



Billabong  
International  
Limited

ABN 17 084 923 946



1 Billabong Place  
Burleigh Heads  
QLD 4220 Australia

P O Box 283  
Burleigh Heads  
QLD 4220 Australia

Tel: +61 7 5589 9899  
Fax: +61 7 5589 9654

[www.billabongbiz.com](http://www.billabongbiz.com)

# ASX ANNOUNCEMENT

## TRADING UPDATE

**GOLD COAST, 18 May 2009:** Billabong International Limited (Billabong) today announced that based on year-to-date results and its current trading outlook, the Company is expecting to report full year net profit after tax in the range of \$160 million to \$165 million for the 12 months ending 30 June 2009 (compared to \$176.4 million in the prior corresponding year). The earnings forecast revision is attributable largely to weak US earnings. Additionally, further impairment testing by the Company at year end may result in non-cash charges. These charges, which are expected to relate to various retail assets, are not anticipated to exceed \$10 million pre-tax for the full financial year and include the \$2.3 million charge already announced in the first half results.

Since Billabong's last market update in February, a deterioration in trading conditions at a consumer level in the US in late April and early May, together with a reduction in forward orders within the Company's US wholesale account base and the strengthening of the Australian dollar against the US dollar, has led Billabong to review its expectations for the remainder of the 2008-09 financial year.

During the February to April period, the signals from the US retail market have been mixed. The Company experienced a subdued sales month of March but saw a considerable spike in early to mid April, around Easter, with comparable store sales in its own retail network lifting 7% compared to the prior year. However, the period from late April through early May saw a rapid deterioration in Company owned retail sales, with comparable store sales down in the high teen to low 20% range. This was lower than the Company's original expectations and Billabong now forecasts this current level of activity in its own retail network will continue through to the remainder of the 2008-09 financial year.

The softness in the US is also being felt in the Company's US forward order book for the fall season. Wholesale customers are similarly reducing the amount of inventory in store and are undertaking a seasonal realignment of their business which is leading them to specify delivery dates closer to the middle of the season. This is impacting late May and June deliveries as orders are pushed into the 2009-10 financial year. Rather than placing larger forward orders, customers are looking to buy at-once in-season products more frequently. Additionally, the wholesale account base that Billabong is choosing to service in the US has been reduced by the closing of customers' stores and Billabong proactively exiting accounts in response to increasing credit risk of some retail customers.

Against this backdrop, the US division has reduced overall inventory levels without any significant gross profit margin dilution. The Company continues to preserve brand equity by not participating in heavy discounting and thereby maintaining industry leading margins. US EBITDA margins for the second half in isolation are expected to grow from 10.6% in the first half to approximately 14% in the second half compared to 19.2% in the second half of the 2008-09 financial year. Management of overhead and cost controls will continue to be a key focus moving into the 2009-10 financial year.

Billabong's European business remains strong and on track for double digit growth in the 2008-09 financial year with continued strong growth in Germany, while the retail environment in both the UK and Spain remains soft, and Eastern Europe has recently weakened. The Australasian business result will be slightly affected as some Australian retailers move early summer deliveries into mid-season so that product usually delivered in June will be delivered in the 2009-10 financial year. Overall, however, the total indent remains solid as the current Australian trading environment remains steady, although retailers continue to actively manage floor stock levels.



**Billabong  
International  
Limited**

ABN 17 084 923 946



1 Billabong Place  
Burleigh Heads  
QLD 4220 Australia

P O Box 283  
Burleigh Heads  
QLD 4220 Australia

Tel: +61 7 5589 9899  
Fax: +61 7 5589 9654

[www.billabongbiz.com](http://www.billabongbiz.com)

## ASX ANNOUNCEMENT

---

The Company continues to actively manage its working capital and considers it remains conservative in the provisioning of doubtful debts and the provisioning of inventory write downs.

For the 2008-09 financial year, the Company has revised currency assumptions, which comprise actual monthly average exchange rates for the 10 months to the end of April and assumed monthly average exchange rates for May and June of 75 cents for the AUD/USD and 55 cents for the AUD/Euro. These new assumptions in relation to previous guidance provided at the Company's last market update in February have resulted in a \$6.4 million reduction at the net profit after tax line.

As the Company approaches the 2009-10 financial year, management's focus will remain on tight overhead, cost and working capital controls to reduce the relative size of the overall cost base while maintaining brand strength and equity. In addition to sales being pushed into the 2009-10 financial year as retail customers delay purchases, the Company expects the general trend towards lower inventory and lower forward looking orders in the US market will lead to product shortages in the 2009-10 financial year and this will have a positive impact on wholesale demand in a tight inventory environment. The Company is well positioned to benefit from considerable operating leverage across both its wholesale and retail businesses and return to a consistent growth profile, supplemented by the full year sales impact of the DaKine acquisition, when the current economic cycle turns.

The new guidance, together with each of the above assumptions, assumes the absence of any further exceptional, unforeseen circumstances and, in particular, any further significant deterioration in the Company's retail markets.

**Maria Manning**  
**Company Secretary**

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Billabong and certain plans and objectives of the management of Billabong. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Billabong, which may cause the actual results or performance of Billabong to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, fluctuations in foreign currency exchange and interest rates, competition, Billabong's relationships with, and the financial condition of, its suppliers and customers, or legislative changes, or regulatory changes or other changes in the laws which affect Billabong's business. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.