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ASX ANNOUNCEMENT

BILLABONG INTERNATIONAL LIMITED
RESULTS FOR THE HALF-YEAR TO 31 DECEMBER 2015

GOLD COAST, 26th February 2016: Billabong International Limited ("Billabong", "Company" or, together with its subsidiaries, the "Group") today announces its half-year financial results to 31 December 2015. All figures quoted are in Australian dollars unless otherwise stated.

Overview:

- Including significant items and discontinued businesses, Net Profit Before Tax for the half-year to 31 December 2015 was $2.1 million and after an income tax expense of $3.7 million, Net Loss After Tax was $1.6 million. This compared to a Net Profit After Tax of $25.7 million for the previous corresponding period (pcp). The pcp benefited from $13.5 million of significant items including gains on asset sales, compared with an immaterial net impact this period.
- For continuing businesses, Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) excluding significant items was $37.2 million compared to $42.8 million for the pcp.
- Total Group sales were $561.9 million, up 7.6% compared to the pcp, and down 0.8% on a constant currency (cc) basis.
- The Group's big three brands grew in wholesale equivalent revenue (including sales to own retail) with Billabong up 2.6%, Element up 9.1% and RVCA up 20.6% on a cc basis.
- The overall result was impacted by the Americas where EBITDA declined by $6.9 million for the period. Gross margins were down due to pressures from excess inventory which followed the West Coast US port strike early in calendar 2015.
- Collectively the rest of the world EBITDA was ahead of the pcp despite increased cost of goods from a relatively higher USD.
- Global platforms to support brands have begun to be rolled out with targeted benefits of $30 million in annualised savings at maturity.
- Omni has progressed with a new ecommerce platform to launch within months.

"This is a brand led turnaround and our big three brands, where we placed our focus, grew globally," said Billabong CEO Neil Fiske. "Europe continues to gain momentum and the Asia Pacific region has delivered a solid performance given currency pressures."

"The result has been impacted by conditions in the Americas, as highlighted in our November update, including sector weakness in retail and short-term margin pressures associated with clearing excess inventory. As we get inventories back in line, we believe margins will recover," said Mr Fiske.

"The essence of our seven part strategy is building strong global brands operating on global platforms. This year we have begun the implementation of four major platform initiatives that will sustain our growth and improve profitability over the long run. The transformation of Billabong into a brand led, global company is well underway."

Regional Financial Summary:

AUD millions	Continuing Business As Reported [1]				As Reported [2]	
	This Yr	Last Yr	% Change (as reported)	% Change (constant currency)	This Yr	Last Yr
Revenue						
Americas	219.9	196.9	11.7%	-4.8%	219.9	200.7
Asia Pacific	243.9	237.2	2.8%	1.2%	243.9	246.8
Europe	98.1	88.0	11.5%	4.0%	98.1	90.0
Total	**561.9**	**522.1**	**7.6%**	**-0.8%**	**561.9**	**537.5**
EBITDA Pre Global Allocation						
Americas	4.1	11.0	-63.0%	-69.3%	4.1	10.4
Asia Pacific	36.2	38.8	-6.7%	-7.3%	36.2	38.5
Europe	10.4	7.3	42.3%	32.7%	10.4	5.6
Global	(13.5)	(14.3)	-5.9%	6.3%	(13.5)	(14.3)
Total	**37.2**	**42.8**	**-13.1%**	**-18.8%**	**37.2**	**40.2**
EBITDA Post Global Allocation						
Americas	(1.9)	5.0	-137.6%	-126.1%	(1.9)	4.5
Asia Pacific	29.6	31.5	-6.0%	-6.7%	29.6	31.1
Europe	7.7	4.6	67.1%	50.3%	7.7	2.9
Global	1.8	1.7	8.9%	8.9%	1.8	1.7
Total	**37.2**	**42.8**	**-13.1%**	**-18.8%**	**37.2**	**40.2**

1.Excluding Surfstitch, Swell, and excluding Significant items
2.Including Surfstitch, Swell, pre disposal; and excluding Significant items

Regional overview (all figures are "as reported" unless specified otherwise):

In the Americas, EBITDA before global allocations was $4.1 million for the period, down $6.9 million on the pcp, or $9.2 million on a constant currency basis.

Approximately half of the reduction was attributable to a decline in comparable gross margins of 2.3% for the period due to pressures from excess inventory. Part of this excess followed the port strike on the West Coast of the US, which reduced selling time on the floor during the region's Spring and Summer seasons. Additionally with the supply chain disruption a year ago, Fall and Holiday inventory was bought ahead of visibility to changing market conditions. The Group expects inventory levels to be largely back to target levels by the fiscal year end.

In North America external wholesale revenue was down 1.6% on a comparable basis, with an increase in the specialty channel offset by softness in the big action sports retailers. Wholesale revenues in the US were up for Element and RVCA and, following strong growth last year, flat for Billabong. Sector 9, which specialises in the long board skate sector, declined substantially and was $2.5 million below the pcp in EBITDA.

Brick and Mortar retail revenue was down 13.6%. The closure of the Times Square store represented the majority of the decline. Comp stores sales declined 5.1%, reflecting weakness in the broader sector and tourist related retail. Total comparable direct to consumer revenues increased 1.8%.

In Europe the turnaround continued to accelerate with EBITDA up $3.1 million to $10.4 million before global allocations. Overall sales for Europe were up 4.0% cc with a strong performance in retail with comparable store sales up 6.0% cc. The region saw its ecommerce sales rise from less than 1.0% to 3.4% of total revenues after the repatriation of its websites.

Gross margins in Europe were down 3.5% on a comparable basis compared to the pcp with the currency impact on cost of goods being the significant contributor to this reduction.

EBITDA for the Asia Pacific region was down $2.6 million before global allocations compared to the pcp as the region absorbed the impact of a sharp adverse movement in currency. Revenue for the region was up 1.2% cc with comparable store sales down 1.0%, largely due to tougher retail conditions in Japan. There was a slight increase in comparable store sales in Australia.

Margins in the Asia Pacific region were again impacted by the significant movement in exchange rates which drove a decline in comparable gross margins of 2.2% for the period. The impact of the exchange rate is estimated to have been an increase in cost of goods of $7 million compared to the pcp.

Big Three Brand performance:

The Group highlighted the growth of its big three brands, which have been the focus of the turnaround. Looking at total brand sales, in wholesale equivalent revenue (including sales to own retail), Billabong grew 2.6% globally in constant currency, Element 9.1% and RVCA 20.6%. All three brands showed growth in the three major regions.

Brand Billabong remains the number one brand in the core US speciality channel and has gained market share over the last twelve months, according to independent industry analysis. The brand is also number one in the speciality channel in Australia. These market share positions reflect the important relationships the Company maintains with its key wholesale accounts.

Project update:

The Group today provided an update as follows on the four global platforms it is implementing to support its brands:

- **Omni channel:** Integrating retail, wholesale and ecommerce systems globally, the omni project will begin being rolled out in calendar 2016. The initial phase will include new ecommerce platforms for Billabong, Element, RVCA and Surf Dive & Ski. The second phase will integrate new retail systems that complete the omni channel customer experience – including endless aisle shopping, click and collect, loyalty order fulfilment from any channel and service based on real time customer information. The platform will also include Business to Business solutions for wholesale partners.
- **Global Sourcing:** The Company has formed a global sourcing organisation under unified leadership, revamped its Hong Kong office, narrowed its vendor base substantially and begun consolidating its purchasing power. Material savings should begin to accrue later this year and build toward a $20 million annualised savings compared to the current cost base, by 2018. During the half, the Group implemented updated social compliance policies including independent audits of the supplier base by Bureau Veritas.

- **Concept to customer:** Billabong, Element and RVCA have now begun implementing this project aimed at reducing product lead times by up to 30%. The Group expects improvements to build continuously each season, seeing inventory better matched against customer orders resulting in improved margins and fewer mark-downs.
- **Pipeline:** The overhaul of the Group's logistics system has already seen the move to one global freight partner, the standing up of the first of two Asian consolidation centres and identification of one warehouse management system to replace the three regional ones currently in place. Full implementation of Project Pipeline will now occur in 2017 so as not to unduly impact the omni channel roll-out.

"These platform initiatives are big, global and transformational in scope," said Mr Fiske. "We are eager to realise the benefits as soon as possible but are mindful of the interconnection of these projects. Our philosophy is to build it once, build it right and standardise our operating platforms for scale, efficiency and enhanced capability. Implementation is underway, but we have a lot of work still ahead of us."

Balance Sheet:

As noted at the Annual General Meeting in November 2015, the effect of the lower AUD versus USD means that the Company's term debt, interest cost and capital expenditures are increased when translated into Australian Dollars. At balance date the exchange rate effects meant that total borrowings at December 2015 were $282.5 million compared to $266.9 million in June 2015. Net Debt was $144.1 million in December versus $113.5 million in June.

Outlook:

EBITDA for January and February 2016 combined is expected to be ahead of the pcp. The result for the remaining four months of the financial year will be particularly influenced by the large trading month of June 2016 in North America. Overall, the Company expects the second half to benefit from the implementation of our key initiatives and a less pronounced bias of the Group's earnings to the first half than the last financial year.

TRACEY WOOD
COMPANY SECRETARY

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