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All results are in AUD terms unless otherwise stated.

Detailed information on the financial performance of Billabong International Limited and the remuneration of senior executives is available in the Full Financial Report 2010-11 located on the Company's website www.billabongbiz.com.

# CHAIRMAN'S REPORT

# THE 2010-11 FINANCIAL YEAR, WHILE SUCCESSFUL FROM A STRATEGIC POSITIONING AND DEVELOPMENT PERSPECTIVE, ULTIMATELY PROVED QUITE CHALLENGING FOR BILLABONG INTERNATIONAL LIMITED.

The Group's transition from a wholesale-focused business to an operation with more balanced exposure to wholesale and retail coincided with a harsh external environment characterised by extreme macroeconomic and currency volatility. There was also a downturn in consumer sentiment flowing from events such as sovereign debt issues in the US and Europe and a run of natural disasters throughout Australasia. The Group's reweighting between wholesale and retail was most apparent through the acquisition of Canada's largest specialty boardsport retailer, West 49, and leading Australian retailers

Surf Dive 'n' Ski (SDS), Jetty Surf and Rush Surf. Together, these helped lift direct-to-consumer sales revenue to 38% of total Group revenue (from 24% in the prior corresponding period). The strategy behind these acquisitions was to enhance the route to market to provide the end consumer with greater access to the Group's branded products and counter the increasing margin demands from some large action sports retailers who, at the same time, were increasing their vertical product offers and thereby reducing the available shelf space for the Group's brands.



As a reminder, in August 2010 the Group nominated the 2010-11 financial year as one of transition. This language was designed to reflect the move deeper into retail and its immediate consequences, being a significant lift in revenue with little or no immediate contribution to profit and initial margin dilution. This is due to the fact that the Group has acquired businesses with relatively low standalone margins and there is little immediate ability to change the product mix due to the need to sell through all existing inventory - whether it be in store, in the retailer's warehouse or on order from suppliers. This sell-through process generally takes nine to 12 months. It is only after this period that the Group has the ability to bring new excitement into store by focusing on its preferred mix of third party brands and the introduction of higher levels of the Group's brands into store. This, ultimately, delivers margin expansion given the inclusion of wholesale and

retail margins. It is for this reason that the profit contribution from acquired retail assets generally starts to flow from year two. There is also a one-off timing delay in the recognition of sales and profit due to the difference in sales reporting between wholesale and retail businesses.

While the general consumer environment in Australia and Canada slowed some of the clearing of inventory in acquired retail and caused a wholesale inventory build-up in certain parts of the business, these issues are short term and the Group's broader strategic vision to build a more sustainable business model remains firmly on track. The Group has an unrivalled suite of brands and retail assets and the platform is now set to deliver growth into the future.

During the year, the Board of Directors responded to shareholder concerns about the structure of executive remuneration within Billabong

International Limited. Following direct shareholder consultation and expert external advice, a comprehensive remuneration review was undertaken. This has led to a number of changes, which are outlined in the Director's Report in Billabong International's 2010-11 Full Financial Report, in relation to the future structure of remuneration to better align executive and shareholder interests.

Finally, on behalf of the Board of Directors I thank all shareholders for their support of Billabong International Limited in an extremely challenging year of change and I also thank our employees for their ongoing commitment to building the world's premier boardsport company.

Lastine.

Ted Kunkel Chairman



# **CEO'S REPORT**

Strong revenue growth underpinned by strategic retail acquisitions and the integration of the exciting RVCA brand were key highlights for the Billabong Group in the 2010-11 financial year.

Global sales revenue of \$1.68 billion was up 23.8% in constant currency terms or up 13.6% in reported Australian dollar terms compared to the prior corresponding period. The lift in revenues was apparent in the Group's three regional segments, with constant currency growth of 32.5% in the Americas, 11.5% in Europe and 19.5% in Australasia. However, net profit after tax (NPAT) in constant currency terms was down 6.9%, primarily as a result of challenging global trading conditions and the initial impact of strategic investments made by the Group during its transition year. NPAT was down 18.4% in reported Australian dollar terms, reflecting the substantial appreciation of the Australian dollar throughout the year.

The integration of acquired retail assets in Canada and Australia is progressing to plan, with the Group removing back office and warehouse costs by consolidating those functions into existing operations where appropriate. The space available to the Group's own brands is starting to increase, exciting third party brands are being supported but on better terms and stores are being rebranded and refreshed. In Australia, IT systems for the acquired retail assets are also being progressively migrated to a common platform. These actions ultimately help the Group deliver higher retail margins and this should become evident from the 2011-12 financial year.

The Group's focus through the 2010-11 financial year extended well beyond the retail acquisitions, with other highlights including:

- The enhancement of the Group's brand portfolio with the addition of RVCA, the winner of the Surf Industry Manufacturers Association 2010 Men's Apparel Brand of the Year award. RVCA is a lifestyle brand that provides a platform of expression for the subcultures of art, music, fashion and sport. It performed very strongly in its home market of the US in its first year in the Group and its growth potential is significant as it pushes into newer markets including Australia and Europe.
- The opening up of new markets throughout Asia continued. The Group achieved constant currency revenue growth in excess of 30% and strong margin growth in Asia. The profitable and measured expansion strategy is being led by the Billabong and Nixon brands, principally through their presence in company owned retail stores and shopin-shop concepts. Growth in the established market of Japan was impacted through the year in the wake of the devastating earthquake and tsunami that struck the region. A total of 19 company owned stores were directly impacted by the natural disasters and were temporarily closed. Pleasingly, no employees were injured in the disasters. By the close of the financial year all but one company owned retail



store in Japan had reopened.

- The Group has been building its online retail presence in recent years and, in the 2010-11 financial year, sales doubled to now approach \$50 million. The Group's premier sites were Swell. com in the US and SurfStitch.com in Australia, with each stocking product from more than 200 brands and viewed as a leader in the boardsports category in their respective countries. The Group also continued to roll out other multi-branded online initiatives in locations including the United Kingdom, Canada and South Africa and a number of brandspecific sites in other markets.
- SurfStitch.com was relocated from Sydney to Burleigh Heads on the Gold Coast. This positions SurfStitch alongside the headquarters of the Group's Australian operations, leading to enhanced operational efficiencies.
- A range of new retail concepts



were opened in Australia, with showcase stores for Element established on the Gold Coast and in Melbourne and the first Nixon concept store unveiled at Bondi Junction in Sydney. While the Australian retail market was very challenging, these stores highlight the strong product offer and enhance the growth prospects of the two brands.

- Volatility in the US, the Group's largest sales market, eased through the year and this led to the emergence of what appeared to be a soft recovery. Order patterns within the wholesale account base were generally cautious, but company owned retail remained well inventoried and this led to improved revenue and margin expansion and demonstrated the benefit of ensuring there is always fresh product in store.
- The Group experienced a good year in Europe, despite the negative impact of weaker

currency hedge rates for product purchases in the second half. There was double-digit sales growth in markets including Germany and France, while newer markets within Eastern Europe experienced very strong growth. Consumer sentiment and sales softened throughout Europe in the final two months of the financial year on the back of concerns around sovereign debt issues throughout the region.

Stepping back and looking at the overall business, the Billabong Group is strategically well positioned to compete effectively, deliver sustainable growth and, over time, improve its return on capital employed. The Group now comprises a compelling and company owned retail shopfronts. It has 13 brands, each among the leaders in their respective categories within the boardsports market, a collection of fast-growing and industry-leading online retail

banners and more than 630 bricks and mortar company owned retail doors in markets including Canada, the US, South America, the UK, France, Spain, Germany, Australia, New Zealand, South Africa, Japan and greater Asia. It is a strong business and, with its transition year now complete, one with strong underlying growth prospects.

While the external consumer environment remains challenging, the developments within the business have established a stronger base on which future growth will be built. I thank all Billabong Group employees for their commitment and drive as the Group seeks to deliver on its strategic goals.

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Derek O'Neill Chief Executive Officer



# FINANCIAL OVERVIEW

NET PROFIT AFTER TAX (NPAT) FOR THE YEAR ENDED 30 JUNE 2011 WAS \$119.1 MILLION, A DECREASE OF 6.9% IN CONSTANT CURRENCY TERMS (A DECREASE OF 18.4% IN REPORTED TERMS) COMPARED TO THE PRIOR CORRESPONDING PERIOD (PCP).

Reported NPAT was significantly adversely impacted by the unfavourable effect of the appreciation of the AUD, in particular against the Euro and the USD relative to the pcp.

Group sales revenue of \$1,683.3 million, excluding third party royalties, represents a 23.8% increase on the pcp in constant currency terms (up 13.6% in reported terms). At a segment level, in constant currency terms, sales revenue in the Americas increased 32.5%, Europe increased 11.5%

and Australasia increased 19.5% over the pcp.

Consolidated gross margins remained strong at 53.8% (54.6% in the pcp in constant currency terms). EBITDA of \$191.9 million represents a decrease of 16.2% in constant currency terms (a decrease of 24.3% in reported terms) compared to the pcp. The consolidated EBITDA margin of 11.4% decreased by 5.7% compared to that of the pcp of 17.1%, principally reflecting:

• the impact of a very weak retail environment in Australia;

- the impact of a number of natural disasters in key territories including floods in Queensland, earthquakes in New Zealand and the earthquake and subsequent tsunami in Japan;
- lower gross margins in Europe, which were adversely impacted by considerably lower product purchase hedge rates in the second half for the summer 2011 season compared to the pcp;
- as anticipated, the initial combined dilutive impact on margins of the recent acquisitions of retailers West 49 in Canada and Surf Dive 'n' Ski



(SDS)/Jetty Surf and Rush Surf, both in Australia – these margins are expected to increase as the Group's strategy to lift Billabong family brand share is realised over time (excluding these acquisitions, EBITDA margins would have been 13.1%, down from 17.1% in the pcp);

- the unfavourable regional mix impact of the appreciation of the AUD against the USD and the Euro relative to the pcp;
- one-off acquisition related costs (M&A) and restructuring costs of

### \$12.3 million; and

• an increase in global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements) of \$19.1 million to \$64.8 million compared to \$45.7 million in the pcp. This increase is primarily attributable to costs associated with the roll-over and extension of the Syndicated Debt Facility, timing of advertising and promotion expenditure due to the Teahupoo Tahiti WCT event

falling in August 2010 (with no comparable expenditure in the pcp) and foreign exchange losses.

### SEGMENT ANALYSIS

In addition to the specific factors discussed by segment below, EBITDA margins have been affected by the allocation of increased global overhead costs (which include corporate overhead, international advertising and promotion costs, central sourcing costs and foreign exchange movements) as discussed above and the allocation of these costs to each segment.

# FINANCIAL OVERVIEW CONT.

### **AUSTRALASIA**

Compared to the pcp in reported terms, sales revenue increased 17.9% to \$501.9 million (up from \$425.7 million) and EBITDA decreased 38.1% to \$55.2 million (down from \$89.2 million). EBITDA margins were lower at 11.0% compared with 20.9% in the pcp, principally reflecting the combined impact of a very weak retail environment in Australia, natural disasters including earthquakes in New Zealand and the earthquake and subsequent tsunami in Japan, one-off M&A and restructuring costs (\$7.4 million), the anticipated initial dilutive impact of the recent acquisitions of retailers SDS/Jetty Surf and Rush Surf in Australia (margins are expected to increase as the Group's strategy to lift Billabong family brand share is realised over time) and the above mentioned impact of the allocation of global overhead costs. Excluding the allocation of global overhead costs, EBITDA margins were 14.9% compared with 24.0% in the pcp.

Compared to the pcp in constant currency terms, sales revenue increased 19.5% and EBITDA decreased 37.2%.

Sales revenues in the Australasian segment increased over the pcp principally as a result of the addition of new company owned retail, including the acquisitions of SDS/Jetty Surf and Rush Surf in Australia. However, the performance of the underlying Australian business weighed on the region. A very

soft summer and hi-summer indent, combined with cool, wet summer weather along Australia's east coast, including major rainfall, floods and cyclones in Queensland in particular, led to weak sales at company owned retail and lower repeat business within the wholesale account base.

Sales revenue lifted strongly compared to the pcp in constant currency terms in Asia.

### **AMERICAS**

Compared to the pcp in reported terms, sales revenue increased 18.4% to \$843.7 million (up from \$712.6 million) principally as a result of the acquisition of West 49 in Canada and EBITDA decreased 13.1% to \$80.2 million (down from \$92.3 million). EBITDA margins were lower at 9.5% compared with 13.0% in the pcp, principally reflecting the anticipated initial dilutive impact of the recent acquisition of West 49 (margins are expected to increase as the Group's strategy to lift Billabong family brand share is realised over time), one-off M&A and restructuring costs (\$4.6 million) and the above mentioned impact of the allocation of global overhead costs. Excluding the allocation of global overhead costs, EBITDA margins were 13.4% compared with 16.0% in the pcp.

Compared to the pcp in constant currency terms, sales revenue increased 32.5% and EBITDA increased 2.0%. The

Group continued to see solid improvement in the important US market, in particular within company owned retail operations.

### **EUROPE**

Compared to the pcp in reported terms, sales revenue decreased 1.9% to \$337.6 million (down from \$344.0 million) and EBITDA decreased 22.3% to \$54.2 million (down from \$69.8 million). EBITDA margins of 16.1% were down compared to the pcp of 20.3%, principally reflecting weaker product purchase hedge rates for the summer 2011 season compared to the pcp, higher product input costs and the abovementioned impact of the allocation of global overhead costs. Excluding the allocation of global overhead costs, EBITDA margins were 19.9% compared with 23.4% in the pcp.

Compared to the pcp in constant currency terms, sales revenue increased 11.5% and EBITDA decreased 10.3%.

Europe's sales revenue growth in constant currency terms compared to the pcp was driven principally by the Element, Nixon and DaKine brands in Germany, France and central European countries and improved performance in company owned retail, offset by continued softness in some key southern territories, including Spain which is traditionally a strong area for the Billabong brand.

# **KEY HIGHLIGHTS**

**NPAT** 

\$119.1 MILLION

**SALES REVENUE** 

\$1.68 BILLION

**EBITDA** 

\$191.9 MILLION

**EPS** 

47.4 CENTS PER SHARE

### ORDINARY PARTIALLY FRANKED DIVIDEND

29 CENTS PER SHARE (FULL YEAR)

BILLABONG INTERNATIONAL LIMITED - YEAR ENDED 30 JUNE (AS REPORTED, AUD)						
	FY 2010-11	FY 2009-10	FY 2008-9	FY 2007-8	FY 2006-7	FY 2005-6
Income Statement (\$million)						
Third Party Sales	1,683.3	1,482.3	1,669.1	1,347.6	1,222.9	1,018.2
EBITDA	191.9	253.3	284.8	292.0	259.1	235.2
Depreciation	(40.2)	(35.0)	(37.6)	(27.1)	(21.4)	(14.4)
Amortisation	(1.8)	(0.6)	(0.5)	(0.1)	(0.4)	(1.3)
Impairment	(0.0)	(0.0)	(9.5)	(0.0)	(0.0)	(0.0)
EBIT	149.9	217.7	237.2	264.8	237.3	219.5
Net Interest Expense	(23.0)	(14.7)	(31.2)	(19.2)	(15.5)	(6.6)
Profit Before Income Tax	126.9	203.0	206.0	245.6	221.8	212.9
Income Tax Expense	(8.9)	(57.8)	(53.2)	(69.3)	(54.2)	(67.2)
Profit for the Year	118.0	145.2	152.8	176.3	167.6	145.7
Non-controlling Interest**	1.1	0.8	0.0	0.1	(0.4)	0.2
Profit Attributable to Members of Billabong International Limited	119.1	146.0	152.8	176.4	167.2	145.9
Basic Earnings per Share	47.4	58.3 cents	69.2 cents	85.7 cents*	81.2 cents*	70.8 cents*
Dividend per Share	29.0 cents	36.0 cents	45.0 cents	55.5 cents	50.5 cents	44.0 cents

<sup>\*</sup> EPS has not been adjusted to reflect the increased issued capital following an equity issue in the 2008-09 financial year.

<sup>\*\*</sup> Previously called 'Minority Interest'.



# ZBIII ABONG.

Billabong İS an authentic boardsport brand and one of the surfing world's heritage margues. The brand's identity is represented through its marketing, which is focused on its culturallyassociation boardsport athletes and events. In 2010-11, marketing highlights included Australian team surfers Jack Freestone winning the World Junior Championships, Mitch Parkinson winning the Gromsearch International title and Joel Parkinson winning the 50th edition of the Rip Curl Pro Bells Beach in his guest for the 2011 world title. Parkinson also won his third consecutive Triple Crown of Surfing in Hawaii. In the 2011 Billabong XXL Big Wave Awards Frenchman Benjamin Sanchis won the Biggest Wave award, Hawaiian Shane Dorian won the Monster Paddle and Monster Tube awards and Hawaiian Keala Kennelly won the Girls Best Performance award, while in Innsbruck the Billabong Air&Style event was staged in front of a sellout crowd of 11,000. Innovative product development through the year included the unveiling

of an inflatable wetsuit designed in collaboration with team rider Shane Dorian specifically for the needs of the big wave surfing community, the development of a new line of 'stitch-less' wetsuits and the successful launch of a product collaboration with the family of the late musician Bob Marley. In the digital space, Billabong Facebook pages now have more than two million combined friends, an online clip of a Billabong Girls summer photo shoot had more than one million views and a surf game developed for iPhone and iPad users was nominated for Best Sport Game the annual International Mobile Gaming Awards. Billabong continued to build out its television offering on the Sony IPTV network, with the channel launching into approximately 80 countries and accessed freeof-charge through internetconnected Sony televisions and media consoles. In community initiatives, Billabong staged its most successful edition of the Design For Humanity charity event in Los Angeles, lifted to more than 35 million the number of recycled plastic bottles used in its range of boardshorts made from recycled materials and continued the international rollout of its SurfAid International Schools Program global initiative. Billabong also mourned the loss of surfing great Andy Irons, a threetime world champion who passed away on 2 November 2010. Andy will be forever remembered.

### www.billabong.com







Element is a socially conscious lifestyle brand with a heritage in skateboarding. Through the 2010-11 financial year the brand continued to build its presence in locations outside of its main market of the US and grew sales strongly in Europe. The brand started the year by signing one of skateboarding's biggest stars, Mark Appleyard, a winner of Thrasher Magazine's 'Skater of the Year' award and Transworld Skateboarding's 'Best Street Skater' award. Element then signed 16-year-old skateboarder Nyjah Huston, whose unprecedented winning streak makes him one the most accomplished skateboarders of all time. Iconic team member Bam Margera starred in the 'Jackass 3-D' film, which broke box office records. To coincide Element launched a matching product line that was a huge success. Element's 'MAKE IT COUNT' 2011 International Skate Contest Series surpassed expectations. Receiving more than 16 million media impressions, the contest series achieved its goals of supporting underprivileged youth and growing brand loyalty. Product initiatives through the year included the expansion of the Flement Emerald Collection. a line of eco-friendlier casual footwear. The fashion forward line of premium t-shirts was released. and backed bv

brilliant photography world-renowned Element staff photographer, Brian Gaberman. Element also grew its accessories category, which included the release of a limited collection of the tried and true "Mohave" backpack series. Element skate shoes launched a new marketing campaign, 'Changing Lives through Skateboarding' to benefit and expand Elemental Awareness, the brand's non-profit foundation. Element Advocates, including double-amputee Amy Purdy, continue to inspire audiences with compelling stories and artistic talents. Element's innovative and extensive product range was rewarded with the opening of a flagship retail store on Australia's Gold Coast, with the store embodying the look, feel and soul of the brand. Element continued to work closely with licensed brand Plan B, which introduced an apparel line endorsed by Ryan Sheckler, who is revered as the most popular skateboarder in the world. Fellow team rider Paul Rodriguez was the first skateboarder to release a video part on iTunes - 'Me, Myself and I'. The part became the number one segment downloaded on iTunes.

www.elementskateboards.com www.elementeden.com



Tiger II

Tigerlily utilises unique fabrics and a blend of fashion and themes to develop a line of premium women's swimwear and apparel. The brand continued to grow its presence in Australia in the 2010-11 financial year. Central to its growth was the opening of Tigerlily boutiques, including a flagship store in Westfield Sydney City, a further three stores in Sydney -Bondi Junction, Chatswood and Warringah Mall – and one within the premium Australian brand section of Claremont Quarter in Western Australia. Tigerlily also opened its first international store at Newmarket in Auckland, New Zealand. The stores give Tigerlily the ability to create a complete brand experience and one that differentiates its product from that traditionally available in surf retail. A key initiative through the year was the launch of a signature capsule collection. Jodhi Meares for TL, in boutiques and swim retailers nationally. The collection was launched in Sydney's Watsons Bay, with the event attracting national media coverage and key players in the Australian fashion scene. Tigerlily completed the planning on a number of brand extensions, which include a new line of footwear for delivery in store in Australia from late in calendar 2011. The brand also extended its line of swimwear separates to focus on the growing swim market in Australia.

www.tigerlilvswimwear.com.au

RVCA is a design-driven lifestyle brand that brings together likeminded individuals from a cross section of subcultures to deliver a platform of expression for art, music, fashion and sport. It is widely regarded as the most exciting emerging brand within the action sports sector and its performance was recognised by the Surf Industry Manufacturer's Association, which awarded RVCA the 2010 Men's Apparel Brand of the Year title. The brand was acquired by the Billabong Group at the start of the 2010-11 financial year and has since experienced tremendous sales growth and a successful integration into the Group. The brand is now poised for

under the ongoing direction of its inspirational founder, Pat Tenore. RVCA maintained its focus on its Artist Network Program (ANP) – a venture established to showcase the talents of both accomplished and unknown artists who push the boundaries of creative excellence. This saw RVCA, along with brand advocates, stage a series of events including a workshop with Parisian boutique Colette in partnership with New York based artists, the Luck You Collective. The brand also supported major art events, including the Los Angeles Museum of Contemporary Art's 'Art in the Streets', the first major US museum exhibition of the history of graffiti and street art. RVCA continues to support key athletes, including skateboarder Leo Romero who won Thrasher Magazine's 2010 Skater of the Year title. RVCA is also involved in the sport of mixed martial arts (MMA). principally through its support of iconic MMA warriors BJ Penn and Vitor Belfort. Aligned to its athlete support program is RVCA's VA-Sport program which comprises a performance based apparel range designed for athletes to help in the maintenance of comfort and style through rigorous cross training. The range crosses over all key RVCA's sports, including MMA, surfing, skateboarding and general fitness.

www.rvca.com



# RVCA

Kustom is a footwear brand focusing on the casual beach and surf lifestyle market. Through the 2010-11 financial year, the brand achieved growth in its home market of Australia. Product development remained a key focus for the brand, with a particular emphasis on the identification more environmentally sustainable and production methods. This led to the development of the Shoe With No Footprint line of footwear. The range includes shoes made from hemp or traditional cotton canvas, while the glues used to bind materials are non-toxic. The laces for the shoes are made from recycled plastic bottles, the in-sole boards are constructed from a range of recycled materials and the soles are made using a manufacturing technique that reduces the amount of production waste. Based on the results of a partial life cycle assessment of the range, Kustom purchased carbon offsets to minimise the environmental cost of the shoes. Kustom then developed simple messaging about the environmental benefits of the shoe and, combined with standout design, this led to a strong consumer response and saw the shoe become the leading seller in the Kustom range. In other marketing, the brand continued to host its annual Kustom Airstike aerial surfing competition, which was won by Hawaiian Flynn Novak with a progressive new move. Kustom also maintained a strong connection with surfing through sponsorship of a range of athletes, includina Australians 'Chippa' Wilson, Joel Parkinson and Josh Kerr.

www.kustomfootwear.com





Nixon is a premium watch and accessories brand and is the clear category leader in the global boardsports channel. The brand performed strongly in the 2010-11 financial year, with doubledigit sales growth and margin expansion. Innovative product development, including the launch of its RPM headphones with their studio-quality sound, remained the cornerstone of the brand's success and it was well supported by considered marketing initiatives to clearly differentiate it within the boardsports sector. This led to the brand being recognised in the Surf Industry Manufacturer's Association Image Awards for the best men's advertising campaign for 2010. Nixon teamed with a range of leading music acts, including the creation of specialty products in limited quantities for The White Stripes and Jack Johnson and the development www.nixonnow.com

of a collaboration watch with The Beastie Bovs with the proceeds donated to charity. Nixon maintained its support sponsorship of a range of world tour surfing events and was the official timekeeper of the Vans Triple Crown of Surfing in Hawaii and the summer and winter X Games. The brand also brought back its premier snowboarding event, The Nixon JibFest, voted Torey Pudwill on to its skate team and John John Florence and Nathan Fletcher on to its surf team. Demand for Nixon and its diverse product range led to the opening of concept stores at Berkeley in California and Bondi Junction in Sydney. The creative work environment within Nixon also saw the brand recognised in the US-based Outside Magazine's fourth annual Best Place To Work





# DAKINE

DaKine is a leader in the design and development of technical bags and accessories for the surf. skate, snowboard, ski, mountain bike, windsurf and kite disciplines. The brand grew its sales in the 2010-11 financial year, supported by sponsorship of events and athletes and strategic media placement. In snow, DaKine sponsored team skier Tanner Hall's film Retallack: The Movie. snowboarder Eric Jackson returned from injury for a stand out part in the film Good Luck, Annie Boulanger filmed a major part in an Absinthe Films project and rider Sammy Carlson won an X-Games gold medal in the Ski Slopestyle. In surf, Hawaiian team rider Matt Meola won producer Taylor Steele's Innersection film project, DaKine accessories were placed in the feature film Soul Surfer, John Florence, Damien Hobgood and Brett Simpson each had significant competition victories and Ian Walsh continued to push the boundaries of big wave surfing with headline performances in Hawaii and Fiji. In bike, DaKine rider Matt Hunter secured multiple magazine covers. Geoff Gulevich was featured in Anthill Productions' Follow Me film and Darcy Turenne launched her film, The Eighth Parallel, and hosted rider camps in Canada and Sweden. In skate. Transworld Skateboarding's Street Skater of the Year Torey Pudwill was signed to the athlete roster, Theotis Beasley turned pro and secured multiple video parts and DaKine sponsored several events and produced innovative



online content. In windsurfing, DaKine riders Philip Koster, Dario Ojeda, Kevin Pritchard and Ingrid Larouche each recorded strong results to be among the leaders in their respective competitive series. In kite, DaKine kiteboarder Rob Douglas broke the world speed sailing record and DaKine sponsored the KB4Girls clinics presented by nine-time world champion kiteboarder Kristin Boese. Among key product launches, DaKine introduced the Re-Gen Collection of bags built with 100% recycled PET fabrics made from discarded plastic bottles, the AC Series of products featuring a progressive artistic collaboration between in-house designers and talented international artists, and the Girls high-end Premier Collection featuring a handcrafted mix of premium materials, quality construction. and embellishments.

www.dakine.com





VonZipper is a fashion forward brand centred around the alternative mindset, with a product focus on the eyewear, accessory and premium apparel market. The brand performed strongly in the 2010-11 financial year, with good growth in US sales and market presence across all business categories. In the eyewear division, VonZipper released its innovative melanin-infused MelOptics Lens technology which provides superior eye protection and visual acuity. Adding style to substance, VonZipper released 11 new sunglass styles and 10 new styles to its optical collection. VonZipper also licensed the Modern Amusement evewear collection and launched a new price-point, fast-fashion sunglass brand called Dot Dash. VonZipper's lifestyle and personality-focused

imagery and marketing, based around its sponsored athletes, characters and events, continued to differentiate the brand, with a strong focus on motion media and social networking. For the second year in a row, sponsored snowboarder John Jackson won both TransWorld Snowboarding Snowboarder Magazine's prestigious Rider's Poll Award for Men's Rider of the Year and Men's Video Part of the Year. Fellow VonZipper snowboarder Dan Brisse won a gold medal in the X-Games Real Snow competition and moto X rider Taka Higashino medalled at the X-Games. VonZipper's Surf team had great success in 2011, with Joel Parkinson returning from injury to win the Vans Triple Crown of Surfing in Hawaii, Taj Burrow finishing fourth on the world tour, Josh Kerr earning a place on the 2011 world tour, big wave surfer Grea Long winning SIMA's Waterman of the Year title, exciting junior prospects lan Gentil and Jack Freestone joining the team and surfer/musician Donavon Frankenreiter touring the globe in support of a new album. VonZipper maintained its sponsorship of the qualifying trials at world tour surfing events in South Africa and Tahiti and became the eyewear sponsor of the Billabong Pipeline Masters. Within the community, VonZipper provided support to the Surfrider Foundation and Boarding For Breast Cancer, donated eyewear through its Charity for Clarity initiative and maintained representation within the Surf Industry's Manufacturers Association.

www.vonzipper.com

Building upon solid sales trends through the 2010-11 financial year, Xcel continued to grow both its core specialty wetsuit business and its sun protective product line among non-coastal outdoor markets. Its surf. dive. and military and company owned retail market segments each posted solid sales increases. Xcel was voted the Surf Industry Manufacturer's Association (SIMA) Wetsuit of the Year, the third time in four years that the brand has received the prestigious award as voted on by retailers and industry peers. Marketing efforts remained focused on athletes and events. At Jeffreys Bay, South Africa, the Xcel Pro Showdown at Supertubes continued its growth as a worldspecialty competition, highlighting regional talent and offering the winner a coveted wildcard entry into the 2011 Billabong Pro J-Bay Association of Tour event. Team rider Bede Durbidge finished yet another consistent year on the ASP World Tour, finishing sixth in the 2010 World Title race. Durbidge has now finished in the top 10 in four

out of six years competing on the World Tour. Team rider Greg Long was chosen by SIMA as their 2011 Waterman of the Year for his contributions to the sport of surfing and commitment to community and environmental causes. Hawaiian and US mainland team riders continued to post excellent results in regional and national competitions, as Xcel expanded its athlete roster in tandem with growth into standup paddle and related outdoor markets. Paddle team rider Kanesa Duncan-Seraphin won the elite Molokai2Oahu World Paddleboard Championship title, her eighth win in 10 attempts at the famed 32-mile crossing in which she holds the current world record. Operationally, Xcel maintained its sustainable initiatives, from choosing cleaner manufacturing processes and environmentallyimproving friendlier product to recycling factory and administrative output at its solar-powered Oahu. Hawaii, headquarters. The Xcel Skin Cancer Fund continued to promote skin cancer awareness. with sales of UV Performance Gear raising over \$39,000 to date for the fund. Projects underwritten by the fund and launched within the past vear included local vouth-oriented educational and awareness Xcel's initiatives. summer awareness campaign, developed in partnership with the University of Hawaii Cancer Center, was also recognised as part of the Hawaii State Cancer Plan 2010-2015, an action plan to reduce the burden of cancer in Hawaii by focusing on cancer control and prevention efforts statewide.

www.xcelwetsuits.com



# HONOLUA SURF CO.







Sector 9 is the original longboard skateboard for the surf, skate and snowboarding lifestyles. In the 2010-11 financial year the brand achieved strong double digit sales growth, with particular strength in the US, Australia and Canada, on improved margins. The brand began direct European distribution from 1 January 2011 and achieved good initial success. Sector 9 also grew the licensed Arbor Skateboards division by more than 60%, giving the brand good momentum into 2012. A number of product collaborations were released through the year, including a line of four Bob Marley branded bamboo skateboards which have sold strongly at retail. Sector 9 also released a range of Sea Shepherd Conservation Society skateboards. with royalties from sales supporting the ocean protection group. Other collaborations included the Movember charity event to support men's health and the legendary artists Roy Gonzales and Pat Colon to support the art community. Product development remained a focus for the brand, with new gloves and slide pucks developed downhill skateboarding, removable slide pucks built into apparel, lightweight performance skateboards developed using snowboard-style and a new moulded carbon fibre high-end racing board released. Sector 9's Gullwing Trucks with their patented Kush technology continued to evolve, while the brand lifted its commitment to safety through the release of certified race helmets in conjunction with helmet specialist Predator, Sector 9 also retained its commitment to sponsored riders and re-signed surf team athletes Joel Tudor, Gavin Beschen, Dave Rastavich, Jen Smith and Holly Beck and downhill skate riders including Louis Pilloni, Jeff Budro, Scott "scoot" Smith and Australian Jackson Shapiera. The brand's strong overall performance was also acknowledged through the year by International Association of Skateboard Companies.

www.sector9.com







Palmers is a well-established developer and manufacturer of surf wax, surf hardware and apparel, with a particular focus on the Australian market. In the 2010-11 financial year Palmers maintained its market position. Within core surf accounts, the brand's hero category of accessories - which includes wax, deck grips, legropes and board covers - performed well, as did its limited apparel range of t-shirts, boardshorts and walkshorts. Among key brand initiatives, Palmers developed a new formula for its Mighty Mounds range of wax and evolved its apparel range into the workwear market. The workwear apparel, which includes tops and bottoms, saw the brand extend beyond its traditional surf retail account base and into some workwear-focused specialty stores. Within marketing, Palmers was well represented by athletes. These include surfer Josh Kerr, who requalified for the 2011 Association of Surfing Professionals World Tour and released his signature surffilm Kerrazy Kronicles.

www.palmerssurf.com.au



# **RETAIL**

The Billabong Group took greater ownership of its route to market in the 2010-11 financial year, with company owned retail store numbers lifting to 639 from 380 in the prior year. A total of 324 new stores were either acquired or opened through the period, while a total of 65 stores were closed. The greatest contributor to the lift in store numbers was the acquisition of the listed West 49 retail business in Canada. The purchase of the 138-door chain was announced on 30 June 2010 and completed on 31 August 2010. Subsequent to the acquisition, the Off The Wall chain, a loss-making banner within the West 49 group, was closed to improve overall profitability of the business. There were also several retail acquisitions in the Australian market in the first half of the financial year, including the 36-door Queensland-based Rush Surf banners and the combined 38-door Surf Dive 'n' Ski business in New South Wales and Jetty Surf in Victoria. A comprehensive performance improvement plan was kicked off post-acquisition to maximise synergies and operational efficiency from the acquired businesses, with key initiatives including: migration of all New Zealand and Australian retail stores within the Billabong Group on to a single software platform (acquired with the Surf Dive 'n' Ski business); rationalisation of warehouses from four to one; and upgrading of the retail support team and processes (particularly planning and buying). Billabong retained the acquired retail banners as multi-branded stores, meaning they sell a mix of Billabong Group brands and competing boardsport brands. A similar philosophy is also adopted in the Group's primary online businesses, the Australia-based SurfStitch. com and the US-based Swell.com. Both online businesses experienced significant sales growth in the 2010-11 financial year and were the industry leaders in the boardsports category in their respective territories. The Group also operates online businesses in markets including Canada, South Africa and the United Kingdom and plans are under way to leverage the intellectual property within the existing online operations to develop further sites in markets including Europe.

# **GOVERNANCE OVERVIEW**

The Board of Directors is responsible to shareholders for the performance of the Group and believes that high standards of corporate governance underpin the Company's objective of maximising returns to shareholders. The Board is committed to the highest level of governance and endeavours to foster a culture that rewards ethical standards and corporate integrity. To this end, the Group considers it complies with the practices set out in the ASX Corporate Governance Principles and Recommendations quidelines.

Underpinning the guidelines are eight key principles, being:

- · Lay solid foundations for management and oversight
- Structure the Board to add value
- Promote ethical and responsible decision making
- · Safeguard integrity in financial reporting
- · Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Remunerate fairly and responsibly

Greater detail on compliance with each of the principles is available in the Company's 2010-11 Full Financial Report and on the website www.billabongbiz.com.



### **TED KUNKEL**

(Non-Executive Chairman)

Ted Kunkel was previously the President and Chief Executive Officer of Foster's Group Limited and associated companies. He has extensive international business experience.

### **DEREK O'NEILL**

(CEO)

Derek O'Neill was appointed as 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, Derek was awarded a Chevalier d'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. He is a current non-executive director of Brambles Limited and Coca-Cola Amatil Limited. He is also a former director of AXA Asia Pacific Holdings Limited and National Mutual Life Association of Australasia Limited.

### **MARGARET JACKSON AC**

(Non-Executive Director)

Margaret Jackson was a Partner of KPMG Peat Marwick's Management Consulting Division and National Chairman of the KPMG Micro Economic Reform Group until 30 June 1992, when she resigned to pursue a full-time career as a company Director. Ms Jackson was previously a director of Australia and New Zealand Banking Group Limited, The Broken Hill Proprietary Company Limited, John Fairfax Holdings Limited, Southcorp Limited and Pacific Dunlop Limited and chairman of Qantas Airways Limited. Margaret is also President of Australian Volunteers International and the Advisory Board chairman for the Salvation Army Southern Territory. She is also currently a director and chairman of FlexiGroup Limited. Margaret was awarded a Companion of the Order of Australia in the General Division (AQ) in June 2003 for service to business in diverse and leading Australian corporations and to the community in the area of support for medical research, the arts and education.

### **ALLAN MCDONALD**

(Non-Executive Director)

Allan McDonald has extensive experience in the investment and commercial banking fields and is presently associated with a number of companies as a consultant and company director. Mr McDonald is a director of Astro Japan Property Group Limited and Astro Japan Property Management Limited (the responsible entity for the Astro Japan Property Trust), which are associated with listed stapled securities of the Astro Japan Property Group. He is also a director and chairman of Brookfield Funds Management Limited, the responsible entity of the Multiplex SITES Trust, and Brookfield Capital Management Limited, the responsible entity of Brookfield Australian Opportunities Fund, Multiplex European Property Fund and Brookfield Prime Property Fund. He is also a former director and chairman of Ross Human Directions Limited.

### **GORDON MERCHANT AM**

(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. Mr Merchant was awarded a Member of the Order of Australia in the 2010 Australia Day Honours List for service to business, particularly the manufacturing sector, and for his support of medical, youth and marine conservation organisations and surf lifesaving. He is also a director of Plantic Technologies Limited.

### **PAUL NAUDE**

(Executive Director)

Paul Naude was appointed President of Billabong's American operations in September 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.

### **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 is also a director of Plantic Technologies Limited.



# **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, AUSTRALIA PH: +61 7 5589 9899 FAX: +61 7 5589 9800

### **BRAZIL**

### **GSM BRASIL LTDA**

Incorporated in Brazil Rua Natividade 139 Sao Paulo SP CEP 04513-020, BRAZIL PH: + 55 11 3618 8600 FAX: + 55 11 3618 8636

### CANADA

### GSM (CANADA) PTY LTD

5825 Kieren Street Ville St Laurent Quebec H4S 0A3, CANADA PH: +1 514 336 6382 FAX: +1 514 336 1753

### **CHILE**

### **GSM CHILE LIMITADA**

Incorporated in Chile San Ignacio 500 modulo 11 Quilicura Santiago 872-0019, CHILE PH: + 56 2 218 7041 FAX: + 56 2 219 3753

### **FRANCE**

### GSM (EUROPE) PTY LTD

100 Avenue Des Sabotiers ZA De Pedebert 40150 Soorts-Hossegor, FRANCE PH: +33 55843 4205 FAX: +33 55843 4089

### **HONG KONG**

### GSM (CENTRAL SOURCING) PTY LTD

27th Floor Langham Place Office Tower 8 Argyle Street Mongkok Kowloon, HONG KONG PH: +85 2 2439 6676 FAX: +85 2 2439 6007

### **INDONESIA**

### PT BILLABONG INDONESIA

Incorporated in Indonesia Istana Kuta Galleria Block Techno 12A-B Jalan Patih Jelantik Kuta Bali 80361, INDONESIA PH: + 62 361 769157 FAX: + 62 361 769158

### JAPAN

### GSM (JAPAN) LIMITED

Incorporated in Japan 4-3-2 Ohtsu-Grand Building 6F Bakuro-Machi Chuo-Ku Osaka 541-0059, JAPAN PH: +81 6 4963 6170 FAX: +81 6 4963 6171

### **KOREA**

### GSM (KOREA) PTY LTD

Myeong Lim B/D 4F, 51-8 Gangnamgu, Nonhyeondong Seoul, REPUBLIC OF KOREA PH: +82 2 512 0934 FAX: +82 2 512 0935

### **NEW ZEALAND**

### GSM (NZ OPERATIONS) LIMITED

Incorporated in New Zealand 44 Arrenway Drive Albany Auckland 0632, NEW ZEALAND PH: +64 9 475 0888 FAX: +64 9 414 5039

### **PERU**

### SANMAREE PTY LTD

(Sucursal del Perú) Av. Benavides 1744 Miraflores Lima 18, PERU PH: +51 1 243 3157 FAX: +51 1 243 3159

### **SINGAPORE**

### GSM TRADING (SINGAPORE) PTY LTD

8 Jalan Kilang Timor #03-05 Kewalram House, SINGAPORE 159305 PH: +65 6270 9181 FAX: +65 6270 0127

### **SOUTH AFRICA**

## GSM TRADING (SOUTH AFRICA) PTY LTD

2A Da Gama Road Jeffreys Bay Eastern Cape, 6330 SOUTH AFRICA PH: +27 42 200 2600 FAX: +27 42 293 2478

### **THAILAND**

### GSM OPERATIONS (THAILAND) LTD

Incorporated in Thailand Room No. 2501/5 25th Floor 159 Serm Mit Tower Building Sukhumvit 21 Road North-Klongtoey Wattana Bangkok, THAILAND PH: +66 26652862 FAX: +66 26652864

### **USA**

### **BURLEIGH POINT LTD**

Incorporated in California 117 Waterworks Way Irvine CA 92618, USA PH: +1 949 753 7222 FAX: +1 949 753 7223





### **DIRECTORS**

Ted Kunkel

Non-Executive Chairman

Derek O'Neill

Chief Executive Officer

Tony Froggatt

Non-Executive Director

Margaret Jackson AC

Non-Executive Director

Allan McDonald

Non-Executive Director

Gordon Merchant AM

Non-Executive Director

Paul Naude

Executive Director

Colette Paull

Non-Executive Director

### **COMPANY SECRETARY**

Maria Manning

B.Bus (Acc), CPA and FCIS

### **SENIOR MANAGEMENT**

Chief Executive Officer:

Derek O'Neill

Chief Financial Officer:

Craig White

General Manager, Billabong Australasia:

Shannan North

General Manager,

Billabong Europe:

Franco Fogliato

General Manager,

Billabong North America:

Paul Naude

# PRINCIPAL AND REGISTERED OFFICE

1 Billabong Place, Burleigh Heads QLD 4220

Telephone: +61 7 5589 9899 Facsimile: +61 7 5589 9800

### **POSTAL ADDRESS**

PO Box 283,

Burleigh Heads QLD 4220

### INTERNET

Corporate: www.billabongbiz.com Marketing: www.billabong.com

### **SHARE REGISTRY**

### Computershare Investor Services Pty Limited

GPO Box 2975 Melbourne VIC 3001 Telephone Australia:

1300 850 505

Telephone International:

+61 3 9415 4000

Facsimile:

+61 3 9473 2500

Email:

web.gueries@computershare.com.au

### **AUDITORS**

### PricewaterhouseCoopers

Riverside Centre, 123 Eagle St Brisbane QLD 4000

### **SOLICITORS**

### Allens Arthur Robinson:

Level 28. Deutsche Bank Place.

Corner of Hunter & Phillip Streets Sydney NSW 2000

### Clayton Utz:

71 Eagle Street Brisbane QLD 4000

### Freehills:

101 Collins Street Melbourne VIC 3000

### Minter Ellison:

159 Varsity Parade Varsity Lakes QLD 4227

### **BANKERS**

### Australia and New Zealand Banking Group Limited:

324 Queen Street Brisbane QLD 4000

### Bank of America Merrill Lynch:

Level 38, Governor Phillip Tower 1 Farrer Place Sydney NSW 2000

### Commonwealth Bank of Australia:

240 Queen Street Brisbane QLD 4000

### HSBC Bank Australia Limited:

300 Oueen Street Brisbane OLD 4000

### National Australia Bank Limited:

100 Creek Street Brisbane OLD 4000

### Société Générale:

RESO/CLT/ENT, TOUR GRANITE

17 Cours VALMY, 75886 PARIS Cedex 18 FRANCE

### Westpac Banking Corporation:

260 Oueen Street Brisbane OLD 4000

### STOCK EXCHANGE LISTING

Billabong International Limited shares are listed on the Australian Securities Exchange (ASX). The home branch is Brisbane. Ticker: BBG.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting of Billabong International Limited will be held in the Sorrento Room of the Sofitel Hotel at Broadbeach, Gold Coast, on Tuesday, 25 October 2011, at 10.00am. A formal Notice of Meeting and Proxy Form will be made available to all shareholders

# **CORPORATE DIRECTORY**

