



**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 FULL YEAR TO 30 JUNE 2014

GOLD COAST, 28 August 2014: Billabong International Limited (“Billabong”, the “Company”, together with its subsidiaries, the “Group”) today announces its full-year financial results to 30 June 2014. All figures quoted are in Australian dollars unless otherwise stated.

Overview

- Including significant items and discontinued businesses, Net Loss after Tax for full-year to 30 June 2014 of \$233.7 million compared to a loss of \$859.5 million for the previous corresponding period (“pcp”). On the same basis, EBITDA was a loss of \$52.3 million.
- Excluding significant items and discontinued businesses, EBITDA for the period was a profit of \$52.5 million.
- On a pro forma basis, taking into account the anticipated sale of the SurfStitch and Swell businesses, the EBITDA result is a profit of \$60.3 million (again excluding significant items and discontinued businesses).
- Leadership and global re-organisation in place. Early signs that growth in key brands in major markets is returning. Complex challenges remain. Turnaround is accelerating and gaining traction across the business.

Billabong CEO Neil Fiske said, “In the nine months since announcing our seven part turnaround strategy we have significantly stabilised, restructured and refocused the business. The Company has a far stronger balance sheet. We have put in place a new global organisational structure and executive team. We have begun to simplify the portfolio. We have taken, and continue to take, significant costs out of the business.

The turnaround is gaining traction.

As said at the half year, we are at the early stages of a complex, difficult turnaround. The progress we have announced today will take time to fully flow through the business but I am pleased with the early indicators of success.”

Among those indicators was brand Billabong being on track for wholesale growth in the United States for the first time in several years based on FY15 forward orders. Billabong grew by 5% in the Asia-Pacific in the last six months.

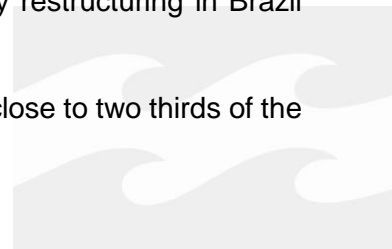
“Billabong is our largest brand in our portfolio and the first to implement our global brand approach – so these trends are very encouraging,” said Mr Fiske.

Mr Fiske said the Asia-Pacific region was also seeing growth generally while European operations have stabilised.

“Our biggest challenge and our greatest opportunity in the 12 months ahead is the Americas,” said Mr Fiske.

The region’s results were disproportionately weighed down by restructuring in Brazil and a weak Canadian action sports market.

“The good news is that Billabong and RVCA, which represent close to two thirds of the





region's brand sales, are seeing signs of growth in the US wholesale market," said Mr Fiske.

Billabong Reported Earnings - Full Year to 30 June 2014

| AUD millions | Statutory result | Continuing businesses at June 30 * | Pro-forma for the sale of SurfStitch and Swell ** |
|---|------------------|---------------------------------------|--|
| Sales revenue | 1,217.5 | 1,119.2 | 1,021.5 |
| EBITDA | (52.3) | 52.5 | 60.3 |
| EBIT | (138.9) | 14.8 | 25.9 |
| Net Loss After Tax (Attributable to Members) | (233.7) | (14.4) | n/a |

* Excludes DaKine, West 49 and Significant Items

** Excludes DaKine, West 49, SurfStitch, Swell and Significant Items

Net loss after tax, including significant items and discontinued businesses, was \$233.7 million compared to a loss of \$859.5 million for the pcp.

Included in the result is \$146 million of pre-tax significant items, including refinancing, restructuring and redundancy costs across all of our operations, non-cash impairment charges and fair value adjustments plus non-cash tax adjustments of more than \$60 million.

Billabong's portfolio of assets has 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, and the sale of its Canadian retail chain, West 49. Since the end of the financial year the Group announced the conditional sale of both its 100% ownership of Swell.com in North America ("Swell") and 51% stake in SurfStitch.com in Australia and Europe ("SurfStitch").

Excluding the discontinued businesses (but inclusive of SurfStitch and Swell) global sales were \$1.1 billion, up 1.5% in AUD terms. On the same basis, EBITDA was a profit of \$52.5 million down \$18.6 million on the pcp.

Further adjusting for SurfStitch and Swell, on a pro-forma basis, the businesses that the Company will own going forward generated \$1.02 billion in revenue and produced \$60.3 million of EBITDA during 2014, excluding significant items.

| AUD millions | Ex Discontinued Businesses | | | | As Reported | |
|--------------|---|---------|----------|----------------|---|---------|
| | (excl Dakine, West 49, Nixon and excl Significant Items) | | | | (incl Dakine, West 49, Nixon and excl Significant Items) | |
| | This Yr | Last Yr | % Change | % Change (cc)* | This Yr | Last Yr |
| Revenue | | | | | | |
| Americas | 442.6 | 450.3 | -1.7% | -9.9% | 538.0 | 636.8 |
| Asia Pacific | 480.5 | 471.8 | 1.9% | 1.1% | 480.5 | 471.8 |
| Europe | 196.1 | 180.9 | 8.4% | -7.5% | 199.0 | 232.1 |
| Total | 1,119.2 | 1,103.0 | 1.5% | -5.0% | 1,217.5 | 1,340.7 |
| EBITDA | | | | | | |
| Americas | 23.6 | 46.9 | -49.7% | -54.6% | 17.6 | 38.0 |
| Asia Pacific | 34.6 | 31.9 | 8.2% | 7.8% | 34.6 | 31.9 |
| Europe | (8.5) | (10.4) | 18.9% | 23.7% | (8.1) | (0.1) |
| Global | 2.8 | 2.8 | 3.0% | 3.0% | 2.8 | 2.8 |
| Total | 52.5 | 71.2 | -26.2% | -30.6% | 46.9 | 72.6 |

* Constant Currency



Regional overview

The operating results for the year for the Group's continuing businesses are consistent with the trends reported at the interim results in February, with the majority of the earnings coming in the seasonally stronger first half, the Americas below last year, but Asia-Pacific and Europe collectively growing.

By region, the Americas accounted for all of the weakness in the Group results.

The Americas have operated in a challenging environment with revenues down 9.9% for the year in local currency terms. As noted at the time of the interim results, the period of corporate upheaval in 2013 and overhanging problems had hit this region particularly hard, the effects of which would remain with the Company throughout the second half.

The Company is beginning to systematically address a range of issues and seeing early signs of improvement.

The second half was heavily impacted by Canada, with second half wholesale sales down US\$3.9 million, and by Brazil, where wholesale sales for the latest half were down US\$6.5 million.

Retail bricks and mortar revenues for North America were driven down in part by store closures. Comp store sales were down 6% for the half, reflecting weak US retail store traffic data across the industry.

Coming into FY15, Billabong forward orders are ahead of the prior period for the region, as are RVCA, while a restructured Element team under Frank Voit's leadership is focused on rebuilding brand performance in the key North American marketplace.

Whilst the Americas were down, both Asia-Pacific and Europe saw EBITDA improvement.

In the Asia-Pacific region sales for the year were up 1.1% with the second half sales growing 4.5% on a constant currency basis, compared to the previous six months. Comp store sales were also stronger in the second half, up 2.3% compared to just 0.6% in the first half. Regional overheads were down by \$10.2 million for the year compared to the pcp. Despite some impact on gross profit margins from a lower Australian dollar during the middle of the year, overall EBITDA for the year was up \$2.7 million or 7.8% on a constant currency basis.

In Europe the operation has been right sized into a smaller more stable business. A tighter focus on quality customers, a reduced reliance on close out sales as we begin to get inventories under control and a significant reduction in overhead have delivered a more stable earnings performance after years of decline. While Europe reported an overall EBITDA loss, after excluding the SurfStitch start-up losses and Europe's allocation of global overhead, the region generated an EBITDA profit of \$5.2 million up \$1 million on the pcp. Comp store sales grew 5.9% on the pcp.

Turnaround update

Mr Fiske today provided an update on the seven part turnaround strategy announced to the market in December 2013.

"First we laid out our strategy. Then we aligned the organisation structure to that strategy. Now, we have built out a senior leadership team to drive execution and are seeing progress accelerate in each area."



Among the key appointments into newly created roles, Mr Fiske highlighted three global brand leaders, a new Chief Operating Officer and a number of key operating executives.

Under the new leadership team, the Company has filled 63 key positions with both internal promotions and external hires. This talent investment has been funded with productivity gains and reductions in head count.

“We have implemented an organisation designed to unlock the potential of our brands while developing scale in global capabilities such as supply chain and direct to consumer. Momentum is building and progress is accelerating.”

Mr Fiske emphasised that the Company must play both “offence” and “defence” simultaneously, cutting costs and improving cash flow in order to fund investments in capability and brand building that will generate growth. “We are taking a pay as you go approach to regenerating our growth,” Mr Fiske said.

The Company’s restructuring actions and cost reductions implemented during the year include:

- Overhead reductions of \$22.6 million, the majority of which occurred in the second half.
- Downsizing and restructuring initiatives in Europe, South Africa, Brazil and Asia.
- Conversion of Chile and Peru to distributor models.
- Sale of West 49.
- Closure of 41 underperforming stores globally.
- Retail operating improvements that have improved store level profitability by 210 basis points.
- The strategic review of the multi-brand SurfStitch and Swell e-commerce businesses resulting in agreement for the repatriation of our branded e-commerce sites and the sale of the multi-brand sites. The sale will result in Billabong receiving \$35 million available to be invested in the Company’s underdeveloped mono-brand digital commerce business.

Major projects recently launched or underway include:

- Establishing a global supply chain operation and overhauling the Company’s Asian sourcing operation under a new VP of Supply Chain.
- Commencing the redesign of the global logistics and distribution network.
- Establishment of global IT and Direct to Consumer platform groups, leading to immediate cost savings and the opportunity to achieve scale by “building it once and building it right”.

Mr Fiske said the Company was continuing to take tough decisions to deal with a number of “overhanging problems” from the past, including poor inventory management, bad contracts and onerous leases.

On the “offence” agenda, Mr Fiske highlighted the move toward global brand teams, strengthening merchandising and design through an initiative called “merchant front end” and revamping the Company’s marketing programs. He emphasised that the growth in the direct to consumer business would be complementary to the Company’s wholesale channel win back program.



Along with the improving outlook for Billabong, Mr Fiske said there were further indicators that the turnaround was gaining traction, including:

- Reacceleration of momentum at RVCA.
- Positive results from recently opened mono-brand stores.
- Growth in the mono-brand ecommerce revenue in the US of 27% in 2014.
- Positive pilot test results from an increased focus on “the big three” brands (Billabong, Element, and RVCA) in Australian multi-brand retail, showing the potential for continued growth in sales.
- Identified significant sourcing savings which will start to accrue in the second half of FY15.

The Company cautioned though that the changes underway would take time to flow through to the bottom line, given the complexity of the turnaround, lead times in the business, the bedding down of new leadership and structures across the global operation and a challenging economic environment in key markets.

Mr Fiske concluded, “I am encouraged by the progress and tangible results we are starting to see in all seven parts of our turnaround program. There’s much more work to do and the road ahead remains challenging. But our opportunities are clear. With our much stronger balance sheet, restructured operations and strategic roadmap, we are laying the foundation to allow for growth and profitability in the years ahead.”

SurfStitch and Swell

On 21 August 2014 Billabong announced that it had entered into binding documentation to sell its 51% stake in SurfStitch and its 100% ownership of Swell to a consortium of investors including SurfStitch founders Justin Cameron and Lex Pedersen (“SurfStitch Consortium”) (“Transactions”).

The Company announced that the Transactions are inter-conditional and subject to conditions precedent which are typical for transactions of this type, including the completion of the funding process being undertaken by the SurfStitch Consortium.

The Company today announces that the SurfStitch Consortium confirmed that it has sufficient funding arrangements in place and the sale agreements are no longer conditional upon finance. Provided all remaining conditions precedent are satisfied, completion is expected to occur in mid-September 2014.

Dividend

No dividend has been declared.

Outlook

Trading to date in FY15 largely reflects the same themes as have been experienced throughout FY14. Asia-Pacific and Europe continue to trade satisfactorily. In the Americas the Company continues to confront difficult conditions but our forward orders for Billabong and RVCA are ahead of last year and our comp store sales in the US, whilst still below last year, have improved relative to the most recent half. As we move through FY15 the Company expects to see the impact of the turnaround strategy in the results but it is not possible at this time to quantify the extent of such impact.

TRACEY WOOD
COMPANY SECRETARY

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