Billabong International Limited

ABN 17 084 923 946

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: : INTERIM FINANCIAL REPORT 31 DECEMBER 2008

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 2008 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:
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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		Change	
	2008	2007		
	$'000	$'000	$'000	%
Total revenue from continuing operations	810,962	665,335	145,627	21.9%
Profit from continuing operations after tax attributable to members	82,413	88,698	(6,285)	(7.1%)
Net profit for the period attributable to members	82,413	88,698	(6,285)	(7.1%)
Adjusted net profit for the period attributable to members	82,413	88,698	(6,285)	(7.1%)

Dividends	Amount per Security	Franked amount per security
Interim dividend	27.0 cents	12.15 cents
Previous corresponding period interim dividend	27.0 cents	27.0 cents

Record date for determining entitlements to the dividend is 23 March 2009.

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 2008.

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
A.G. Froggatt
M.A. Jackson
F.A. McDonald
G.S. Merchant
P. Naude
C. Paull

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 ***	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Australasia	245,661	231,029	69,602	70,673
Americas	385,141	287,538	40,786	48,015
Europe	177,800	143,395	35,716	27,686
Third party royalties	1,235	903	1,235	903
	809,837	662,865	147,339	147,277
Less: Net interest expense			(17,504)	(9,663)
Depreciation and amortisation expense			(17,596)	(12,378)
Impairment loss expense			(2,342)	---
Profit from continuing operations before income tax expense			109,897	125,236
Income tax expense			(27,484)	(36,649)
Profit from continuing operations after income tax expense			82,413	88,587
Loss attributable to minority interest			---	111
Profit attributable to the members of Billabong International Limited			82,413	88,698

* 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).

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 2008 was $82.4 million, a decrease of 7.1% in reported terms over the 2007-08 half-year (the prior year). Removing the impact of the impairment loss expense, the profit after tax for the half-year ended 31 December 2008 was $84.4 million, a decrease of 4.8% in reported terms (a decrease of 13.8% in constant currency terms) over the prior year. Reported profit after tax was impacted in particular by the depreciation of the AUD against the USD and the Euro.

Sales revenue of $808.6 million, excluding third party royalties, represented an increase of 22.2% in reported terms (11.3% in constant currency terms) over the prior year. At a segment level, in reported terms, sales revenue in Australasia increased 6.3%, the Americas increased 33.9% and Europe increased 24.0% over the prior year.

Review of operations (continued)

Consolidated gross margins remained strong at 53.8% compared to the prior year's 55.2%, reflecting a combination of various factors including stronger purchase hedge rates achieved in Australia and Europe offset by higher product sourcing costs, higher levels of promotional activity in the United States in the current challenging trading environment, together with the dilutionary impact of the acquisitions of Dakine and Sector 9 whose gross margins are lower due to the extensive use of third party distributors.

In extremely challenging macroeconomic conditions, EBITDA remained flat in reported terms (a decrease of 8.1% in constant currency terms) over the prior year. The Europe segment was a highlight, with EBITDA growth of 29.0%, in reported terms.

The consolidated EBITDA margin of 18.2% decreased by 4.0% compared to that of the prior year of 22.2%, principally due to segment mix with strong EBITDA growth and improving margins in Europe offset by lower margins in the Americas and, to a lesser extent, Australasia.

Australasia
Compared with the prior year in reported terms, sales revenue increased 6.3% to $245.7 million and EBITDA decreased 1.5% to $69.6 million. EBITDA margins were lower at 28.3% compared to 30.6% in the prior year, reflecting the segment's changing regional mix.

In constant currency terms, sales revenue increased 4.8% and EBITDA decreased 0.9%.

Sales revenue growth in local currencies was particularly strong in Japan and Asia, with both territories delivering strong EBITDA growth and expanding EBITDA margins. Sales revenue and EBITDA in Australia was in line with that of the prior year. Trading conditions in New Zealand and South Africa were difficult, with the latter's margins being adversely impacted following a steep depreciation in the Rand against the USD.

Americas
Compared with the prior year in reported terms, sales revenue increased 33.9% to $385.1 million, driven by acquisitions and the stronger USD against the AUD. EBITDA decreased 15.1% to $40.8 million. EBITDA margins were lower at 10.6% compared to 16.7% in the prior year, reflecting the extremely weak trading and macroeconomic conditions in North America. The significant weakening of the CAD against the USD also had an adverse impact on the segment result.

In constant currency terms, sales revenue increased 16.3% and EBITDA decreased 29.4%.

Strong double digit sales revenue and EBITDA growth was achieved in the South Americas.

Europe
Compared with the prior year in reported terms, sales revenue increased 24.0% to $177.8 million and EBITDA increased 29.0% to $35.7 million. EBITDA margins lifted to 20.1%, up from 19.3% in the prior year, driven by a combination of operational synergies and currency related product purchasing benefits. The significant weakening of the GBP against the Euro had an adverse impact on the segment result.

In constant currency terms, sales revenue increased 10.5% and EBITDA increased 13.8%.

Net Interest Expense
Net interest expense growth of 81.2% 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 42.2% was principally driven by both acquisitions and retail store expansion.

Impairment Loss Expense
As a result of the impairment review of retail store assets, certain assets have been written down to their recoverable amount, being their value-in-use. For the half year, this resulted in a pre-tax impairment charge in respect of retail stores in the United Kingdom and the United States which amounted to $2.3 million.

Review of operations (continued)

Income Tax Expense
The income tax expense for the half-year ended 31 December 2008 is $27.5 million (2007 - $36.6 million), an effective rate of tax of 25.0% (2007 - 29.3%). The lower effective tax rate reflects in part the increasing impact of net exempt income from branch operations, in particular GSM (Europe) Pty Ltd, consistent with the Group's changing segment mix.

Consolidated Balance Sheet, Cash Flow Items and Capital Expenditure
Working capital (including factored receivables) at $497.8 million represents 29.2% as a percentage of the previous twelve months' sales, being a 3.8% increase compared to the prior year in constant currency terms. Excluding the acquisitions of Dakine, Sector 9, Quiet Flight and Two Seasons, working capital represents 28.5% as a percentage of the previous twelve months' sales, being a 3.1% increase compared to the prior year in constant currency terms. This increase is principally due to increased inventory levels in the current challenging trading environment. The Group is currently employing various strategies to return inventory to more normal levels.

Cash inflow from operating activities of $45.9 million represents a 48.5% decrease over the prior year period driven by both lower net cash receipts, higher finance cost payments offset by lower income tax payments. Net cash receipts of $78.1 million are 38.5% lower than the prior year period, again reflecting the current challenging trading environment.

Cash outflow from investing activities of $182.1 million was in accordance with expectations and includes the acquisitions of Dakine, Sector 9 and Two Seasons (a 15 store retail business in the United Kingdom), together with general investment in owned retail globally.

Net debt increased to $653.0 million, with a gearing ratio (net debt to net debt plus equity) of 42.4% and strong interest cover of 8.6 times.

On 17 July 2008 a new AUD600 million multi-currency syndicated facility was entered into by the Group. This new facility is due for roll-over prior to 1 July 2010 and 1 July 2011. The facility was structured on an unsecured basis with a two year and three year tranche of AUD300 million each. The facility replaced the Group's previous AUD515 million secured facilities and provided additional liquidity to the Group.

On 21 July 2008 a new AUD100 million unsecured multi-currency overdraft facility was entered into by the Group. This new facility is due for roll-over prior to 17 July 2010. The facility replaced the Group's previous secured facility for the same amount.

On 16 October 2008 the Group converted the AUD600 million unsecured multi-currency syndicated facility into a USD533.5 million facility to minimise the volatility in the Group's borrowing capacity due to movements in the AUD/USD exchange rate.

On 22 December 2008 the Group converted the AUD100 million unsecured multi-currency overdraft facility into a USD100 million facility to further minimise the volatility in the Group's borrowing capacity due to movements in the AUD/USD exchange rate.

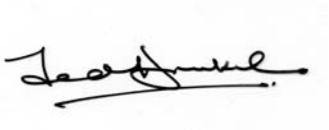
Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

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, 20 February 2009

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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 2008, 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, 20 February 2009

Consolidated income statement

For the half-year ended 31 December 2008 : :

	Half-year **2008** **$'000**	Half-year 2007 $'000
Revenue from continuing operations	810,962	665,335
Cost of goods sold	(373,481)	(296,521)
Other income	5,083	362
Selling, general and administrative expenses	(259,564)	(193,884)
Other expenses	(52,509)	(37,586)
Finance costs	(20,594)	(12,470)
Profit before income tax	109,897	125,236
Income tax expense	(27,484)	(36,649)
Profit for the half-year	82,413	88,587
Loss attributable to minority interest	---	111
Profit attributable to members of Billabong International Limited	82,413	88,698

Earnings per share for profit attributable to the ordinary equity holders of the Company	**Cents**	Cents
Basic earnings per share	39.9	43.1
Diluted earnings per share	39.6	42.8

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

Consolidated balance sheet

As at 31 December 2008 : :

	31 December **2008** **$'000**	30 June 2008 $'000	31 December 2007 $'000
ASSETS			
Current assets			
Cash and cash equivalents	168,788	128,477	126,727
Trade and other receivables	393,731	302,680	286,612
Inventories	324,073	209,701	194,006
Current tax receivables	---	8,106	2,374
Other	30,914	18,559	15,275
Total current assets	917,506	667,523	624,994
Non-current assets			
Receivables	10,320	7,677	8,513
Property, plant and equipment	182,304	134,120	123,610
Intangible assets	1,098,139	800,897	700,944
Deferred tax assets	18,563	12,008	21,803
Other	7,610	3,236	1,600
Total non-current assets	1,316,936	957,938	856,470
Total assets	2,234,442	1,625,461	1,481,464
LIABILITIES			
Current liabilities			
Trade and other payables	273,245	193,922	160,652
Borrowings	11,556	11,895	7,034
Current tax liabilities	7,930	---	---
Provisions	9,049	11,285	6,864
Total current liabilities	301,780	217,102	174,550
Non-current liabilities			
Borrowings	810,203	471,411	423,303
Deferred tax liabilities	56,431	55,223	79,809
Provisions and other payables	16,154	10,475	6,484
Deferred payment	161,113	76,147	14,242
Total non-current liabilities	1,043,901	613,256	523,838
Total liabilities	1,345,681	830,358	698,388
Net assets	888,761	795,103	783,076
EQUITY			
Contributed equity	345,889	316,317	316,317
Treasury shares	(27,295)	(24,896)	(24,896)
Option reserve	2,874	6,995	5,842
Other reserves	5,872	(41,441)	(20,640)
Retained profits	561,421	538,128	506,453
Total equity	888,761	795,103	783,076

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 2008 : :

	Notes	Half-year **2008** **$'000**	Half-year 2007 $'000
Total equity at the beginning of the half-year		795,103	759,683
Cash flow hedge reserve movement, net of tax		(3,338)	(111)
Exchange differences on translation of foreign operations		50,651	1,411
Net income recognised directly in equity		47,313	1,300
Profit for the half-year		82,413	88,587
Total recognised income for the half-year		129,726	89,887
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	4	29,572	143
Dividends paid	5	(59,120)	(56,007)
Treasury shares purchased by employee share plan trusts		(7,194)	(10,751)
Option reserve in respect of employee share plan		674	2,042
Acquisition of subsidiary minority interest		---	(1,921)
		(36,068)	(66,494)
Total equity at the end of the half-year		888,761	783,076
Total recognised income and expense for the half-year is attributable to:			
Members of Billabong International Limited		129,726	89,998
Minority interest		---	(111)
		129,726	89,887

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

	Half-year 2008 $'000	Half-year 2007 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	875,459	677,465
Payments to suppliers and employees (inclusive of GST)	(797,351)	(550,462)
	78,108	127,003
Interest received	1,584	2,466
Other revenue	1,291	1,366
Finance costs	(19,830)	(10,449)
Income taxes paid	(15,254)	(31,315)
Net cash inflow from operating activities	45,899	89,071
Cash flows from investing activities		
Payments for purchase of subsidiaries and businesses, net of cash acquired	(139,253)	(48,137)
Payments for property, plant and equipment	(39,252)	(26,264)
Payments for intangible assets	(3,615)	(430)
Proceeds from sale of property, plant and equipment	---	67
Net cash outflow from investing activities	(182,120)	(74,764)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	21,429	143
Payments for treasury shares held by employee share plan trusts	(7,194)	(10,751)
Proceeds from borrowings	481,652	158,750
Repayment of borrowings	(286,291)	(92,675)
Dividends paid	(50,950)	(56,007)
Net cash inflow/(outflow) from financing activities	158,646	(540)
Net increase in cash and cash equivalents	22,425	13,767
Cash and cash equivalents at the beginning of the half-year	125,852	113,212
Effects of exchange rate changes on cash and cash equivalents	19,480	(252)
Cash and cash equivalents at the end of the half-year	167,757	126,727
(a) Reconciliation to cash at the end of the half-year		
Balance per consolidated balance sheet	168,788	126,727
Bank overdrafts	(1,031)	---
Balance per consolidated cash flow statement	167,757	126,727

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 2008 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 2008 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.

Note 2. Segment information

Primary reporting format – geographic segments

Half–year 2008	**Australasia $'000**	**Americas $'000**	**Europe $'000**	**Rest of the world $'000**	**Total $'000**
Sales to external customers	245,661	385,141	177,800	---	808,602
Other revenue, including interest revenue	1,076	---	49	1,235	2,360
Total segment revenue	246,737	385,141	177,849	1,235	810,962
Segment result	69,602	40,786	35,716	1,235	147,339
Add/(Less): inter-company royalties and sourcing fees	54,398	(28,153)	(26,245)	---	---
Less: depreciation and amortisation	(5,114)	(7,742)	(4,740)	---	(17,596)
Less: impairment loss *	---	(762)	(1,580)	---	(2,342)
Less: net interest expense	(6,363)	(8,284)	(2,857)	---	(17,504)
Profit/(Loss) before income tax	112,523	(4,155)	294	1,235	109,897

* As a result of the impairment review of retail store assets, certain assets have been written down to their recoverable amount, being their value-in-use. Value-in-use has been assessed by reference to management's best estimate of the risk adjusted future earnings performance of each store over the remaining life of the lease. For the half year, this resulted in a pre-tax impairment charge in respect of retail stores in the United Kingdom and the United States which amounted to $2.3 million. This impairment charge has been included within the other expenses line item on the income statement.

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

Note 3. Income tax expense

The income tax expense for the half-year ended 31 December 2008 is $27.5 million (2007 - $36.6 million), an effective rate of tax of 25.0% (2007 - 29.3%). The lower effective tax rate reflects in part the increasing impact of net exempt income from branch operations, in particular GSM (Europe) Pty Ltd, consistent with the Group's changing segment mix.

Note 4. Equity securities issued

	Half-year		Half-year	
	2008 Shares	2007 Shares	**2008 $'000**	2007 $'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Element acquisition agreement	4,846	13,363	39	143
Issued for no consideration:				
Dividend Reinvestment Plan issues	679,669	---	8,143	---
Issued for consideration:				
Dividend Reinvestment Plan issues (underwritten)	1,761,958	---	21,390	---
	2,446,473	13,363	29,572	143
Movements in treasury shares during the half-year				
Acquisition of shares by the employee share plan trusts	(556,865)	(681,523)	(7,194)	(10,751)
Employee share scheme issue	363,852	492,637	4,795	5,563
Net movement	(193,013)	(188,886)	(2,399)	(5,188)

Note 5. Dividends

	Half-year **2008 $'000**	Half-year 2007 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	59,120	56,007
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 (2007 – 27.0 cents), partially franked to 45% based on tax paid at 30%. The aggregate amount of the proposed interim dividend expected to be paid on 23 April 2009 (2007 - 11 April 2008) out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is	56,667	56,007

The Dividend Reinvestment Plan (DRP) was approved by the Directors on 21 August 2008. The DRP is optional and offers ordinary shareholders the opportunity to acquire fully paid ordinary shares, without transaction costs, at the prevailing market value less 2.5%. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. The DRP was underwritten to 50% of the 2008 final dividend by Goldman Sachs JBWere and will also be underwritten to 50% of the 2009 interim dividend by Goldman Sachs JBWere.

Note 6. Business combinations

Current period

Da Kine Hawaii, Inc

(a) Summary of acquisition
On 1 October 2008 Burleigh Point, Ltd and Seal Trademarks Pty Ltd acquired the assets and certain liabilities of Da Kine Hawaii, Inc.

The acquired business contributed revenues of $37.7 million and net profit after tax of $3.9 million to the Group for the period from acquisition to 31 December 2008.

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

	$'000
Purchase consideration:	
Cash paid	94,629
Estimated cash payable	35,585
Estimated deferred payment	38,992
Direct costs relating to the acquisition	1,119
Total purchase consideration	170,325
Fair value of net identifiable assets acquired	90,733
Goodwill	79,592

The goodwill is attributable to the high profitability of the acquired business 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 acquisition are as follows:

	Acquiree's carrying amount $'000	**Fair value $'000**
Cash and cash equivalents	---	---
Trade receivables	25,460	25,460
Inventory	18,840	18,273
Plant and Equipment	1,113	1,113
Prepayments	981	981
Deferred tax assets	---	527
Employee entitlements	(128)	(128)
Trade and other payables	(11,227)	(11,227)
Deferred tax liabilities	---	(1,196)
Identifiable intangible assets	---	56,930
Net identifiable assets acquired	35,039	90,733

In regards to the 'Da Kine Hawaii, Inc' 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.

The above accounting in regards to the 'Da Kine Hawaii, Inc' acquisition has been determined provisionally due to the timing of the business combination.

Note 6. Business combinations (continued)

Sector 9 Incorporated, Eternity Surf Pty Limited, I.J.J. Pty Limited and Two Seasons Limited

(a) Summary of acquisitions
On 1 July 2008 Burleigh Point, Ltd and Seal Trademarks Pty Ltd acquired the assets and certain liabilities of Sector 9 Incorporated.

On 1 September 2008 GSM (Operations) Pty Limited and Pineapple Trademarks Pty Ltd acquired the assets and certain liabilities of Eternity Surf Pty Limited and I.J.J. Pty Limited.

On 1 October 2008 GSM England Retail Limited acquired 100% of the issued shares of Two Seasons Limited.

The acquired businesses and subsidiary contributed revenues of $22.0 million and net profit after tax of $2.0 million to the Group for the period from acquisition to 31 December 2008.

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

	$'000
Purchase consideration:	
Cash paid	35,084
Estimated cash payable	---
Estimated deferred payment	9,110
Direct costs relating to the acquisitions	1,333
Total purchase consideration	45,527
Fair value of net identifiable assets acquired	15,200
Goodwill	30,327

The goodwill is attributable to the high profitability of the acquired businesses and subsidiary 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	---	---
Trade receivables	2,432	2,405
Inventory	8,454	7,882
Plant and Equipment	2,539	2,539
Prepayments	794	794
Deferred tax assets	---	391
Employee entitlements	(144)	(144)
Trade and other payables	(7,797)	(7,797)
Deferred tax liabilities	---	(314)
Identifiable intangible assets	---	9,444
Net identifiable assets acquired	6,278	15,200

In regards to the 'Sector 9 Incorporated' and 'Two Seasons Limited' 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 'Two Seasons Limited' acquisition has been determined provisionally due to the timing of the business combination.

If all of the above mentioned acquisitions had occurred on 1 July 2008, consolidated revenue and consolidated net profit after tax for the half-year ended 31 December 2008 would have been $849.6 million and $84.8 million respectively based on best estimates.

Prior 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	21,186
Goodwill	33,154

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	---	7,737
Net identifiable assets acquired	13,449	21,186

Note 6. Business combinations (continued)

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.

The 'Tiger Lily Swimwear Pty Ltd' acquisition was disclosed provisionally in the interim financial report for the half-year ended 31 December 2007. The one significant adjustment to the provisional values disclosed in the interim financial report relates to the recognition of the intangible asset relating to the Tigerlily brand name which at acquisition date is considered to have a carrying value of $3.6 million.

If all of the above mentioned 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 based on best estimates.

Note 7. Net tangible asset backing

	Half-year **2008**	Half-year 2007
Net tangible asset backing per ordinary share	$(1.00)	$0.40

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 8 to 17 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 2008 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, 20 February 2009

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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 2008 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.

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 2008, 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 2008 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.

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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.

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 2008 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
20 February 2009

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