



**Billabong
International
Limited**

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ASX ANNOUNCEMENT

UPDATE ON TPG PROPOSAL

GOLD COAST, 28 February, 2012: The Board of Billabong International Limited refers to its previous update on the TPG Capital (TPG) proposal on 27 February 2012.

The Board and its advisers have now had further discussions with TPG to give TPG the opportunity to increase its non-binding indicative price of \$3.00 per share to better reflect the value of the company. In those discussions, TPG was also made aware of the attached letter, received by the company after market close yesterday, from the lawyers of Billabong's Non-Executive Director and major shareholder, Gordon Merchant, and Non-Executive Director Colette Paull, advising that Mr Merchant and Ms Paull '*do not support Billabong taking any steps to assist or facilitate a proposal by TPG Capital, including allowing TPG Capital to commence due diligence on Billabong, even if the price TPG Capital offered was \$4.00 per share*' which Mr Merchant and Ms Paull '*consider would still represent a discount on the true value of Billabong shares*'.

Following those discussions and notwithstanding the contents of the letter, TPG has now indicated that it would be prepared to increase the indicative price under its proposal from \$3.00 per share to \$3.30 per share to facilitate due diligence. The Board has considered this revised price and has unanimously determined that it still does not reflect the fundamental value of the company in the context of a change of control. As a result, discussions between the two parties have ceased. However, the Board is prepared to engage with TPG or any other party that makes a proposal which is in the best interest of the company and its shareholders.

As announced on 27 February 2012, the Board believes Billabong has an attractive independent future. Billabong is a leading global wholesaler and retailer in the boardsports sector and its brands are world-renowned and highly valued, as demonstrated by the partial sale of its Nixon brand, which valued that single brand at US\$464 million or 9.2x LTM EBITDA¹. In addition, as a result of the strategic capital structure review which includes planned cost saving initiatives, the company is now on a much more secure footing and is well-positioned to grow and create value for shareholders.

MARIA MANNING
COMPANY SECRETARY

¹ Last twelve months earnings before interest, tax, depreciation and amortisation to 31 December, 2011 of US\$50.6 million.

27 February 2012

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BY EMAIL

Ms Maria Manning
Company Secretary
Billabong International Limited
1 Billabong Place
BURLEIGH HEADS QLD 4220

Dear Ms Manning

Billabong International Limited – Proposal by TPG Group

We act for Gordon Merchant and Colette Paull, both of whom are directors and shareholders in Billabong International Limited (**Billabong**).

We have been instructed by our clients that they are aware that an approach has recently been made by TPG Capital to the board of Billabong regarding the acquisition by TPG Capital of the entire share capital of Billabong for \$3.00 per share (**TPG Proposal**).

Our clients have now instructed us to convey to you that they:

1. do not support the TPG Proposal, and would not accept it in relation to their own shareholdings in Billabong, as they regard the offer price of \$3.00 per share as vastly undervaluing the value of Billabong and its shares; and
2. do not support Billabong taking any steps to assist or facilitate a proposal by TPG Capital, including allowing TPG Capital to commence due diligence on Billabong, even if the price TPG Capital offered was \$4.00 per share (which our clients consider would still represent a discount on the true value of Billabong shares).

Our clients have also instructed us to request that you share this communication with the other members of the Billabong board.

If you would like to discuss this matter further, please do not hesitate to contact me.

Yours faithfully

MINTER ELLISON



Bruce Cowley
Partner

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MINTER ELLISON GROUP AND ASSOCIATED OFFICES

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