ASX ANNOUNCEMENT

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ENTITLEMENT OFFER AND TRADING UPDATE

GOLD COAST, 21 June 2012: Billabong International Limited (Billabong or the Company) announced today the launch of a 6 for 7 accelerated pro-rata non-renounceable entitlement offer ("Entitlement Offer" or "Offer") to raise approximately $225 million, at an offer price of $1.02 ("Offer Price") per share ("New Share"). The Entitlement Offer is fully underwritten.

The Offer Price of $1.02 per New Share represents a 44% discount to the closing price of shares of $1.83 on 20 June 2012 (being the last trading day prior to the announcement of the Entitlement Offer) and a 30% discount to the theoretical ex-rights price (TERP) of $1.46.

The proceeds of the Offer will be used to further strengthen Billabong's balance sheet by paying down in full Tranche A of the Company's syndicated financing facility drawn to US$143 million[1] and due in July 2013. The balance of the proceeds will be used to reduce overall leverage. Upon completion of the Offer, Billabong will reduce forecast net debt at 30 June 2012 from approximately $325 million[2] to approximately $100 million[3].

In addition, Billabong announces today the successful renegotiation of its banking covenants. The capital raising and successful bank negotiation enhance Billabong's financial flexibility with no syndicated facility debt due prior to July 2014 and a small working capital facility to be rolled over prior to 31 December 2012, and position Billabong well within its covenant levels for the foreseeable future.

Moreover, the capital raising provides operational flexibility allowing Billabong to continue to execute on its previously announced Strategic Capital Structure Review initiatives and to execute on the transformation strategy announced today, with further details and an update to be provided on 24 August 2012.

Billabong's CEO, Launa Inman, said "Today's capital raising is a vital step forward for Billabong. It not only further strengthens the balance sheet, but also assists in continuing to execute on previously announced initiatives and to execute on the transformation strategy, announced today. The Board and management have taken prudent action to restore the balance sheet and add financial flexibility. With the right focus and execution, Billabong will once again become a growing, profitable business."

Gordon Merchant, Billabong's founder and largest shareholder, has indicated his intention to subscribe for $30 million worth of New Shares representing 85% of his entitlement under the Institutional Entitlement Offer.

Details of the Entitlement Offer

The underwritten Entitlement Offer comprises an institutional component ("Institutional Entitlement Offer") and a retail component ("Retail Entitlement Offer"). Eligible shareholders will be able to subscribe for 6 new shares ("New Shares") for

Note: All dollar values are in Australian dollars (A$) unless otherwise stated.
[1] Debt drawn as at 1 June 2012 from Billabong's syndicated financing facility (US$182 million limit).
[2] Refers to midpoint of forecast net debt range of between $300 million to $350 million.
[3] Pre fees and expenses.

every existing 7 Billabong shares held on the Record Date of 7:00pm Tuesday, 26 June 2012. New Shares issued will rank pari passu with existing shares.

Key dates of the Entitlement Offer are provided in the Appendix to this document.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from Thursday, 21 June 2012 to 11:30am Friday, 22 June 2012. Institutional entitlements not taken up by institutional shareholders and entitlements of ineligible institutional shareholders will be placed into the institutional shortfall bookbuild. Shareholders will not receive any proceeds from the sale of institutional entitlements.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer which will take place from Friday, 29 June 2012 to Tuesday, 17 July 2012. Retail entitlements not taken up by retail shareholders and entitlements of ineligible retail shareholders will be placed by the underwriters. Shareholders will not receive any proceeds from the sale of retail entitlements.

Further details about the Retail Entitlement Offer will be set out in the Retail Offer Booklet, which Billabong expects to lodge with the ASX on Friday, 29 June 2012 2012. Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the Retail Offer Booklet and an accompanying personalised entitlement and acceptance form. Copies of the Retail Offer Booklet will be available on the ASX website and Billabong's website at (www.billabongbiz.com) from Friday, 29 June 2012.

Trading update

Since the announcement of the half year results on 17 February 2012 the Company has generally continued to face challenging trading conditions, in particular in Europe, Australia and Canada.

In Europe, sovereign debt issues are having a significant adverse impact on consumer confidence and demand, especially in southern European territories, leading to delays of shipment of summer product at the request of some wholesale customers. In addition, the Company is experiencing weak in-season repeat business for summer product, weaker winter indent and delayed shipment for winter product. The business is also experiencing soft trading conditions in Company owned retail. In addition, Surfstitch Europe has commenced trading, incurring start-up costs. However, overall the European business has maintained a strong focus on reducing and controlling overhead costs.

In Australasia, consumers continue to be very cautious given the weak global macroeconomic climate. This has resulted in a significant reduction in summer product shipments in the important trading month of June. Furthermore, a highly promotional retail environment is adversely impacting Company owned retail performance. More positively, performance in Company owned online retail sales continues to be strong and the region has maintained a strong focus on reducing and controlling overheads. Also, the benefits from recent initiatives including consolidation of retail IT systems and retail warehouses are starting to emerge.

In the Americas, the US is generally trading in line with expectations with RVCA continuing to perform strongly. A poor winter negatively impacted DaKine, leading to lower winter repeats and subdued spring / summer indents. Both wholesale and Company owned retail performance in Canada remains subdued and below expectations, however, Company owned online retail sales are growing strongly. Like other regions, significant consolidation and rationalisation of business operations are in progress to reduce and contain overhead costs.

Update on the Strategic Capital Structure Review

Billabong has made good progress on the initiatives announced in February this year as part of its Strategic Capital Structure Review, including:

- **Partial sale of Nixon.** The partial sale of Nixon completed on 16 April 2012 with net proceeds of US$285 million used to pay down debt

- **Closure of underperforming stores.** Significant progress has been made reviewing the Company's retail network, resulting in the closure of loss-making stores and stores performing below expectations. As at today, Billabong has closed 45 stores. The Company is scheduled to close a total of approximately 56 stores prior to 30 June 2012 (including the 45 already closed as at today) and a total of approximately 140 stores by 30 June 2013. The store closure program is currently expected to yield approximately $6 million improvement to EBITDA in FY13 (approximately $8 million on an annualised basis). Included in this improvement is approximately $17 million (approximately $25 million on an annualised basis) reduction in rent expense

- **Cost reduction program.** The majority of the FY12 cost-out charges have already been incurred (in particular in relation to headcount) which will lead to full year savings benefits in FY13. Expected annualised cost savings are in line with targeted savings of approximately $30 million (approximately $12 million, $13 million and $5 million for Australasia, the Americas and Europe, respectively). Further cost reduction initiatives will be determined as part of the transformation strategy announced today

Gain on Nixon sale and non-cash impairment

The Company expects a significant gain on sale of 51.5% of Nixon of between $200 million to $225 million. It is also expected that significant one-off costs and charges will more than offset this gain. This is expected to include several significant non-cash impairment charges taken against the carrying value of the Company's intangible assets as part of the finalisation of the Company's financial statements for the full year ending 30 June 2012. Given the FY13 – 16 budget and business plan has not yet been finalised these amounts have not yet been quantified.

FY12 guidance

At the half year result in February 2012 the Company indicated that in the absence of the partial sale of Nixon the Company would have expected to deliver EBITDA excluding any one-off charges slightly above the then analyst consensus of approximately $157 million for FY12.

Given the prolonged and ongoing deterioration in trading conditions and based on year-to-date results to 31 May 2012 and preliminary trading results for Company owned retail for the first two weeks of the important trading month of June, Billabong now expects (all at current exchange rates):

- EBITDA for FY12, prepared on a comparable basis to the above, to be approximately $130 million to $135 million
- Reported EBITDA for FY12 (including 100% of Nixon until date of partial sale on 16 April 2012 and including Billabong's share of after tax Nixon JV profits thereafter) to be approximately $120 million to $125 million
- Pro forma EBITDA for FY12 (excluding Nixon for the full year and excluding any after tax Nixon JV profits) to be approximately $83 million to $88 million

As noted above, June is a significant trading month for the Company, particularly in the Northern Hemisphere – and given this, achieving the Company's revised EBITDA guidance for FY12 is dependent on trading conditions not deteriorating further.

Initial CEO observations and announcement of transformation strategy

The new CEO of Billabong, Launa Inman, with the assistance of her management team, has made a number of initial observations since her appointment in May 2012. Launa has identified some key focus areas that will form the foundation of a three year transformation strategy (further details to be provided on 24 August 2012).

The key focus areas identified so far include maintaining a strong balance sheet, rightsizing of the business (including focus on costs, supply chain, streamlining and working capital) and reactivation of the business (including focus on brand, retail, online and supply chain).

Board update

At the time of the announcement of Ms Inman's appointment, the Chairman indicated that he intended to remain in his position to support the new CEO and to continue the Board succession process. Allowing appropriate time to conclude these objectives, the Chairman anticipates retiring between Billabong's 2012 Annual General Meeting in October 2012 and the release of its half year profit results in February 2013.

Mr. Allan McDonald, Chairman of Billabong's Audit Committee, has advised the Board of his intention to retire from the Board in October 2012.

Outlook

The Board expects the current softness in trading conditions to continue during FY13. Assuming no further deterioration in trading conditions, FY13 EBITDA is currently expected to be in excess of pro forma FY12 EBITDA, which is anticipated to be between $83 million and $88 million, as a result of (i) the benefits from the previously announced Strategic Capital Structure Review as outlined on page 3, (ii) the additional benefits expected to be realised under the transformation strategy as outlined above and (iii) recognition of Billabong's share of after tax Nixon JV profits.

The Board does not expect to pay dividends in respect of 2H12 and 1H13 and the dividend policy will be reviewed thereafter.

A conference call for invited participants will be held at 11:00am (Sydney time) today to discuss this announcement.

Maria Manning
Company Secretary

Appendix – Indicative Timetable

Trading halt	Thursday 21 June, 2012
Institutional Entitlement Offer	Thursday 21 June, 2012 to 11.30am, Friday 22 June, 2012
BBG shares recommence trading on ASX	Monday 25 June, 2012
Record Date for eligibility in the Entitlement Offer	7:00pm, Tuesday 26 June, 2012
Retail Entitlement Offer opens	Friday, 29 June, 2012
Retail Offer Booklet dispatched to Eligible Retail Shareholders	Friday, 29 June, 2012
Trading of New Shares issued under the Institutional Entitlement Offer	Friday, 29 June, 2012
Retail Entitlement Offer closes	Tuesday, 17 July, 2012
Trading of New Shares issued under the Retail Entitlement Offer	Friday, 27 July, 2012

The above timetable is indicative only and subject to change. All dates and times referred to are based on Sydney time.

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 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 "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend" ,"should", "could", "may", "target", "plan", "consider", "forecast", "aim", "will" and similar expressions are intended to identify such forward-looking statements. Indications of and guidance on future earnings and financial position and performance are also forward-looking statements as are any statements in this announcement regarding the conduct and outcome of the Entitlement Offer, the use of proceeds and Billabong's debt. 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 net debt. 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.