-term association with Billabong.

Brand highlights for the year included the signing of junior surfer Tamaroa McComb, who went on to win a world junior title in France; the signing of big wave surfing pioneer Greg Long and US National School Surfing Association champion Granger Larsen; the launch of a junior surfing series in Indonesia; snowboarder Wolle Nyvelt winning a rider of the year title; the hosting of the Billabong Air&Style snowboarding event in Innsbruck, Austria; the re-signing of world snowboarding champion Jamie Anderson; the ongoing hosting of the Billabong Girls Get Out There surfing series; the launch of the SurfAid International Schools Program supported by Billabong; the launch of a range of boardshorts made from recycled plastic bottles; and the winning of a series of product and environmental awards around the world including the Surf Industry Manufacturer's Association (SIMA) Women's Apparel Brand of the Year for Billabong Girls and Environment Product of the Year for Billabong's Sonic Recycler boardshorts.

### www.billabong.com













Element remained a leading youth lifestyle brand, with global sales revenues and EBITDA both rising in the 2007-08 financial year. The brand, which has skateboarding at its roots and includes the Element men's range and the Element Eden girls' range, experienced a stronger second half in it largest market of North America and achieved double-digit sales growth in Europe and Australasia.

Element retained a strong media profile in the US, with athletes Bam Margera and Mike Vallely continuing to host high-rating television programs. The Element Advocate program, which profiles individuals making a positive impact on the world, expanded globally with good success. Element also launched a series of lighter and stronger high-performance skateboard decks utilising advanced new technology and re-launched its popular websites to provide enhanced interaction with its core market.

www.elementskateboards.com www.elementeden.com









## vonzipper

Von Zipper continued to evolve as a leading eyewear brand that infuses elements of music, art and fashion to reflect the style, attitude and individuality of the boardsports and general action sports sectors. At a global level, the brand experienced double-digit sales growth at improved margins. Product innovation remained a driver of the brand, with highlights including the introduction of the premium Feenom snow goggle range, men's retro surf trunks and a selection of artist-designed t-shirts. Von Zipper continued to receive widespread exposure, with its women's swimwear featuring on several magazine covers, its sunglasses remaining the eyewear of choice for a host of celebrities, the flagship VZ-Air Tahiti surfing trials at Teahupoo gaining international exposure after being held in 12-15-foot surf and sponsored athletes and entertainers representing the brand in their chosen fields.

### www.vonzipper.com









## NIXON 8

Nixon maintained its strong growth profile with a double-digit lift in sales to cement its place as the leader in the premium watch category within the boardsports channel. At a marketing level, Nixon signed iconic skateboarder Andrew Reynolds; singer Tristan Prettyman's single Hello had a strong debut on the US Billboard music charts; skateboarder Ryan Sheckler's Life of Ryan TV program was invited back for a third season on MTV; skateboarder Tony Hawk was named the favourite male athlete at the Nickelodeon Kids Choice Awards; and motorsport personality Travis Pastrana was crowned Rally America Champion for 2007 and winner of the X-Dance Best Film for 2008 for his film 199 Lives. At a product level, Nixon's 51-30 watch won the Surf Industry Manufacturers Association (SIMA) Best Accessory Product award and a National Geographic Adventure magazine Best of Gear award.

www.nixonnow.com







# HONOLUA SURF CO.



Honolua continued to build its visibility in the US and Australian surf channels and achieved strong sales in its home market of Hawaii. At a product level, Honolua maintained its development of environmentally-aware apparel utilising recycled plastic bottles and organic cottons. Honolua's heritage as a waterman-inspired brand was also supported by events such as ocean paddle races and surfing events respecting the history of the sport, as well as sponsored athletes participating in big-wave surf sessions and open-ocean paddling.

www.honoluasurf.com





## **KUSTOM**

Surf footwear brand Kustom continued to build its presence in international markets, with new business established in regions including Indonesia and marketing initiatives being upgraded from regional activities to global events. Within existing markets, including the US and Australia, Kustom's open-toe business experienced healthy sales increases.

www.kustomfootwear.com







# Liserlily 4

Tigerlily is a premium girls swimwear and apparel brand acquired in December 2007 and successfully integrated into the Group following the appointment of a general manager. Tigerlily enjoyed strong winter sales and completed development of its summer 2008 collection. Work is also close to completion on the development of a Tigerlily range of accessories in anticipation of a November 2008 launch.

www.tigerlilyswimwear.com.au



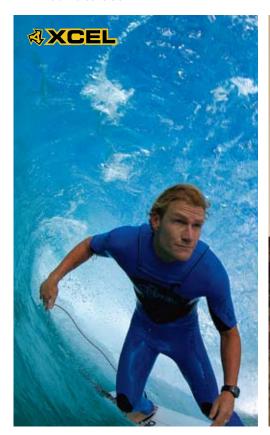






The Hawaii-based Xcel wetsuit brand was acquired in September 2007. It has been progressively integrated into the Group, resulting in the opening of new accounts in Australia, the establishment of Xcel in South Africa and the completion of preliminary work in preparation for the Company's launch of the brand in Europe in the 2008-09 financial year. Xcel's position as a category leader was acknowledged through the year with its second consecutive Surf Industry Manufacturers Association (SIMA) award for Wetsuit of the Year.

www.xcelwetsuits.com









Palmers is a surf hardware brand specialising in the manufacture of surfboard wax and surfing accessories, including deck grips and legropes. The brand, which falls within the Group's Network Surf accessories division, remained a leader in the surf hardware category, particularly in its home market of Australia.

www.palmerssurf.com.au







## RETAIL

The Group continues to sell into more than 10,000 doors globally. Among these is the Group's own retail presence, which lifted to 242 company-owned doors (from 193 at the close of the 2007-2008 first half) and contributed approximately 18% of Group sales revenues. The growth in store numbers, which was boosted by acquisitions, provides further opportunity for the Company's brands to be presented to consumers in areas where they are under-represented at a retail level. The Group has achieved good synergies through the central sourcing of store fitouts, thus lowering overall capital expenditure requirements. The Group's own portfolio of brands is increasingly providing a well rounded, compelling retail offer and the Company continues to review further international retail opportunities as they arise.



Amazon - New Zealand

The Group's own retail stores are operated under a range of branded concepts including:

### Billabong

Premium youth inspired surf, skate and snow retailer located in iconic global destinations. Provides a showcase for the full range of Billabong products.

### Element

A retail showpiece for the environmentconscious youth lifestyle brand. Provides a full vertical range of Element hardware, apparel and accessories.

### **Beachworks**

A premier multi-branded boardsport retailer founded in Southern California and now expanding in various international destinations, including Europe and Japan.

### beachculture

A beach-inspired, airport-based retail concept located in key domestic and international terminals in Australia and New Zealand.

### Honolua

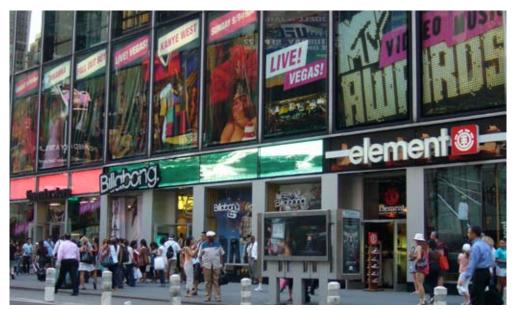
A multi-branded surf retailer with a dominant presence in its home market of Hawaii.

### Amazon

A multi-branded retailer and the largest surf chain in New Zealand.

### Quiet Flight

A leading US east coast surf retailer operating both multi-branded and single-brand stores.



Times Square - New York



Beachworks - UK



beachculture - Sydney



Orchard Road - Singapore



Honolua - Hawaii



# BOARD OF DIRECTORS

### **TED KUNKEL**

(Non-Executive Chairman)

Previously the President and Chief Executive Officer of Foster's Group Limited and associated companies. Mr Kunkel has extensive international business experience. Appointed as a Non-Executive Director of Billabong International Limited on 19 February 2001 and Non-Executive Chairman on 14 January 2005. He is also Chairman of the Nominations Committee and member of the Human Resource and Remuneration and Audit Committees.

### DEREK O'NEILL

(Executive Director)

Derek O'Neill was appointed as an Executive Director on 5 March 2002 and Chief Executive Officer effective 1 January 2003. He has previously held senior management positions with Billabong, including General Manager of Billabong's European operations from 1992-2003. In 2002, Mr O'Neill was awarded a Chevalier a'Ordre de Merite Nationale for services to business in France.

### TONY FROGGATT

(Non-Executive Director)

Tony Froggatt was the CEO of Scottish and Newcastle PLC brewing company based in Edinburgh, UK, until he retired on 31 October 2007 to return to Australia. He has extensive marketing and distribution knowledge in Australia, Western and Central Europe and Asia particularly in the international food and beverages sectors. Mr Froggatt was appointed as a Non-Executive Director of Billabong International Limited on 21 February 2008 and is a member of the Nominations, Human Resource and Remuneration and Audit Committees. He is also a Director of Brambles Industries Limited, AXA Asia Pacific Holdings Limited and National Mutual Life Association of Australasia Ltd.

### MARGARET JACKSON AC

(Non-Executive Director)

Margaret Jackson is a current Director of Australia and New Zealand Banking Group Limited and Chairman of FlexiGroup Limited. Ms Jackson was previously a Director of The Broken Hill Proprietary Company Limited, Pacific Dunlop Limited and Chairman of Qantas Airways Limited. She was appointed as a Non-Executive Director of Billabong International Limited on 4 July 2000. Ms Jackson is also Chairman of the Human Resource and Remuneration Committee and a member of Nominations and Audit Committees.

### **ALLAN MCDONALD**

(Non-Executive Director)

Allan McDonald has extensive experience in the investment and commercial banking fields and is presently the Chairman of Babcock & Brown Japan Property Trust, Chairman of Multiplex Property Trust and Chairman of Ross Human Directions Limited. Mr McDonald is a former Director of Multiplex Limited, Brambles Industries Limited and DCA Group Ltd. He was appointed as a Non-Executive Director of Billabong International Limited on 4 July 2000. He is the Chairman of Billabong International Limited's Audit Committee and a member of the Nominations and Human Resource and Remuneration Committees.

### **GORDON MERCHANT**

(Non-Executive Director)

Gordon Merchant founded Billabong's business in 1973 and has been a major stakeholder in the business since its inception. Mr Merchant has extensive experience in promotion, advertising, sponsorship and design within the surfwear apparel industry. He was appointed as a Non-Executive Director on 4 July 2000 and is a member of the Nominations, Human Resource and Remuneration and Audit Committees. Mr Merchant is also a Director of Plantic Technologies Limited.

### **PAUL NAUDE**

(Executive Director)

Paul Naude was appointed President of Billabong's American operations in 1998 and established Billabong USA as a wholly owned activity in North America. He has been involved in the surfing industry since 1973 with extensive experience in apparel brand management. Mr Naude was appointed as an Executive Director of Billabong International Limited on 14 November 2002

### COLETTE PAULL

(Non-Executive Director)

Colette Paull was one of the earliest employees of the Billabong business in 1973. Since that time, Ms Paull has been broadly involved in the development of Billabong's business from its initial growth within Australia to its expansion as a global brand. Ms Paull previously held the position of Company Secretary until 1 October 1999. She was appointed as a Non-Executive Director on 4 July 2000 and is also a member of the Nominations, Human Resource and Remuneration and Audit Committees.



### **Corporate Governance**

Billabong International Limited is committed to achieving and demonstrating the highest standards of corporate governance and recognises the need to maintain policies and practices which reflect the requirements and expectations of all who deal with the Group. For a full view of the Company's corporate governance initiatives and policies, please see the Full Financial Report on the Company's website.

### Composition and Role of the Board

The Board comprises six Non-Executive Directors and two Executive Directors. Each is required to bring independent judgement to bear in all Board decision making. Directors are responsible to shareholders for the short term and long term performance of the Company. The Company maintains a mix of Directors on the Board from different business backgrounds with complementary skills and experience.

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominations Committee and a Human Resource and Remuneration Committee. These Committees operate under written charters which set out their respective roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate.

All Non-Executive Directors are required to serve on all Board Committees, which are chaired by a Non-Executive Director. Matters determined by Committees are submitted to the full Board as recommendations for decision and ratification. Minutes of Committee meetings are tabled at the immediately subsequent Board meeting.

### **Board Committees**

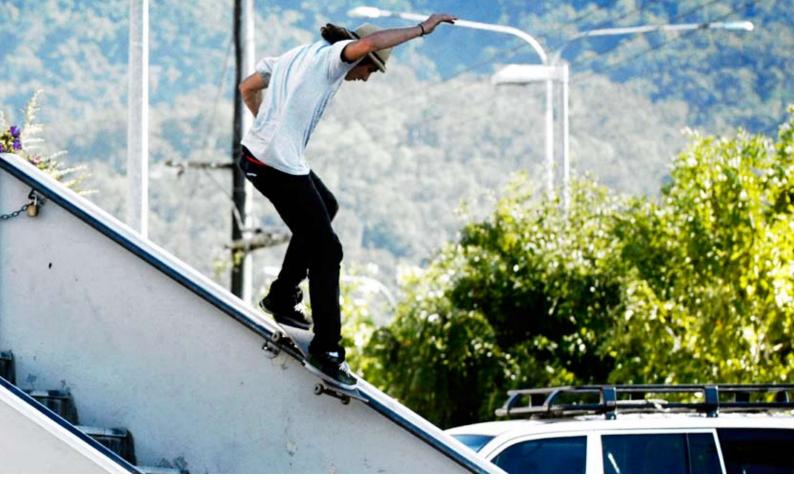
### Audit Committee

The members of the Committee are all of the Non-Executive Directors. The Chairman of the Committee must be a Non-Executive Director other than the Chairman of the Board.

The main functions of the Committee are detailed on the Company's website and include overseeing the integrity and reliability of the Company's financial statements, reviewing audits, assessing ongoing legal and regulatory compliance, assessing risk management strategies and reviewing the performance and independence of auditors.

### **Nominations Committee**

The members of the Committee are all of the Non-Executive Directors. The Chairman of the Board of Directors will be the Chairman of the Committee. The main functions of the Committee are detailed on the Company's website and include the assessment of skills required on the Board, the composition of the Board, the identification of future Board candidates and the review of Board performance.



### Human Resource and Remuneration Committee

The members of the Committee are all of the Non-Executive Directors. The Chairman of the Committee must be a Non-Executive Director other than the Chairman of the Board.

The main functions of the Committee are to assist the Board in establishing remuneration policies and practices which enable the Company to attract and retain Directors, assess and reward executives and comply with relevant regulations including the ASX Listing Rules and Corporations Act.

### Risk Assessment and Management

The Company has implemented a risk management system based on AS/NZS 4360:2004; Risk Management standard and the ASX Corporate Governance Principles and Recommendations. A copy of the risk policy can be found on the Company's website. The Board, through the Audit Committee, is responsible for ensuring the adequacy of the Company's risk management and compliance framework and system of internal controls and for regularly reviewing its effectiveness.

### **Continuous Disclosure**

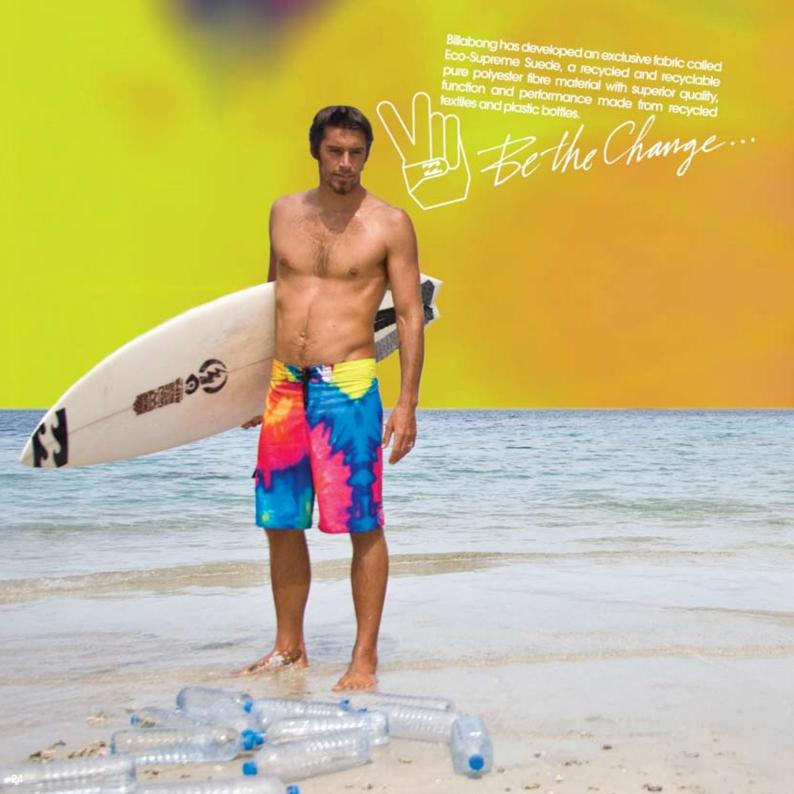
The Company Secretary has been nominated as the person responsible for communication with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

### **Securities Trading Policy**

The Company has a detailed securities trading policy which regulates dealings by Directors and employees in shares, options and other securities issued in the Company. A copy of this policy is available on the Company's website.

### **External Auditors**

PricewaterhouseCoopers were appointed as the Company's external auditor in 2000. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years and, in accordance with that policy, a new audit engagement partner was introduced for the year ended 30 June 2007.



## SUSTAINABILITY OVERVIEW

Billabong International Limited is committed to the development and maintenance of initiatives and activities that support a culture of social and environmental responsibility.

The Company maintained its commitment to the application of Social Accountability International's SA8000 compliance standard among external factory contractors. SA8000 is a certification standard based on the primary international workplace rights contained within the International Labour Organisation conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. In the 2007-08 financial year, factories in the Company's supply chain were subjected to a total of 295 full SA8000 audits and a further 443 corrective action plan audits. The Company also joined the Continuous Improvement in Central American Workplaces (CIMCAW), a public-private alliance designed to encourage improved working conditions in emerging Central American economies.

Billabong International continued its support of various environmental initiatives, including the voluntary measurement and independent verification of its global carbon footprint. The footprint was measured against Australia's National Greenhouse and Energy Reporting Act 2007 and the National Greenhouse and Energy Reporting Regulations 2008. As measured according to the Act, the Company's independently verified carbon footprint for the 2007-08 financial year was 3,780 tonnes of CO2 equivalent. Detailed information on the Group's carbon inventory is made available on the Group's website.

The Group also maintained its long-running support of organisations and groups associated with the boardsports lifestyle. In the 2007-08 financial year, the SurfAid International Schools Program supported by Billabong was formally launched following successful completion of a pilot scheme. The program's mission is 'to develop global citizens using the humanitarian challenges and achievements of Surf Aid International as an educational example for action'. It seeks to achieve this through the development of relevant course material in subjects including geography, science, mathematics, visual arts, surfing and social studies, and personal health/development/physical education. As of 30 June 2008, 75 schools had registered as participants and the program began its rollout into select international markets.





### **CORPORATE DIRECTORY**

**DIRECTORS** Ted Kunkel, Non-Executive Chairman

Derek O'Neill, Chief Executive Officer
Tony Froagatt. Non-Executive Director

Margaret Jackson, AC, Non-Executive Director Allan McDonald, Non-Executive Director Gordon Merchant, Non-Executive Director

Paul Naude, Executive Director
Colette Paull. Non-Executive Director

COMPANY SECRETARY Maria Manning, B.Bus (Acc), CPA and FCIS

SENIOR MANAGEMENT Derek O'Neill, Chief Executive Officer

Ernest Bendeman, General Manager, Billabong South Africa Franco Fogliato, General Manager, Billabong Europe Nilan Fonseka, General Manager, Billabong New Zealand Chris James, General Manager, Billabong South East Asia Chris Kypriotis, General Manager, Billabong South America Paul Naude, General Manager, Billabong North America Shannan North, General Manager, Billabong Australasia letoshi Ueda. General Manager, Billabong Japan

Craig White, Chief Financial Officer

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**AUDITORS** PricewaterhouseCoopers:

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**SOLICITORS** Clayton Utz: 71 Eagle Street BRISBANE QLD 4000

**BANKERS** Commonwealth Bank of Australia

240 Queen Street, BRISBANE QLD 4000 Westpac Banking Corporation 260 Queen Street, BRISBANE QLD 4000

HSBC Bank Australia Limited

300 Queen Street, BRISBANE QLD 4000

Australia and New Zealand Banking Group Limited

324 Queen Street, BRISBANE QLD 4000

Société Générale

BAYONNE CEDEX, FRANCE

Bank of America

19-29 Martin Place, SYDNEY NSW 2000

STOCK EXCHANGE LISTING

Billabong International Limited shares are listed on the Australian

Securities Exchange. The home branch is Brisbane. Ticker: BBG

ANNUAL GENERAL MEETING

The Annual General Meeting of Billabong International Limited will be held in the Surfers Paradise rooms I & II at Conrad Jupiters, Broadbeach Island, Broadbeach, Qld, on Tuesday 28 October

2008 commencing at 10.00am. A formal Notice of Meeting and Proxy Form will be made available to all shareholders.



### GROUP OPERATING CENTRES

### **Australia**

GSM (OPERATIONS) PTY LTD ACN 085 950 803 Head Office & Queensland Office 1 Billabong Place PO Box 283 BURLEIGH HEADS QLD 4220 PH: +61 7 5589 9899 FAX: +61 7 5589 9800

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### France

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### **Hong Kong**

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### **New Zealand**

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### Sinaapore

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### **USA**

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The Group's Malaysian operations are coordinated through the Singapore office.

















