
BILLABONG INTERNATIONAL LIMITED

HALF YEAR 2008-2009

RESULTS OVERVIEW 





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

Billabong International Limited grew sales strongly in the six months to 31 December 2008, with the diversity of the Group's brands and its range of products remaining coveted within the boardsports sector and in demand among end consumers. Reported Group sales lifted 22.2% (11.3% in constant currency terms) to \$808.6 million, with growth recorded in each of the Americas, Europe and Australasia. Excluding acquisitions, the Group still recorded double-digit reported sales growth.

Earnings before interest, tax, depreciation and amortisation (EBITDA) remained steady at \$147.3 million. EBITDA margins contracted to 18.2% (from 22.2% in the prior corresponding period), with strengthening margins in Europe offset primarily by lower margins in the Americas.

As previously foreshadowed in December 2008, net profit after tax (NPAT) declined 7.1% to \$82.4 million and earnings per share (EPS) declined 7.4% to 39.9 cents per share. This result includes a \$2.3 million non-cash, pre-tax impairment charge relating to the Company's own retail stores in the United Kingdom and the United States, which represents 1.0 cent per share in EPS and \$2.0 million in NPAT. Excluding the impairment charge, NPAT declined 4.8% to \$84.4 million.

Directors declared an interim dividend of 27.0 cents per share, franked to 45%, reflecting the increasing internationalisation of the business. The Group's dividend reinvestment plan remains unchanged, with a 2.5% discount.

At a wholesale level, there were strong performances in Europe and Australasia, while the US performed below initial expectations reflecting a sustained contraction in general consumer spending and a decision to maintain discipline on price to preserve brand equity. The Company's wholesale business continued to generate EBITDA margins slightly above 20%.

The ongoing slowdown in global economic activity was also felt within Company owned retail operations, particularly in the US. The number of Company owned retail doors lifted to approximately 306 (from 242 at 30 June 2008), with the increase through both organic openings and by acquisition. Company owned retail now contributes 23% of total revenues. However, there was significant EBITDA margin compression within the Company owned retail network, primarily flowing from the very difficult consumer environment in the US in the latter part of the half. The margin compression manifested itself in two ways. Firstly, overhead relating to ongoing retail investment increased in a generally slowing sales environment. Secondly, wherever possible the Company maintained its regular pricing strategy in the face of out-of-season discounting across the wider retail sector. This led to lower than anticipated sales, primarily from November through to the period just prior to Christmas. When the US consumer finally arrived in store in the fourth and fifth weeks of December, the Company owned retail stores had entered their usual promotional period. On this basis, Company owned retail EBITDA margins eased through the combination of slower sales on higher overhead and then, in late December, higher sales at lower prices. This reduced the Group's global Company owned retail EBITDA margins to 14.0%. Despite the current tough retail environment, the Group believes that retail remains a necessary investment to position the business for success in the future.



In response to the current challenging trading environment, the Company continues to address key business fundamentals, including inventory and overhead management, in anticipation of a continuation of current conditions to at least the end of the current financial year. Additionally, the Company is seeing the early signs of an easing in cost pressures within the supply chain, including freight and container prices. Together, these operational efficiencies, coupled with lower tax costs and anticipated currency benefits, are expected to support a significantly improved result in the second half.

MARKET OVERVIEW

Americas

Reported sales in the Americas lifted 33.9% (up 16.3% in constant currency terms) to \$385.1 million, with consistently strong growth across both North America and South America. The increase in North America was attributed to the first-time inclusion of sales from acquisitions, as well as gains from the stronger USD against the AUD.

Reported EBITDA of \$40.8 million was 15.1% lower (or 29.4% lower in constant currency terms). EBITDA margins were lower at 10.6% (16.7% previously), primarily reflecting ongoing retail investment, lower than expected sales volumes, the impact of higher sales in promotional periods and growing contributions from the South American business. The weaker Canadian dollar versus the USD, coupled with the impact of cross-border shopping in the early part of the first half, also negatively impacted the North American results.

The US, the Group's largest market, experienced a mid single-digit decline in sales in the underlying business, principally in the period beginning in mid September and accelerating through to Christmas. The slower than expected sales activity was evident in Company owned retail in particular and, to a lesser extent, across the wholesale business. The timing of the downturn was amplified by the fact that it included the Thanksgiving and Christmas periods, traditionally the US retail market's most profitable trading seasons of the year. Additionally, appreciation in the USD contributed to subdued international tourism in destinations such as Hawaii, California, Florida and mountain resort locations – markets in which Billabong has its greatest concentration of Company owned retail stores. The broader US retail market responded to the slower trading environment by offering deep out-of-season discounting which further stymied sales for those businesses seeking to hold traditional pricing. The Group's Company owned retail stores did not participate in the aggressive discounting, instead favouring far more conservative promotional offers during traditional promotional periods. This led to weaker than anticipated full price sales. When the US consumer rallied in late December, the timing coincided with the normal promotional period, resulting in a healthy level of sales but at clearance prices. This was a significant contributor to the decline in EBITDA margins in the Americas.

Overall results were generally below expectation within the Company's own retail network, which has undergone significant investment and has grown to 97 doors, of which 12 are located in South America. As previously foreshadowed, the months of November and December were marked by significant existing store sales declines, taking average existing store sales declines in Company owned retail stores to approximately 18% in the first half. The Company has responded to the subdued conditions with a review of all existing leases and a heightened focus on key



business fundamentals, including the management of inventory and overheads to reflect the lower foot traffic. This is expected to lead to a 12% reduction in personnel costs within the Company's own retail stores in the US in the second half. Margins in Company owned retail stores are expected to show the early signs of recovery in the second half, particularly in recently acquired stores where a higher percentage of floorspace will be dedicated to the Group's own brands.

At a wholesale level, core independent boardsports retailers generally outperformed larger mall-based chain retailers. The Company worked closely with independent wholesale accounts and, where required, delayed product deliveries to help them manage through the downturn and set the foundations to rebuild sales momentum. The Company remained disciplined in its pricing and refrained from aggressively discounting current season product to its core retail account base. A tight focus on account management also resulted in the Company electing not to fill some orders. Notwithstanding this approach, sales to core wholesale accounts grew in the half. Among larger mall-based customers, sales to Pacific Sunwear continued to decline and this trend is expected to continue into the second half in response to this customer's aggressive mark-up demands and pricing policies in particular categories. As a result, sales to Pacific Sunwear are expected to be down in excess of 30% across the full year, taking sales to the chain retailer to less than 10% of the Company's North American sales.

The weaker sales trends evident across both wholesale and retail channels in the US in the first half have continued into the early part of the second half. The Company previously anticipated the slower conditions would continue through the first three months of the calendar year, with improvements expected from the month of April. While indent orders remain higher and there appears to have been a slowing in the level of discounting throughout the wider retail market, the trend for repeat business in the latter part of the first half was lower. Consequently, the Company has taken a conservative view of the remainder of the financial year and is balancing the introduction of new operating efficiencies with the preservation of an infrastructure that enables the Company to maintain its market leading position.

Previously mentioned reductions in retail costs and continued focus on overhead management within the broader business is expected to result in direct overhead savings in the vicinity of US\$7 million in the second half. Additionally, the elimination of US quota on imported goods from China and continued factory door and freight price decreases are expected to lead to a sharp recovery in EBITDA margins in the second half.

Europe

Reported sales in Europe lifted 24.0% (up 10.5% in constant currency terms) to \$177.8 million, driven by strong performances in apparel and accessories.

EBITDA of \$35.7 million was 29.0% higher (or 13.8% higher in constant currency terms). EBITDA margins lifted to 20.1% (19.3% previously) in response to ongoing operational synergies, currency-related product purchasing benefits and currency benefits from profit translation. Sales increased in the UK in local currency terms at both a wholesale and Company owned retail level, although the overall result was adversely impacted by the weakening of the British pound against the Euro.



Strong sales were experienced across most markets, with the best performing areas including Germany and Italy which both achieved strong double-digit sales growth. France and Spain, while posting modest growth, were the markets most affected by the general economic slowdown, which has resulted in the closure of some independent retailers in Spain. However, the cold winter resulted in good sales for the stronger retailers and forward orders remain strong, particularly for Element, Nixon and Von Zipper.

There was generally solid trading throughout the Company owned retail network in Europe. Similar to the US, there was a softening in retail sales in the latter part of the half. However, the slowdown was less dramatic and the pre-Christmas recovery more pronounced than that experienced in the US. This was evidenced through positive comparable store sales for Company owned retail stores across the six month period. Cold weather throughout Europe contributed to strong sales of outerwear ranges in mountain and resort locations. Outlet stores also performed well. The Company continued to build its retail presence in areas where appropriate distribution opportunities are limited. This saw the acquisition of the 15-door Two Seasons retail business in the UK. The acquisition lifts total retail doors in Europe to 77 and brings further retail management expertise into the Group.

The Billabong and Element brands continued to grow sales, with Nixon also showing strong growth off a low base. While the retail climate remains uncertain, the boardsports youth market remains dynamic, particularly in the snow and skate segments. Billabong's winter range has performed well, with heavy jackets being the primary choice for the consumer given the cold weather and the heavy snow falls.

While momentum remains positive throughout Europe and the Group's brands are well positioned, the Company is taking the conservative view that repeat business is likely to be lower and therefore a greater focus is being applied to the management of current season inventory. Brand Billabong forward orders, while positive compared to the prior year year, have been impacted by the general economic slowdown. On the other hand Element, Nixon and Von Zipper have strong momentum and are expected to continue to deliver solid growth.

Australasia

Reported sales in Australasia lifted 6.3% (up 4.8% in constant currency terms) to \$245.7 million.

EBITDA of \$69.6 million was 1.5% lower (or 0.9% lower in constant currency terms). EBITDA margins eased to 28.3% (from 30.6% previously), reflecting increasing contributions from lower margin territories and negative currency impacts from South Africa.

Sales in Australia, the largest sales territory in the region, were marginally lower in a generally slower retail environment. Sales in New Zealand were slightly higher, which was a good result in a difficult economic environment. Japan and new Asian territories continued to perform very well, with sales up more than 20% in local currencies at improving EBITDA margins. South Africa achieved sales growth of more than 10% in local currencies, but its EBITDA margin was negatively impacted by a steep depreciation in the Rand against the USD.



Within Australia, most brands experienced an easing in sales, while Tigerlily had good growth through the combination of strong ranges and synergies from the Group's operational support structure. Across all brands, the majority of the best selling items were those in the mid to higher level price points, illustrating the market's continued appetite to spend on product with the right branding and design.

The number of Company owned retail stores in the Australasian region climbed to 132, reflecting both store acquisitions and organic openings. Most of the store growth occurred offshore, while in Australia there was the opening of the flagship Kirra Surf store on the Gold Coast to showcase the Group's brands in the Company's home market.

The Australasian outlook remains generally positive. Australia performed well in the latter part of the half, particularly in the lead-in to Christmas, and that trend continued through to the end of January. New Asian territories continue to grow strongly off a low base, with investment in new retail doors and the progressive introduction of new brands driving much of the growth. New Zealand is expected to remain relatively subdued, while the very strong growth experienced in Japan is expected to moderate in the second half but remain positive.

Brands and Marketing

The Group continued to invest in brand marketing, primarily through the support of athletes, ambassadors and events around the world. Highlights within the brands in the first half included:

Billabong

The flagship Billabong brand continued to grow globally in terms of sales and general visibility. Among the brand's sponsored athletes, Joel Parkinson claimed the Triple Crown of Surfing in Hawaii and finished fourth in the world title, Wolle Nyvelt was awarded the TransWorld Snowboarder of the Year title, Jamie Anderson won the Ticket to Ride snowboard world title and emerging surfer Paige Hareb earned a place on the 2009 women's World Championship Tour. Billabong's major events continued to attract strong online audiences. At a product level, Billabong's Eco-Supreme Suede boardshorts made from recycled materials hit a major milestone, with the number of used plastic bottles diverted from landfill for use in their manufacture passing three million. At a community level, the SurfAid Schools program supported by Billabong continued to expand both domestically and internationally, while the Billabong Girls international Design for Humanity events lifted their profile and proved highly successful for their relevant charities.

Element

The Element brand recorded strong global sales growth and continued to build on its heritage as a socially and environmentally conscious skate brand. In November 2008 Element launched its Power To The Planet campaign to promote sustainable product lines and inspire individuals to find their voice to make a difference in the world. Element also extended its collaborative initiatives, teaming with tattooist and US television personality Kat Von D on new skateboard graphics and working with artist and Element ambassador Amber B on an exhibition in Paris. Skate demonstrations and store signings by sponsored athletes continued to highlight the popularity of Element's riders, with a skate demonstration in Mexico City by Mike Vallely shut down after a crowd of 100,000 turned out for the event.



Nixon

Nixon further penetrated international markets and recorded strong double digit sales growth, while maintaining its position as a product innovator and leader within the watches and accessories categories. The brand also made headlines with the successful US launch of three styles of headphones, which are achieving strong early sell-through and present an exciting growth opportunity. Nixon also introduced the LTD Collection, which features one-of-a-kind watches produced with the artwork of celebrities including Ringo Starr, Jack Black, the Silversun Pickups, Danny Way and Nikki Sixx. A portion of the proceeds from the LTD Collection are contributed to the Grammy Association's MAP Fund and the Tony Hawk Foundation.

Tigerlily

Tigerlily achieved excellent sales growth and built on its strong foundations within Australia with the opening in November 2008 of a new store in the Queensland beachside location of Hastings Street, Noosa. A new accessories range was also introduced towards the close of the period. The accessories division is expected to become an increasingly important part of the Tigerlily offer in the future, complementing the growing offer in the swim and clothing categories. The foundations were also set for the brand's progressive entry into the US market through calendar 2009.

DaKine

The DaKine technical accessories brand registered a strong performance following the completion of the acquisition in October 2008. Product highlights included the delivery of the Stingray snow glove that incorporates new technology to allow greater dexterity and less bulk, the extension of the technical accessories range and the signing of leading athletes in the biking market. DaKine also signed defending X Games Superpipe champion Tanner Hall to its ski team and influential rider JP Walker to its snowboard team, while surf team rider Pancho Sullivan won the 2008 Xcel Pro in Hawaii.

Xcel

Hawaii-based wetsuit brand Xcel achieved very strong sales growth as it extended its reach across international markets and grew its reputation as a developer of innovative and functional product. Key releases in the period included the introduction of environment-conscious wetsuits combining a new bamboo and recycled polyester lining and limestone-based neoprene. At an operational level, Xcel opened its fifth retail store in Hawaii and demonstrated its environmental conscience with the installation of a solar voltaic system to power its headquarters. Among Xcel's sponsored riders, Bede Durbidge finished runner up in the Association of Surfing Professionals world title, Bonga Perkins won the ASP's world longboard title, Nathaniel Curran won the ASP World Qualifying Series to earn a place on the 2009 ASP World Championship Tour and Gabe Kling finished fourth on the WQS to also qualify for the ASP world tour. The brand also celebrated the 25th running of the Xcel Pro at Sunset Beach in Hawaii and launched a partnership with the Cancer Research Centre of Hawaii (CRCH) to promote global skin cancer awareness and raise funds for research.



Sector 9

Sector 9 was acquired at the start of the period and performed ahead of initial expectations. The brand's signature skate longboards lifted their visibility and had excellent sell through in the Australian market, particularly in December, and continued to perform well in the brand's home market of the US. The wider international rollout of the brand has also commenced.

Von Zipper

Eyewear brand Von Zipper recorded a small increase in global sales. Product highlights included the launch of a range of new eyewear focusing on lead fashion trends including aviator and 1970s retro styles, while marketing initiatives continued to infuse the brand's identity with leading bands and youth culture personalities. Von Zipper also finished the year with the signing of leading Australian snowboarder Robbie Walker to its roster of athletes.

Honolua

The Honolua brand continued to lift its profile and grew sales in the face of a marked slowdown in tourism to its home-market of Hawaii. The brand, which celebrates the Hawaii-inspired waterman lifestyle, signed surfer Bonga Perkins to its stable of athletes prior to him being crowned Association of Surfing Professionals World Longboard champion in November 2008. Honolua also continued to build equity into the waterman lifestyle through the promotion and support of disciplines such as stand-up paddle surfing and distance paddle events.

Kustom

Management changes introduced into Kustom early last year have resulted in a renewed product focus and have positioned the brand for future growth. During the period, Kustom strengthened its association with the promotion of youth-inspired high performance surfing, particularly through the launch of the Kustom Airstrike competition to find and reward the world's most progressive aerial surfing manoeuvre. The competition has provided Kustom with a global platform to talk to its target youth surf market.



Summary and Outlook

The Group continued to grow sales in an extremely challenging global economic environment. The European result was a highlight, with strong sales growth at improved EBITDA margins. Overall, Australasia delivered a steady performance. In the Americas, South America achieved strong growth in both sales and EBITDA, while North America was impacted by the dramatic decline in general economic conditions. While sales in North America grew strongly due to the first-time inclusion of several acquisitions, EBITDA and EBITDA margins contracted due to the impact of the broader macroeconomic environment.

In response to the challenging global trading conditions, particularly in the US, the Company implemented a range of initiatives including more focused inventory and overhead management controls. These actions are expected to contribute to significant EBITDA margin improvement in the Americas in the second half. At a global level, all regions are focused on overhead control. Regions are also buying closer to the forward order book to enhance inventory management, while cost pressures are also easing within the supply chain. Coupled with the savings and efficiencies from these activities, the sustained weakening of the AUD in relation to the USD and Euro is expected to provide significant profit translation benefits in the second half.

Given the dramatic fluctuations in currencies and the continued deterioration in global economic conditions, forecasting is becoming increasingly complex and difficult. That said, the Company remains on target to deliver reported revenue growth in excess of 25% in the 2008-09 full financial year. Assuming no further significant deterioration in the global boardsports market, and in the absence of any further unforeseen exceptional circumstances, the Company is retaining its forecast of 6% to 10% EPS growth for the financial year ending 30 June 2009. This assumes a revised monthly average exchange rate of 67 cents for the AUD/USD and 52 cents for the AUD/Euro for the balance of the financial year.



Presentation by Craig White
Billabong's Chief Financial Officer

The following commentary should be read in conjunction with the attached tables.

Table 1: Consolidated Results

- As previously foreshadowed, and excluding a \$2.0 million post-tax impairment loss expense, reported net profit after tax (NPAT) of \$84.4 million represents a decrease of 4.8% over the prior year. Including this impairment loss expense relating to the Group's impaired retail store assets in the United Kingdom and the United States, reported NPAT decreased 7.1% to \$82.4 million. In constant currency terms, NPAT decreased by 13.8% over the prior year excluding the impairment loss expense, or 15.9% including this expense.

The components of this result include:

- Reported sales revenue of \$808.6 million, excluding third party royalties, represented a 22.2% increase over the prior year. Constant currency sales revenue growth over the prior year was 11.3%.
- The Group's gross margin at 53.8% is slightly lower than the prior year's 55.2%. The 1.4% gross margin decrease reflects a combination of 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 extremely challenging trading environment, together with the dilutionary impact of the acquisitions of DaKine and Sector 9 whose gross margins are lower than the Group's gross margin due to their use of third party distributors.
- Reported Group EBITDA of \$147.3 million is in line with the prior year. In constant currency terms EBITDA decreased 8.1% over the prior year.
- The Group's EBITDA margin of 18.2% is 4.0% lower than that for the prior year of 22.2%, principally reflecting the current challenging trading environment, particularly in the United States.
- Return on average equity remained strong at 19.6% (2007: 23.2%).
- Excluding the impairment loss expense, earnings per share was 40.9 cents, a decrease of 5.1% over the prior year, consistent with reported NPAT growth. Including the impairment loss expense, earnings per share was 39.9 cents, a decrease of 7.4% over the prior year.



Table 2: Depreciation, Amortisation, Impairment Loss Expense, Interest Expense and Tax Expense

- Depreciation and amortisation expense increased by 42.2% to \$17.6 million principally due to acquisitions, including DaKine, Sector 9, Quiet Flight and Two Seasons (a 15 store retail business in the United Kingdom), combined with organic retail store expansion.
- Impairment loss expense of \$2.3 million reflects management's best estimate of the charge required as at 31 December 2008 in relation to the Group's impaired retail store assets in the United Kingdom and the United States.
- Net interest expense increased 81.2% to \$17.5 million 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.
- The income tax expense for the half year is \$27.5 million (2007: \$36.6 million), an effective tax rate of 25.0% (2007: 29.3%) reflecting 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.

Table 3: Balance Sheet

- Working capital (including factored receivables) at \$497.8 million increased 32.1% compared to revenue growth of 11.3% in constant currency terms, reflecting the combined impact of the acquisitions made by the Group and increased current season inventory levels in the current challenging trading environment. Excluding these acquisitions, working capital is 22.6% higher compared to revenue growth of 11.3% in constant currency terms.
- The doubtful debts provision at \$23.2 million is considered to be conservative and should be sufficient to meet the Group's requirements.
- Net debt levels of \$653.0 million have increased 115% over the prior year reflecting the above mentioned working capital and capital expenditure investments made by the Group, together with the impact of the weaker AUD against both the USD in particular, but also the Euro, at 31 December 2008 compared to the prior year. Consequently the gearing ratio (net debt/net debt plus equity) of 42.4% is higher than at 31 December 2007 (27.9%).
- Interest cover remains strong at 8.6 times (2007: 11.2 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.
- The Group's dividend reinvestment plan (DRP) remains unchanged for the interim dividend to be paid on 23 April 2009. For this interim dividend, the DRP will be satisfied through the issue of new shares at up to a discount of 2.5% to the arithmetic average of Billabong International's volume weighted average share price for the 10 trading days commencing on (and including) 25 March 2009, being the second trading day after the dividend record date of 23 March 2009. The DRP will be 50% underwritten. Assuming that the total participation rate is no greater than 50%, the DRP in respect of this interim dividend is expected to reduce EPS growth for the year ending 30 June 2009 by approximately 0.3%. However, on this same assumption, it will provide the Group with an additional A\$28.3 million of additional funding liquidity.

The terms of the DRP may be varied for future dividends beyond the interim dividend for the year ending 30 June 2009.

Table 4: Cash Flow Statement

- Cash inflow from operating activities decreased 48.5% to \$45.9 million driven by both lower net cash receipts and higher finance cost payments. Net cash receipts of \$78.1 million are 38.5% lower than the prior year period reflecting the current challenging trading environment.
- Cash outflow from investing activities of \$182.1 million was in accordance with expectations and includes payments for the acquisition of DaKine, Sector 9 and Two Seasons, together with general investment in owned retail globally.



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

CONSOLIDATED RESULTS

Table: 1
Consolidated Results

	2008 \$m	2007 \$m	2008 Change %
<u>Results as Reported (AUD)</u>			
• Sales Revenue	808.6	662.0	22.2
• EBITDA	147.3	147.3	-
• EBITDA Margin	18.2%	22.2%	
• NPAT	82.4	88.7	(7.1)
• Return on Equity	19.6%	23.2%	(3.6)
• Earnings per Share	39.9c	43.1c	(7.4)
<u>Results in Constant Currency (AUD)</u>			
• Sales Revenue* ¹	808.6	726.6	11.3
• EBITDA*	147.3	160.3	(8.1)
* 2007 results have been adjusted assuming local currencies were translated at the same rates as for 2008			
¹ Excluding third party royalties.			

**Table 2:
Depreciation, Amortisation,
Impairment Loss Expense, Interest
Expense and Tax Expense**

	2008 \$m	2007 \$m	2008 Change %
Depreciation	17.6	12.4	42.2
Amortisation	0.0	0.0	0.0
Impairment Loss Expense	2.3	0.0	n/a
Net Interest Expense	17.5	9.7	81.2
Tax Expense	27.5	36.6	(25.0)

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**Table 3:
Balance Sheet**

	2008 \$m	2007 \$m	2008 Change %
<u>Working Capital in Constant Currency (AUD)</u>			
Receivables (inc factored receivables)	393.8	331.9	
Inventory	324.1	228.2	
Creditors	(220.1)	(183.4)	
	497.8	376.7	32.1
<u>Gearing Levels</u>			
Borrowings (net)	653.0	303.6	115.0
Gearing Ratio (Net Debt/Net Debt + Equity)	42.4%	27.9%	
Interest Cover	8.6 times	11.2 times	

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**Table 4:
Cash Flow Statement**

	2008 \$m	2007 \$m	2008 Change %
Net Cash Inflow from Operating Activities	45.9	89.1	(48.5)
Payment for Purchase of Subsidiaries, net of cash acquired	(139.3)	(48.1)	
Net Payments for Plant and Equipment	(39.2)	(26.3)	
Payments for Intangibles	(3.6)	(0.4)	
Net Cash Outflow from Investing Activities	(182.1)	(74.8)	
Proceeds from Issues of Shares	21.4	0.1	
Payments for Treasury Shares held in ESP Trusts	(7.2)	(10.8)	
Net Proceeds from Borrowings	195.4	66.2	
Dividends Paid	(51.0)	(56.0)	
Net Cash Inflow (Outflow) from Financing Activities	158.6	(0.5)	
Net Movement in Cash Held	22.4	13.8	



SEGMENT & BRAND RESULTS

Americas Segment

	2008 \$m	2007 \$m	2008 Change %
<u>Results as Reported (AUD)</u>			
• Sales Revenue	385.1	287.5	33.9
• EBITDA	40.8	48.0	(15.1)
• EBITDA Margin	10.6%	16.7%	
<u>Results in Constant Currency (AUD)</u>			
• Sales Revenue	385.1	331.1	16.3
• EBITDA	40.8	57.8	(29.4)

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European Segment

	2008 \$m	2007 \$m	2008 Change %
<u>Results as Reported (AUD)</u>			
• Sales Revenue	177.8	143.4	24.0
• EBITDA	35.7	27.7	29.0
• EBITDA Margin	20.1%	19.3%	
<u>Results in Constant Currency (AUD)</u>			
• Sales Revenue	177.8	161.0	10.5
• EBITDA	35.7	31.4	13.8

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Australasian Segment

	2008 \$m	2007 \$m	2008 Change %
<u>Results as Reported (AUD)</u>			
• Sales Revenue	245.7	231.0	6.3
• EBITDA	69.6	70.7	(1.5)
• EBITDA Margin	28.3%	30.6%	
<u>Results in Constant Currency (AUD)</u>			
• Sales Revenue	245.7	234.5	4.8
• EBITDA	69.6	70.3	(0.9)

Note:

Segment Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) excludes inter-company royalties and sourcing fees and includes an allocation of head office corporate overhead costs (including international advertising and promotion costs). Consistent with prior reporting periods corporate overhead costs have been allocated to each segment based on each segment's sales as a proportion of Group sales.

2008 FX Impacts

- The current policy of hedging purchases, but not profit translation, remains unchanged.
- The short term impact of currency movements on the 2008 half year result (profit translation) is as follows:

1 cent increase in the average monthly rate for the AUD against the

USD = decrease NPAT by 0.6%

EURO = decrease NPAT by 0.7%