



**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

2014 ANNUAL GENERAL MEETING CHAIRMAN AND MANAGING DIRECTOR & CEO ADDRESSES 21 NOVEMBER 2014

CHAIRMAN'S ADDRESS IAN POLLARD

Good morning.

On behalf on my fellow Directors I welcome you to the 2014 Billabong International Annual General Meeting.

In the Chairman's Report in our Annual Report I provided in some detail a review of the last 12 months. Today I will summarise how far our Company has travelled since our last AGM and then pass over to our CEO Neil Fiske to report on our brands and operations.

Whereas there was uncertainty as to our future direction just 15 months ago, there is now clarity of purpose, underpinned by Neil's seven-part turnaround strategy.

Unveiled by Neil at our last AGM in December, that strategy has been very well received by both our people and our shareholders. The focus since then has been on putting in place the key platforms for its implementation.

One key platform is the company's balance sheet, which was significantly strengthened by the recapitalisation early in 2014. That recapitalisation was strongly supported by institutional and retail shareholders as well as by Centerbridge and Oaktree, who are now our largest shareholders.

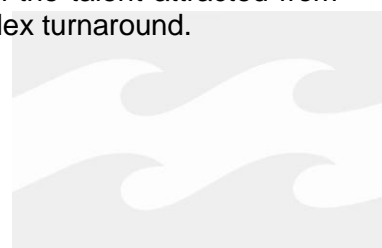
The management team, led by Neil, has moved at a deliberate but intensely focused pace to shift the organisation's attention firmly onto customers' needs in wholesale and retail and onto our core followers globally. In the latter context it is pleasing to note that the media focus on Billabong has largely moved away from matters of ownership, funding and due diligence to where it belongs - the reef breaks of the latest international surfing competitions. The Billabong Pro in Tahiti saw the largest ever live audience for a competitive surf event.

There is however an enormous amount of work to be done in rebuilding the business, particularly in the Americas, which is our largest market. In some respects that work has only just begun.

Our full global management team has been in place for little more than six months and only one of Neil's direct reports was in their current role 15 months ago – our CFO Peter Myers.

Across the organisation globally there have been over 65 new senior appointments of highly qualified executives with direct industry experience. Those appointments could not be rushed as we sought the best talent to support the medium and long-term future of the business.

Throughout the year, Neil and his team also identified existing high calibre talent within the organisation to promote. These promotions, together with the talent attracted from outside, have positioned us to take on the challenge of a complex turnaround.





Those appointees cannot effect major change until they fully understand and evaluate what specific change is required and how to execute most effectively on that.

For example, in areas like IT or supply chain, we cannot just shake-up our disparate global systems and processes within a matter of months with all the disruption, cost, distraction and execution risk that brings. Our approach is and will continue to be to do things once and do them right, even if that takes longer.

Those short term initiatives which are sustainable and do not compromise other opportunities will be taken but the Board and management are totally aligned in the principle of avoiding quick non-sustainable fixes.

To state the obvious, short-term or ill thought out changes that impact adversely on our customers today have longer-term negative consequences for all our stakeholders.

We also recognise there will be bumps and setbacks as the turnaround strategy accelerates in the next 12 months. But do not expect to see us radically change direction in the interests of short-term performance.

Inevitably that approach to the turnaround and managing past events has an impact on the rate of improvement of our financial performance in the short term.

We have not paid shareholders a dividend for the last financial year and as I stated in our Annual Report your Directors do not anticipate doing so in this financial year.

In terms of current year trading to date the performance has continued in line with our financial updates over the last twelve months. Namely, that the Americas EBITDA (excluding Significant Items) is still lagging the prior year, whilst collectively the rest of the Group EBITDA is ahead of the prior year.

Consistent with the commentary at the time of the 2014 full year results, Canada continues to be a difficult market for the Group. This includes both general weakness and particular issues following the sale of the West 49 stores in February this year as we transition from a largely retail focus in that market to a predominately wholesale one.

Though we don't see any immediate improvement in the broader Canadian market, we do note that the West 49 effect is particularly concentrated in the first half. From the anniversary of the sale of West 49 in early February, we will be cycling sales on a comparable basis.

As Neil will soon detail we are seeing both Billabong returning to growth in the key U.S. market and RVCA reaccelerating there. That trend is not yet reflected in the Americas other than the U.S. This is an area of focus for the business in the year ahead.

Even at this late stage it would be premature to forecast the half year result. Australian retail which represents a significant part of our first half earnings had a slow first quarter, but has picked up as the spring weather pattern turned. As always, our results remain critically dependent on the December trading period.

Finally, we remain confident that the actions we are taking now will be rewarded in improved earnings for shareholders, but as noted earlier, this is a complex turnaround in a business with long lead times.

As your Directors, we not only closely monitor the financial performance of the Company; we also look at the wider performance and long-term health of our brands.



Like all of you here today, I have heard brand Billabong described as an Australian icon. In truth, it is one of this country's few global brands. From my own direct experience since becoming Chairman two years ago I know that internationally it needs no introduction or explanation.

And brand Billabong's global resilience has been remarkable. It has not only weathered the now distant and hackneyed wipeout headlines but also bounced back in key markets.

U.S. West-Coast born RVCA is in the early stages of its own global growth trajectory and Element and Von Zipper are among our other brands that have a global outlook.

We are an Australian company but one that today has to think globally and act locally.

That does not mean we overlook or ignore our origins.

But Billabong's structure and management approach has caught up with a reality our brands have long lived – that of globalisation.

You have a Board that is international in its make-up and outlook. And a management structure that balances global delivery with local knowledge and nuance.

We have a dedicated and passionate worldwide workforce of over 4,000 people. I thank them all for their continued enthusiasm for our brands and their commitment to our businesses and its customers, both wholesale and retail.

We have a shareholder base that stretches from long-standing retail investors here with us today in the Gold Coast through to major funds in the United States and Europe.

We have a suite of brands that, by staying true to their local origins, have found global appeal.

The Board is mindful that the majority of our shareholders have not made or maintained their investment in Billabong on the basis of its financial prospects for 2015 but rather with the expectation of successful implementation of Neil's turnaround strategy and the consequent recovery of the company's financial performance and its long-term sustained growth. We remain committed to that objective and confident in its achievement.

CEO'S ADDRESS NEIL FISKE

Thank you Ian. Good morning everyone.

I am excited to be before you all today to provide an update on our turnaround program, nearly a year after laying out our strategy at last year's AGM.

At both the half year and full year reports, I provided quite a bit of detail on our progress and initiatives underway – and I encourage investors to review this material on our website Billabongbiz.com. My comments today will therefore be more brief, highlighting the major themes and providing some additional commentary around the early leading indicators of our turnaround success.

This is a period of enormous change and transformation at Billabong. We are narrowing our focus dramatically, getting back to the core and what we do best – which is to build strong global brands. And I'm pleased to report that we are making good progress.



You will note that there is a consistency to our messages.

ONE YEAR IN: KEY MESSAGES

- A complex, difficult turnaround still at the early stages
- Strategy is in place
- Organisation aligned to the strategy and new leadership team in place
- Restructuring well advanced – but more to do
- Americas remains our biggest challenge and opportunity
- Seeing important early indicators of success
- Remain optimistic about the strength and growth potential of our brands operating on a global platform

5

BILLABONG RVCA element YONDER HONOLUA ESSENCIA SoftShine KUSTOM tigerlily XCEL

ANNUAL GENERAL MEETING 2014

Number one... that this is a complex, difficult turnaround still at the early stages. There is tremendous potential to be unlocked in this business, but the combination of long lead times, historic legacies, and the trauma caused by the company's recent turmoil mean that the turnaround will take time.

Number two... we have a clear seven part strategy in place that will guide the turnaround not only this year, but for years to come.

Number three... we have aligned the organization to the strategy and put together a revamped leadership team to execute it.

Number four... the restructuring is well advanced, but there is much more to do. We need to continue to upgrade our talent, drive for productivity, and build the global operational platforms that our brands need to realise their full potential.

Number five... The Americas remain our biggest challenge and opportunity. We expect the weakness to continue through the first half of the year, with the second half showing the potential for some recovery and second half year on year improvement. Trouble spots continue to be the severe contractions in Canada and Brazil, and weakness in Element. In Canada sales are down 17 percent year to date on a like for like basis. In addition and as previously mentioned by Ian, it has been a challenging transition of West 49 to a wholesale customer after our sale of the business last year. Brazil is off nearly 25 percent as we resize and restructure the business for a better quality, more sustainable sales base. As mentioned at the year end, Element U.S. will remain weak for some time as we are completing a major overhaul of the team there under our new global brand leadership model.

Number six... We are seeing important early indicators of success. Europe has turned around, we expect that region to be profitable this year, and it is showing steady improvement. In the U.S., Billabong is growing again and RVCA is re-accelerating, with both brands showing strong forward orders for spring. Across the globe inventories are cleaner and turns are improving. And we are validating the potential we see in building global platforms such as supply chain and direct to consumer.



Number seven... We remain optimistic about the strength and potential growth of our brands. Billabong is the number one brand in specialty surf in both Australia and the U.S. Element is one of the largest skate apparel brands in the world and has won the industry's coveted award for best skate team. It has a strong and growing position in Europe which we can leverage in turning around the U.S. RVCA has the potential to double (or more) in size over the next three to five years as it builds out in the U.S. and scales globally. Here in Australia, one of our emerging brands, Tigerlily, has grown at over 20 percent compound annual growth over the last three years.



We are attacking this turnaround boldly and aggressively but systematically. We are not going for short term fixes at the expense of long term growth or brand equity. We are laying the foundation for years of sustainable growth and profit improvement.

There's a critical order to the process.

First we laid out our detailed strategy.

Then we re-aligned the organization to that strategy.

We then assessed our gaps in talent and capability and brought in new leadership and skill sets across the organization.

More work needs to be done to fill our capability gaps, but the new leadership team is fully engaged in executing all seven parts of our strategy.



To recap, those seven pillars of the strategy are:

Brand. Our fundamental (re)orientation is toward building strong global brands. We put the brand view first in everything we do. That means focusing on the core action sports customer, holding ourselves to the highest standards of brand integrity, authenticity and uniqueness. It also means treating our brands differently depending on their growth profile and role in the portfolio. We have put significant focus and investment on growing our big three brands of Billabong, RVCA and Element, while creating an environment that allows smaller brands more operating autonomy and access to growth investment as they accelerate.

Product. We have always had great design. What we have lacked is strong merchandising. As a result, our product lines traditionally have been too wide and shallow in their depth of buy, which means we are quickly out of our best sellers and have a long tail of leftovers at season end. With our “merchant front end” and “concept to customer” initiatives, we are narrowing our focus to fewer, bigger, better styles and focusing our design efforts more strategically on the areas where we can win. We have invested substantially in our merchandising and design talent around the world, allowing us to build strong global brands that are still regionally responsive and close to their customers.

Marketing. The mantra of fewer, bigger, better applies to marketing as well. We are installing new brand marketing disciplines into the business to create more impact, tighter alignment to our product strategies, and better story telling. We are also shifting our mix into digital media and customer relationship management in order to reach our young target consumers more directly, as well as putting more investment behind our faster growing brands. Our athletes and ambassadors keep us connected to the authentic core, while extending our major brand followers globally to now over 14.5 million consumers.

Omni-Channel. Our consumers shop in a rapidly evolving multi-channel world. We see the potential to dramatically accelerate our direct to consumer omni-channel business, knowing that these customers are looking for a seamless brand experience across our stores and digital commerce sites. We will roll out this strategy in a manner that expands the brands overall and is complementary to our core wholesale channel. Our stated priority is toward mono-brand formats and websites. We remain committed to quality distribution through better



channels and core specialty accounts. With the sale of our interests in SurfStitch and Swell, we now have control of our mono-brand ecommerce sites and are in a position to invest behind their tremendous potential.

Supply Chain. We are undertaking a dramatic transformation of our supply chain, from a fragmented and inefficient regional structure to a global operation configured for speed to market, faster inventory turn, and substantially lower costs. We have identified over \$20 million in profit improvement opportunity in the supply chain over the coming years and have invested in a global leadership team to go after it.

Organisation. The Group has put in place a new organisational structure aligned to the strategy, while completely revamping the global executive management team. Since January, we have made over 65 new appointments globally and have also promoted high calibre talent internally. We continue to pay for the increases in capability with headcount reduction and productivity gains in other areas.

Financial discipline. We have balanced necessary investment in the business by ensuring it is funded through improving efficiency and taking out costs across the Group. We see the potential for further cost reductions to fund our marketing war chest, and will maintain a strict pay-as-you-go discipline.



Strategy is one thing. Ability to execute is another. I am excited about the organizational transformation we have put in place over the last year that will enable this strategy to work.

We have re-organized the company into essentially three groups. Global brand leaders to drive demand creation for our big three brands (merchandising, design, marketing). Regional leaders to focus on sales, distribution and the unique needs of their local consumers. And functional leaders to build the global platforms we need to support our brands in areas like supply chain, direct to consumer, IT, finance, and human resources.

In recent days our entire global executive team has been meeting here on the Gold Coast and today I want to take the opportunity to introduce each of them to you.



As I do I'll ask each of them to stand:

- Shannan North – Global leader for Brand Billabong
- Bill Bettencourt – Global leader for RVCA
- Frank Voit – Global leader for Element
- Ed Leasure – Leader of Americas
- Paul Burdekin – Leader of Asia Pacific
- Jean-Louis Rodrigues – Leader of Europe
- Jeff Streader – who as COO is leading critical initiatives in supply chain, direct to consumer, IT and global operations
- Pete Myers – whom you all know well as our CFO
- Mara Pagotto – global leader for Human Resources

This team is just coming together. 9 out of 10 are new in their role and several for less than six months.

We have invested behind these leaders and are starting to see early results.

EARLY INDICATORS OF SUCCESS

1. Billabong is growing again in the US
2. RVCA is re-accelerating
3. Validating opportunity in global platforms

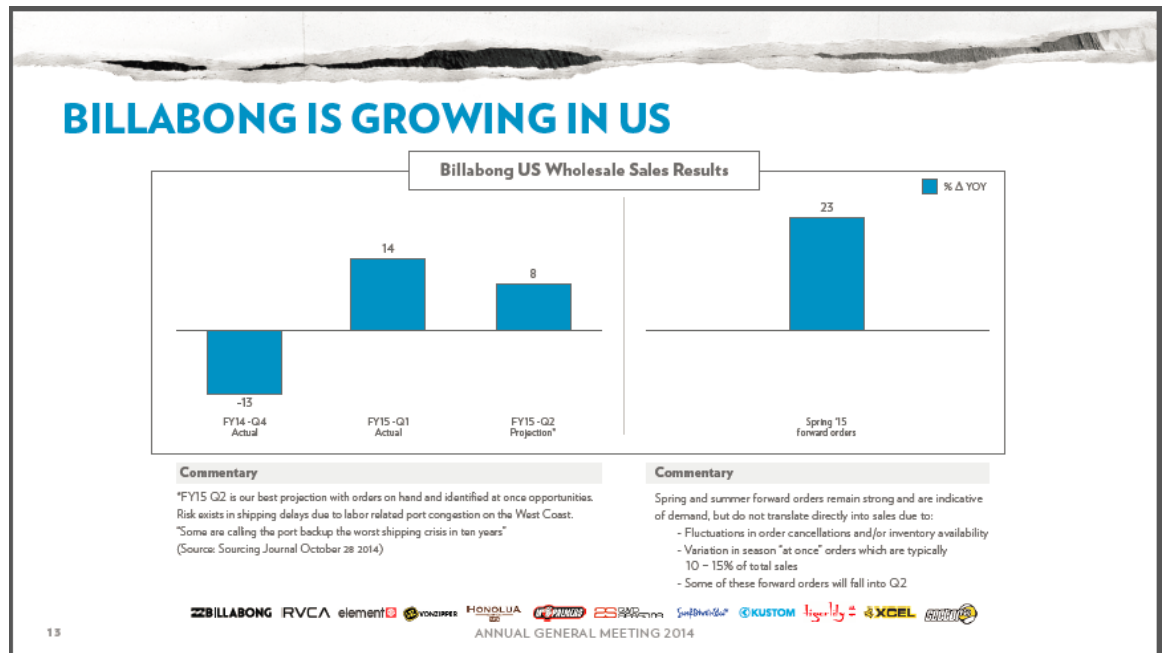
12

BILLABONG RVCA element HONOLUA ANNUAL GENERAL MEETING 2014

Billabong is growing again in the U.S. after years of decline.

RVCA is re-accelerating after hitting a period of stagnation last year.

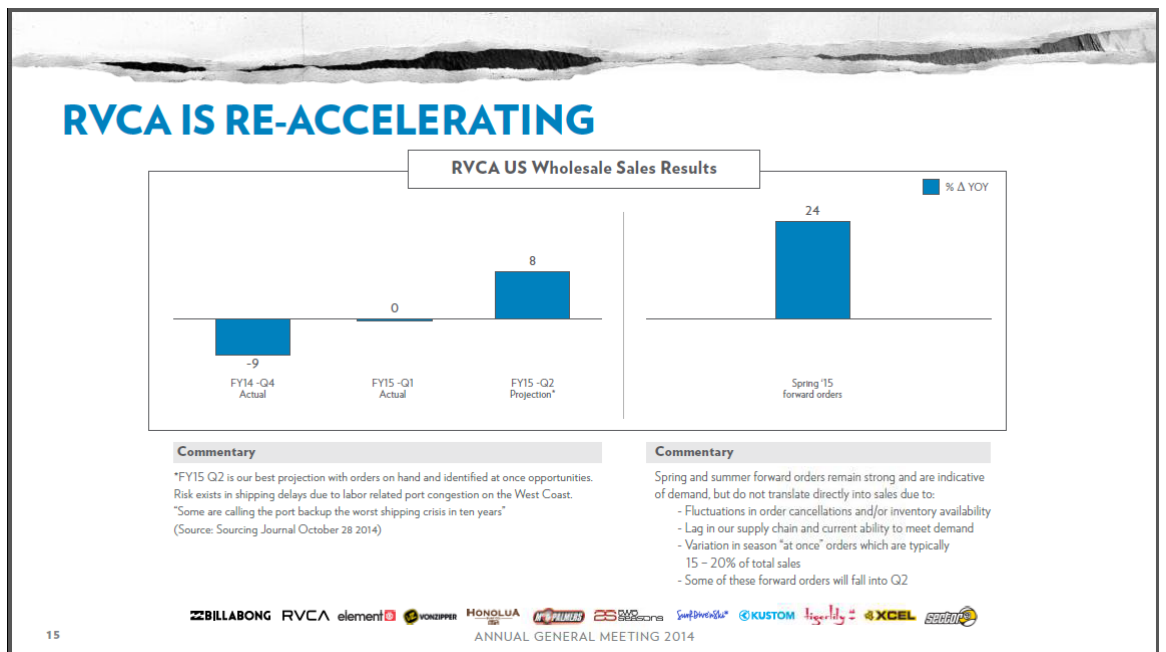
We are beginning to validate the potential of new global platforms in supply chain and direct to consumer.



The turnaround of Billabong in the U.S. is particularly heartening, given that it's our largest brand and will grow in the U.S. market for the first time in a number of years. Billabong Q1 wholesale sales in the region grew 14 percent. We're projecting Q2 to be up 8 percent, with an important caveat that industry wide shipping delays due to West Coast port congestion could cut into that number before the half finishes. Looking forward, spring orders look very encouraging. Forward orders are ahead of comparable orders last year by 23 percent. Typically, these pre-book orders represent between 85 to 90 percent of a season, with the rest coming from so called "at once orders" in season. Any product shortages or constraints in the supply chain can cut into the number as well. So it's important to understand that we look at these forward orders as leading indicators and not exact predictors of sales. But clearly we are encouraged by these results.

As the benefits of our new merchant front end and supply chain kick in, we are also seeing significant lifts in initial product margins in the spring and summer assortments for the U.S. Initial product margins aren't final margins of course, but combined with strong forward orders, the picture looks good at this point. Billabong is the first brand to adopt our global brand leadership approach, so these early results are indeed quite encouraging.

Brand Billabong has renewed momentum, confidence and energy. Take a look at some recent highlights. Life really is better in board shorts.



We are also seeing success at RVCA, where we have put in new global leadership, increased our marketing investment, and strengthened our management team around the world. After a couple of quarters of disappointing sales, momentum is back with the brand, as you can see from the slide. Q1 was flat, an improvement from the decline in Q4 of last year. Q2 looks better, as we are projecting an 8 percent sales gain – again with the important caution around potential port related shipping delays. Spring forward orders in U.S. wholesale are up 24 percent and we feel good about summer as well. The same caveats on reading forward orders apply here – these are indicative measures of gross demand, not final sales. For RVCA, pre-book orders typically represent between 80 to 85 percent of a season, with the rest coming from “at once” orders in season. Our ability to reach these numbers is still somewhat constrained by a supply chain with long lead times and not configured for speed – highlighting again the importance of supply chain reform.

We normally would not break out forward orders in this kind of detail. With all the challenges in the Americas, we thought it would be helpful on this occasion to show some of the trends below the surface as they tie directly to our turnaround initiatives.



RVCA LAUNCH IN EUROPE DRAWS A CROWD



Kingston UK Two Seasons Shop In Shop - 24th October 2014

16 BILLABONG RVCA element VONZIPPER HONOLUA ESSENTIALS SoftShoe KUSTOM Tiger Lily XCEL

ANNUAL GENERAL MEETING 2014

Beyond the U.S., we see tremendous global potential for the RVCA brand and we intend to use our multi-brand fleet in APAC and Europe as a catalyst for market development. Last month, we launched RVCA in three pilot stores in the U.K. Here is a picture from one of the store openings – over 300 customers lined up and waiting to get the brand.

BUILDING GLOBAL PLATFORMS TO SUPPORT OUR BRANDS - ECOMMERCE

FROM	TO
3 distinct eComm platforms, 22 unique front end systems, 21 unique back end systems and 26 bolt-on applications	One global eComm platform with dramatically simplified front and back end systems
Disjointed experience, poor data capture and inventory share between retail and online	Development of a consistent customer experience across all brand touch points and seamless inventory management
9 customer databases	1 centralised customer database
\$18 million (~2% of revenue) in global eComm revenue	~\$100 million (~10% of revenue) global eComm revenue potential

17 BILLABONG RVCA element VONZIPPER HONOLUA ESSENTIALS SoftShoe KUSTOM Tiger Lily XCEL

ANNUAL GENERAL MEETING 2014

In operations we have brought in three new global leaders to re-build our platforms in Supply Chain, Direct to Consumer, and Information Technology. In a few short months, they have identified quick and sustainable cost savings, while discovering major inefficiencies created by an overly regionalized business model lacking true functional expertise.

Let me give you a few examples:

- We see the opportunity to reconfigure our global distribution and logistics network to be substantially lower cost over the next few years.



- We have revamped the global sourcing organization, infused it with talent, and now have clear line of sight to product cost and margin opportunities
- We are picking up cost savings in indirect procurement and IT spending by looking at them globally, holistically, and with expertise

Global platforms take time to build, deploy, and flow through to the bottom line... but they will sustain the growth and profit improvement of our brands over the long run. E commerce is a great example.

Today we are dealing with the legacy of a decentralized regional approach -- 3 distinct eComm platforms, 22 unique front end commerce systems, 21 unique back end systems, and 26 bolt on systems. We have high cost, low functionality, and a below standard consumer experience. As a result we are substantially underdeveloped in this critical channel at only 2% of our sales.

Going forward under the global leadership model, we will move to one global eComm platform, with far fewer connecting systems and add on applications. The user experience will be dramatically improved and no longer a disappointment to a tech savvy young consumer. Rather than being distinct from brick and mortar retail, ecommerce will integrate into a seamless omni-channel customer experience. When we do this right, ecommerce has the potential to grow to 10 percent or more of our sales over time – and influence an even greater portion of demand across all channels.

So hopefully that gives you a peek under the hood at some of the changes underway and the impact they will have.

It's been a busy year. We've strengthened the balance sheet and secured cornerstone investors. We've laid out our foundational strategy. We've stood up a new organizational structure and brought in new talent. The major turnaround initiatives are under way.

PRIORITIES FOR FY15

- Stabilise Americas
- Accelerate the big three
- Building our global platforms
(priority on Supply Chain and Direct to Consumer)
- Pay as you go through cost reductions and global scale
- Focus: Fewer, Bigger, Better

18

BILLABONG RVCA element HONOLUA SUPPLY CO. KUSTOM tiger Lily XCEL

ANNUAL GENERAL MEETING 2014

Looking ahead to the rest of FY 15, we will continue to focus. To do fewer things bigger and better. Our priorities for the year are quite clear:

- Stabilize the Americas
- Deliver holiday, especially in APAC retail which is coming off a soft Q1
- Accelerate the big three (Billabong, Element, and RVCA)



- Build our global platforms (with priority on direct to consumer and supply chain)
- Fund needed investments with cost reduction, productivity gains, and global scale

No doubt we face some stiff challenges that will weigh on our results over the short term.

The road ahead is not easy.

But we are clear in our direction. Bullish on the potential of our brands. And confident in our people to deliver on the strategy.

Thank you and best wishes to all for the holiday season.