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

ASX ANNOUNCEMENT

BILLABONG INTERNATIONAL LIMITED RESULTS FOR THE HALF YEAR TO 31 DECEMBER 2013 AND TURNAROUND UPDATE

GOLD COAST, 21 February 2014: Billabong International Limited ("Billabong", the "Company", together with its subsidiaries, the "Group") today announces its half-year financial results to 31 December 2013.

Overview

- Net Loss After Tax (including Significant Items) for half-year to 31 December 2013 of $126.3m compared to a loss of $536.6m for the six months ended 31 December 2012 (the prior corresponding period, or "pcp")
- Result includes Significant Items, covering restructuring and refinancing costs and non-cash tax asset write offs
- Revenue from continuing operations $579.8m up 3% on the pcp
- EBITDA from continuing operations $42.4m down $6.9m on the pcp
- Turnaround strategy in place, new organisational structure and key appointments to executive and brand teams announced

Billabong CEO Neil Fiske said; "Today we detail important operational and structural changes which we expect will drive our turnaround program announced last December. We are re-aligning the organisation to the previously announced seven part strategy and have begun making key executive, operational and brand appointments."

Mr Fiske outlined the list of actions that have been undertaken thus far (detailed in Schedule 1) and the Company's focus for the next six months.

"I am pleased with the progress we have made. But make no mistake, this is a complex, difficult turnaround and the reforms we are putting in place will take some time to flow through to our bottom line.

The results announced today reflect a turbulent period for the Company, including significant refinancing and restructuring costs.

The period of uncertainty before the Centerbridge Oaktree Consortium (C/O Consortium) refinancing resulted in operational instability in the Americas which has weighed on the result. We've moved quickly to address leadership and talent gaps, restructure poorly performing parts of the business and get back on the front foot with our sales force and key accounts," said Mr Fiske.

Billabong Reported Earnings– Half Year to December 2013

AUD millions	Statutory result	Continuing businesses
Sales to external customers ("Global Sales")	667.0	576.8
EBITDA	(6.7)	42.4
EBIT	(44.4)	24.3
Net Profit (Loss) After Tax (attributable to members)	**(126.3)**	**3.9**

Global Sales were $667m and NPAT after significant items was a loss of $126.3m compared to a loss of $536.6m for the pcp.

Included in the result are substantial refinancing costs, restructuring and redundancy costs across all of our operations and more than $60 million of non-cash tax adjustments.

Billabong's portfolio of assets has also changed since the previous corresponding period with the sale of the DaKine brand in July 2013, the exit of virtually all of the Group's 48.5% interest in Nixon, in July 2013, and the recent completion in February 2014 of the sale of its Canadian retail chain, West 49.

Excluding the discontinued businesses Global Sales were $576.8m up 3% on the pcp. On the same basis, EBITDA was $42.4m down $6.9m on the pcp.

Adjusted earnings (Six months ended 31 December 2013)

AUD millions	**Continuing businesses** (excluding Dakine, West 49 and Nixon)				**As Reported** (excl Significant Items)	
	This Yr	Last Yr	% Change	% Change (cc)	This Yr	Last Yr
Sales to external customers						
Americas	208.8	204.0	2.4%	-7.6%	296.0	320.1
Europe	95.5	80.0	19.4%	0.7%	98.5	103.6
Australasia	272.5	275.9	-1.2%	-1.3%	272.5	275.9
Total	576.8	560.0	3.0%	-3.4%	667.0	699.6
EBITDA						
Americas	9.7	17.7	-45.1%	-52.4%	8.2	21.2
Europe	-3.4	-2.3	-48.3%	-79.1%	-3.0	2.6
Australasia	34.4	32.5	6.1%	5.6%	34.4	32.5
Global (royalties)	1.6	1.4	8.7%	8.7%	1.6	1.4
Total	42.4	49.3	-14.1%	-19.5%	41.2	57.8

See notes 3, 4 and 6 in Billabong's financial statements for the six months ended 31 December 2013, filed on ASX on 21 February 2014, for details of the adjustments relating to discontinued operations and significant items

Of the earnings decline in the Americas of $8m, $4.9m was attributable to South America. To address the issues in this region the Company recently entered into distributor arrangements in Peru and Chile and we have appointed highly experienced surf industry executive, Felipe Motta, as Vice President Latin America. The result was also heavily impacted by the period of uncertainty before the C/O Consortium refinancing.

Whilst the Americas were down collectively the rest of the Group was ahead compared to the pcp.

In Europe sales grew slightly and earnings were relatively stable. The benefits of the operational restructuring progressed during the period were offset by the expected start-up losses from SurfStitch's European operations.

The results for Australasia were ahead of the prior year. Revenue was down slightly, reflecting the impact of the store closure program offset by good performances for brand Billabong and RVCA, which both showed growth during the period. Tight cost controls resulted in EBITDA growth of 5.6% for the period.

Turnaround update

Together with the results, Billabong today provides a further update on its turnaround program which Mr Fiske first detailed last December at the Company's AGM.

Mr Fiske continues to emphasise his strategy of "fewer, bigger, better" and re-focusing the Company on building strong global brands. Earlier this month, the Company announced renewed arrangements with brand founders, key athlete sponsorship agreements, the completion of the exit of our Canadian multi-brand retail operation, West 49 and a strategic review of its multi-brand eCommerce businesses SurfStitch and Swell.

Mr Fiske today details a new Company structure to align the organisation to the strategic direction of the turnaround plan. The new structure is designed to:

- accelerate global growth in the "big three" brands (Billabong, Element, RVCA);
- drive sales, channel development and high growth "emerging brands" through the regional leadership; and
- deliver scale and efficiency through global support functions.

"In order to maximise the potential of the big three brands, we have created global brand structures reporting to the CEO. Global merchandising, marketing, design, and digital commerce will report up through the Brand President or General Manager. Importantly however, we are not centralising design or merchandising into any one region. Rather we are leaving design, merchandising and marketing teams in each region to be close to the market, fast, and highly attuned to customer needs.

We want global brands that are locally responsive," said Mr Fiske.

Mr Fiske said delivering on the strategy required experienced executives with specific expertise and detailed the following appointments;

- Shannan North has been appointed Global Billabong Brand President. Shannan was appointed as General Manager of Billabong's Asia-Pacific region in 2004 and has over 20 years' hands on brand experience in the surf industry. Paul Burdekin, currently General Manager Tigerlily, RVCA and Von Zipper for the region has been appointed Acting General Manager Asia Pacific.

- Bennett Nussbaum has been appointed to lead Billabong's Turnaround Office, which will oversee the Company's cost reduction and restructuring initiatives. Bennett led the highly successful post-merger integration of Winn-Dixie and BI-LO Holdings, LLC (two large US grocery retailers with combined sales of US$10 billion), was part of the leadership team that conducted a successful turnaround at Burger King, led the restructuring of printing services company Kinko's and was the former Senior VP and CFO of Pepsi-Cola International.
- Mara Pagotto has been appointed as Chief Human Resources Officer. She has extensive experience in turnaround situations, having joined the Company from US resort operator Intrawest where she was Chief People Officer and previously heading the HR division for Global Travel at American Express.

All three will report directly to Mr Fiske and join Peter Myers (CFO), Ed Leasure (President Americas) and Jean-Louis Rodrigues (General Manager Europe) as part of the executive team. The Company will detail further executive, brand and operational appointments to complete the organisational realignment in the coming months.

Financial position

The successful completion of the Rights Issue together with the C/O Consortium Placement monies will raise up to $182m (net of transaction costs) to reduce the net debt of the Group. Apart from $43m of deferred consideration in respect of previous acquisitions, as at 31 December 2013 the Group's net borrowings were $175m. Therefore on a pro-forma basis, if the two capital raisings had been completed at December 2013 the Company would have had no net borrowings. Even allowing for the seasonal nature of the Group's cash flows which means that at times net debt will be higher, it is clear that post the capital raisings the balance sheet will have been materially strengthened since the end of 30 June 2013.

Rights Issue

The Company today launched the previously announced $50 million, 3 for 8 Rights Issue for the prepayment of existing debt and general corporate purposes.

The offer price is $0.28 per new share, representing a discount of 62% to Billabong's closing price on 20 February 2014 of $0.73 and a 57% discount to TERP of $0.65.

The Rights Issue is structured as a non-underwritten, 3 for 8[1] pro rata accelerated institutional, tradeable retail entitlement offer. Up to approximately 180,273,753 new Billabong ordinary shares will be issued, to raise up to approximately A$50 million, with newly issued shares ranking pari passu with existing shares. The A$50 million raising size has been calculated on the basis of a 3 for 8 ratio taking into account that the C/O Consortium has agreed that it

[1] *The offer ratio for the Rights Issue is 3 for every 8 shares, and to be consistent with the agreement between Billabong and the C/O Consortium, the C/O Consortium will not be taking up or selling their rights in respect of the Placement shares (and such shares shall not be part of any shortfall book build). As a result, it is expected that the Rights Issue will result in the issuance of up to 180,273,753 shares at A$0.28 per share, and will raise up to approximately A$50 million.*

will not participate in the Entitlement Offer and that its entitlements will not be part of any shortfall book build.

Following the release of the half-year results the Company will communicate directly with shareholders internationally with respect to their ability to participate. It anticipates making further announcements with respect to the Rights Issue, in accordance with ASX continuous reporting obligations, in due course.

Event	**Date (2014)**
Entitlement Offer announced and Institutional Entitlement Offer Opened	Friday, 21 February 2014
Pathfinder prospectus lodged with ASX	Friday, 21 February 2014
Institutional Entitlement Offer closed	Monday, 24 February 2014
Institutional Shortfall Bookbuild	Tuesday, 25 February 2014
Record Date for eligibility in the Entitlement Offer	7.00pm (Sydney time) Wednesday, 26 February 2014
Entitlements under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 26 February 2014
Retail Entitlement Offer Opens	**Thursday, 27 February 2014**
Settlement of both Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Wednesday, 5 March 2014
Trading on ASX of Entitlements under the Retail Entitlement Offer ends	Tuesday, 11 March 2014
Retail Closing Date	**5.00pm (Sydney time) Tuesday, 18 March 2014**
Retail Shortfall Bookbuild	Tuesday, 25 March 2014 (after market close)
Settlement of both Retail Entitlement Offer and Retail Shortfall Bookbuild	**Friday, 28 March 2014**
Dispatch of holding statements to holders of New Shares issued under the Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday, 2 April 2014
Retail Premium (if any) expected to be dispatched	Wednesday, 2 April 2014

Note: The above timetable is indicative only and subject to change. All times refer to the time in Sydney Time Australia unless otherwise indicated

Restatement to tax effect accounting for brand intangible assets

At 30 June 2012 the carrying value of brands held by the Group were impaired. It has since been determined that an associated deferred tax liability of $45m should have been de-recognised and accordingly the 2012 financial statements require restatement. The effect is to reduce the deferred tax liability and increase retained earnings. There has been no cash flow impact associated with the restatement for 2012 or any subsequent period, nor has there been any income statement impact on any reporting periods subsequent to 30 June 2012. Relevant historical balance sheet comparisons have been restated in the accompanying financial statements.

Second half trading to date

Trading in the early part of the second half has been largely consistent with the first. EBITDA in the Americas remains down year on year and the difficult conditions it faces continue. The rest of the Group is up slightly. The Company notes that in recent years Billabong's first half EBITDA has represented as much as three quarters of the Company's annual earnings. Whilst the strategy is set, the Company is still finalising the detailed work on the turnaround plan. The Group expects that the second half will begin to be impacted from the early stages of cost out initiatives, offset by the selective investments being made in capability and marketing.

For media and investor related queries please contact Chris Fogarty, Group Executive Corporate Affairs on +61 420 928 824 or email: Chris.Fogarty@billabong.com.au.

MARIA MANNING
COMPANY SECRETARY

SCHEDULE 1

Summary of actions to date

Brand	• Re-signed RVCA, Element and Von Zipper brand founders • Re-signed ASP 2012 World Champ Joel Parkinson • Signed marquee next generation athlete - Jack Robinson
Portfolio actions	• Sold West 49 • Strategic review of SurfStitch and Swell
Go to market changes	• Chile and Peru to distributor model (Forus) • Smaller brands to distributors outside of Tier 1 countries
Restructuring	• New organisational structure implemented • Europe downsizing • South Africa restructuring
Talent	• Executive team appointments — Shannan North – Global Billabong Brand President — Ed Leasure – President Americas — Jean-Louis Rodrigues – General Manager Europe — Mara Pagotto – Chief Human Resources Officer (CHRO) — Bennett Nussbaum – Turnaround Office • Paul Burdekin - Acting General Manager Asia-Pacific • Felipe Motta - Latin America Vice President • Billabong brand — Susan Branch – Global Womens General Manager — Lisa Stemmler – Global Vice President Womens Design — Brad Lancaster – Global Mens Creative Director — Jason Shelton – Vice President Sales (US) — Justin Cook – National Sales Manager (Australia) — Michael Minter - Global Creative Marketing Director
Financial	• US$360 million New Term Debt • A$135 million placement • A$50 million rights offering launched today • US$100 million Asset-based facility in place

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither the entitlements, nor the new shares to be issued under the rights issue ("New Shares"), have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this announcement nor any other documents relating to the offer of New Shares may be sent or distributed to persons in the United States.

To the extent this announcement contains certain "forward-looking statements", the words "expect", "expected", "plan", "will" and similar expressions are intended to identify such forward-looking statements. Indications of future performance are also forward-looking statements, as are any statements in this announcement regarding the conduct and outcome of the rights issue, the future strategy and the turnaround program. You are cautioned not to place undue reliance on forward-looking statements. While due care and attention has been used in the preparation of any forward-looking statements, any such statements, opinions and estimates in this announcement, are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates.

Any forward-looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Billabong, and may involve significant elements of subjective judgement and assumptions as to future events, which may or may not be correct. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which such statements are based. Investors should consider any forward-looking statements contained in this announcement in light of those disclosures. Any forward-looking statements are based on information available to Billabong as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), Billabong undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Investors should be aware that certain financial data included in this announcement are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include EBITDA and EBIT. The disclosure of such non-GAAP financial measures in the manner included in this announcement may not be permissible in a registration statement under the Securities Act. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although Billabong believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-GAAP financial measures included in this announcement.