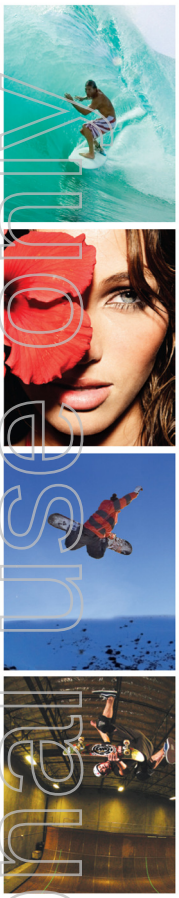
Billabong International Limited

ABN 17 084 923 946



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ASX ANNOUNCEMENT

REFINANCING OF SYNDICATED DEBT FACILITIES
SALE OF DAKINE
APPOINTMENT OF NEW CHIEF EXECUTIVE OFFICER
NEW DIRECTOR APPOINTMENTS

GOLD COAST, 16 July, 2013: On 9 May 2013, Billabong International Limited ("Billabong" or the "Company") announced that it was in discussions with each of Altamont Capital Partners ("Altamont") and Sycamore Partners regarding proposals presented to the Company for alternative refinancing and asset sale transactions, the proceeds of which would be used to repay in full the Company's existing syndicated debt facilities ("Refinancing"). Billabong today provides an update in relation to the proposed Refinancing.

The Company today announces it has entered into agreements with entities advised by Altamont and entities sub-advised by GSO Capital Partners[1] (the credit arm of the Blackstone Group, and together with Altamont, the "Altamont Consortium") which will allow Billabong to immediately repay in full its existing syndicated debt facilities. The Company has also entered into commitment letters with the Altamont Consortium and GE Capital to provide a long term financing package for Billabong.

The immediate refinancing will be by way of a bridge financing by the Altamont Consortium of the Company's existing syndicated debt facilities and the sale of the DaKine brand. The long term financing will be by way of an Altamont Consortium term loan and convertible note, and a revolving credit facility provided by GE Capital. This financing package is intended to provide Billabong with a flexible capital structure to allow it to stabilise the business, address its cost structure, and pursue a strategy to grow the business.

As a condition precedent to this significant investment by the Altamont Consortium, the Board of Billabong today announces that it intends to appoint Mr. Scott Olivet as Chief Executive Officer and Managing Director of Billabong.

In order to further adequately reflect Altamont's significant investment in the Company, Altamont will be permitted to nominate two representatives to the Board of Billabong.

"The Board believes that the Altamont Consortium's refinancing, and the changes being announced today, provide the Company with a stable platform and the necessary working capital to continue to address the challenges it faces. We had highlighted the Company's debt issues previously and it was imperative to deliver a refinancing that retained an opportunity for shareholders to participate in the future of the Company. The Altamont Consortium presented the best available, certain and executable opportunity in these challenging circumstances," said Billabong Chairman Ian Pollard. "The transaction reflects the Altamont Consortium's confidence in the value of Billabong's brands and our Company's ability to achieve future profitable growth."

Refinancing of syndicated debt facilities and asset sale

Billabong has entered into binding documentation with the Altamont Consortium in relation to a US$294m (A$325m) bridge loan facility ("Bridge Facility"). The Bridge Facility is fully committed and is expected to fund on or around Monday, 22 July 2013. The facility is committed until 31 December 2013, will incur interest of 12.0% per annum and is intended to be refinanced by the long term financing described below.

Concurrent with signing the Bridge Facility, the Company has entered into binding documentation regarding the sale of DaKine to Altamont for a purchase price of A$70m ("Asset Sale"). The transaction is subject to conditions precedent which are typical for a transaction of this type. The sale is also conditional on the completion of the funding under the Bridge Facility. It is therefore expected that the DaKine transaction will also complete on or around Monday, 22 July 2013.

Below is a summary of the sources and uses as it relates to the Bridge Facility and Asset Sale transactions.

[1] *The entities sub-advised by GSO Capital Partners are FS Investment Corp I and FS Investment Corp II; they are advised by FB Income Advisors, LLC.*

Transaction sources and uses[2]

Sources	A$m	Uses	A$m
Bridge Facility	325	Syndicated facility	289
DaKine asset sale	70	Cash for working capital requirements	106
Total sources	**A$395m**	**Total uses**	**A$395m**

As part of the Bridge Facility and the long term financing described below, Billabong has agreed to issue 84,519,582 options to the Altamont Consortium, amounting to 15% of the fully diluted share capital of the Company (including the options). The options will be exercisable at the election of the Altamont Consortium at a strike price of A$0.50 per share. The options will be granted in multiple tranches, with the first tranche of options (42,259,790) issued today. The balance of the options are to be issued as part of the long term financing described below. The options will expire seven years from the date of grant of each tranche.

The commitment letter executed with the Altamont Consortium for the long term financing is an exclusive commitment. The commitment letter and the commitments it provides terminate on the earlier of closing of an alternate financing (which would result in the payout of the Bridge Facility by parties other than the Altamont Consortium) and 31 December 2013 (the "Termination Date"). The exclusivity period is for the period until the Termination Date.

During the period of exclusivity, the Company and the Altamont Consortium must use commercially reasonable efforts to pursue the long term financing. If the Company does not use such efforts and completes an alternate financing on or prior to 15 January 2014, any prepayment or repayment of the Bridge Facility utilising such alternate financing is subject to a premium equal to 20.0% of the principal amount of the Bridge Facility. Similarly, if a change of control occurs before 15 January 2014, and as a result the Bridge Facility is repaid on or before 31 December 2013, such repayment will be subject to a premium equal to 20.0% of the principal amount of the Bridge Facility.

Long term financing

As noted above, the intended long term financing is to be by way of an Altamont Consortium term loan and convertible note, and a revolving credit facility provided by GE Capital.

Billabong has signed a commitment letter with the Altamont Consortium for a term loan of US$254m (A$281m) (“Term Loan”), made up of a base commitment of US$200m (A$221m) and an upsize commitment of US$54m (A$60m). Proceeds of the Term Loan are to be used to repay the Bridge Facility referred to above. Interest payable on the US$200m base commitment will be 12.0% per annum, payable quarterly, of which not less than 7.0% must be payable in cash and up to 5.0% may be paid in kind (“PIK”). Interest payable on the US$54m upsize commitment will be 10.0% per annum, payable quarterly in cash. The Term Loan will have a single financial covenant (in respect of leverage) which will first be tested on 31 December 2014. This is intended to give the Company sufficient flexibility to continue implementing its turnaround strategy.

In addition to the Term Loan, Billabong has also signed a commitment letter to issue a US$40m (A$44m) convertible note to the Altamont Consortium (“Convertible Note”). Subject to shareholder approval (described below), the Convertible Note can convert into Redeemable Preference Shares (“RPS”). The interest rate applicable to the Convertible Note will be 12.0% per annum, payable quarterly, of which not less than 7.0% must be paid in cash and up to 5.0% may be PIK interest; however initially and until obtaining shareholder approval for the issue of the RPS and a portion of the options as described below, the interest rate will be 35.0% per annum, payable quarterly, of which not less than 10.0% must be paid in cash and up to 25.0% may be PIK interest. As a result, the Company will seek to obtain shareholder approval as soon as possible for the issue of the RPS and such portion of the options.

The RPS will convert to fully paid ordinary shares in the Company at a strike price of approximately US$0.213 (A$0.235) per share, representing 25% of the fully diluted shares outstanding (including options and the RPS). The dividend rate applicable to the RPS will be 12.0% per annum, payable quarterly, of which not less than 9.0% must be paid in cash and up to 3.0% may be paid in ordinary shares.

[2] *Excluding fees and expenses.*

If shareholder approval is obtained before completion of the Term Loan, at the option of the Company, RPS can be issued in lieu of the Convertible Note. If shareholder approval is obtained after completion of the Term Loan, the Convertible Note may be converted to RPS at the option of the Altamont Consortium. A summary of the key economic terms of the Convertible Note / RPS is provided in Annexure A.

Billabong has also agreed to issue the balance of the options to the Altamont Consortium as part of the long term financing. It is expected that 29,581,854 options will be granted on completion of the Term Loan, with the balance of 12,677,938 options issued upon obtaining shareholder approval. The number of options to be granted (and therefore subject to shareholder approval) will be appropriately adjusted for any primary issuance of ordinary shares to Mr. Olivet (see further below) to reflect the same ownership percentages shown in Annexure A.

If the Altamont Consortium exercises the options (for cash proceeds of A$42.3 million) and converts the RPS into ordinary shares, the Altamont Consortium's potential future ownership in Billabong equity could be between 36.25% and 40.49%[3]. As a result, the options which exceed the issue limits under the ASX Listing Rules and all the RPS will be subject to shareholder approval under the Listing Rules, and the acquisition of shares upon exercise of those options or conversion of the RPS will be subject to shareholder approval under takeover rules. It is intended that Billabong will hold a general meeting to seek such approvals as soon as practicable, expected to be in the next three months.

Billabong has also signed a commitment with GE Capital for an asset-based multicurrency revolving credit facility of up to US$160m (A$177m) ("Revolving Facility"), subject to holding sufficient eligible accounts receivable and inventory as collateral.

Management and Board changes

Billabong also announces its intention to appoint Mr. Scott Olivet as Managing Director and CEO of Billabong. Scott is a highly experienced and well regarded action sports executive. He was formerly Chairman and CEO of Oakley, Inc. and prior to that served as the Vice President, Nike Subsidiaries and New Business Development where he led the portfolio of non-Nike brands, including Converse and Hurley, both of which reported to him. While at Oakley, Scott drove 14% compound annual growth in EBITDA and delivered an annualised return to shareholders of 28% until its ultimate acquisition by Luxottica. Most recently, he served as Chairman of Collective Brands where he led the company's strategic review and ultimate split/sale of the business. Scott currently serves on the board of Skullcandy, an action sports based electronics and lifestyle company. Scott received a Masters in Business Administration from Stanford University Graduate School of Business and a B.A., Government from Pomona College.

As part of his commitment to the Company, Scott has stated that he intends to purchase 11m ordinary shares in the Company with the option, at his election, to purchase an additional 4m shares (up to 15m ordinary shares in total). Such purchases will occur on or before the close of business on Friday, 26 July 2013 and before the appointment to his role. Mr. Olivet may satisfy these purchases, at his option, by either purchasing shares on the open market or by subscribing for newly issued shares[4] from the Company at A$0.23 per share. At $0.23 per share, Scott's total obligation to purchase shares would be A$2.53 million.

As a result of the appointment of Scott Olivet, Launa Inman will step down from her role as Chief Executive Officer and as a director of the Company. The Company is working with Scott to finalise the terms of appointment to reflect his global experience and a US private equity style package. Such terms will be announced with the finalisation of the transition from Launa to Scott.

"The Board wishes to thank Launa for her contributions to the Company and her resilience during the most difficult period in the Company's history," said Dr. Pollard. "She has shown foresight and direction in the creation of the transformation strategy which has already begun to show some

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[3] *36.25% assumes Billabong pays the RPS dividend in cash. Billabong has the right to elect to pay 25% of the RPS dividend in ordinary shares, in which case the Altamont Consortium's potential future ownership in Billabong could be as high as 40.49% after 9.5 years, assuming the Altamont Consortium chooses to redeem its RPS at the latest possible date and that Billabong chooses to pay 25% of the RPS dividend in equity in every period up until the conversion date. The entities advised by Altamont and GSO Capital Partners will be acting independently with respect to any securities they respectively acquire in the Company or with respect to any governance rights conferred on Altamont. Their holdings have been aggregated in this announcement for ease of communication only.*

[4] *In the event the Company issues shares to Mr. Olivet, the share counts (excluding those of existing shareholders) within this announcement would increase accordingly to reflect the same ownership percentages shown in Annexure A.*

encouraging signs particularly in the USA. It is also timely to recognise publicly the ongoing efforts of the Billabong team globally during a period of significant uncertainty, especially those who have gone above and beyond in the interests of their colleagues, the Company and shareholders."

In order to further adequately reflect Altamont's significant investment in the Company, Altamont will be permitted to nominate two representatives to the Board of Billabong. The two representatives are Jesse Rogers and Keoni Schwartz, each of whom will be appointed as additional directors by the Board and will be put forward for election at the next annual general meeting of the Company.

Jesse Rogers is a Co-Founder and Managing Director of Altamont. Previously, Mr. Rogers co-founded and was Co-Principal Managing Director of Golden Gate Capital ("GGC"). Prior to co-founding GGC, Mr. Rogers was a long time partner at Bain & Company, where he founded and served as the Global Head of Bain's Private Equity Group. Mr. Rogers is a current or past member of the Board of Directors of a number of public and private companies, including: Beringer Wine Estates, Employer's Direct Insurance, Endurance Re (observer), Eye Care Centers of America, Herbalife, Interstate National, Lexicon, Rocket Dog, Ruiz Food Products, Tactical Holdings, and TauTona. Mr. Rogers received a Masters in Business Administration from Harvard Business School and a B.A. from Stanford University.

Keoni Schwartz is a Co-Founder and Managing Director of Altamont. Prior to Altamont, Mr. Schwartz was a Principal at GGC, where he completed numerous transactions in the consumer and retail, financial services and technology sectors. In addition, Mr. Schwartz helped to build and manage the firm's public equities investing activities, working extensively on the firm's public equity investing vehicle, GGC Public Opportunities. Prior to joining GGC, Mr. Schwartz worked as a consultant in both the Boston and San Francisco offices of Bain & Company. Previously, Mr. Schwartz also worked as a consultant for The Bridgespan Group, a consulting firm. Mr. Schwartz received a B.A. in History with honors from Princeton University.

Next steps

As noted above, Billabong intends to convene a meeting of shareholders to approve the issuance to the Altamont Consortium of the RPS and relevant options. Further details of this meeting will be provided as soon as possible, including an information booklet containing an independent expert report.

It is the intention of all the directors to recommend the proposals which require shareholder approval and to vote their own shareholdings in favour of them. Those proposals are:

(a) the issue of the options which exceed the issue limits under the ASX Listing Rules, and the issue of shares on exercise of those options;

(b) the issue of the RPS, and the issue of shares on conversion of the RPS;

(c) the long term incentive components of Scott Olivet's remuneration; and

(d) the election of Jesse Rogers and Keoni Schwartz as directors at the next AGM.

The directors' recommendation, and their intention to vote in favour, is subject to the independent expert opining that the issue is fair and reasonable to the Company's shareholders and in the absence of any superior proposal.

At the same time as preparing the materials for the shareholder meeting, Billabong will be working with the Altamont Consortium and GE Capital to agree binding documentation for the Term Loan, Convertible Note and Revolving Facility as soon as possible.

Media or investor related queries should be directed to Chris Fogarty, Group Executive Corporate Affairs on mobile +61 420 928 824.

MARIA MANNING
COMPANY SECRETARY

ANNEXURE A: KEY TERMS OF FINANCING FACILITIES

Bridge Financing and Options

Commitment size	US$294m (A$325m)
Applicable interest rate	12.0% cash
Maturity date	31 December 2013
Options size	7.5% fully diluted[5]
Options strike price	A$0.50
Options maturity	7 years

Term Loan and Options

Commitment size	Base commitment: US$200m (A$221m) Upsize commitment: US$54m (A$60m)
Applicable interest rate	Base commitment: 12.0% (7.0% cash / up to 5.0% PIK) Upsize commitment: 10.0% cash
Maturity date	5 years after closing date
Options size	7.5% fully diluted[5]
Options strike price	A$0.50
Options maturity	7 years from grant

Convertible Note / RPS

Commitment size	US$40m (A$44m)
Applicable interest rate (after shareholder approval of the Options and RPS)	12.0% (7.0% cash / up to 5.0% PIK)
Applicable interest rate (prior to shareholder approval of the Options and RPS)	35.0% (10.0% cash / up to 25.0% PIK)
Convertible redemption date	7 years after the closing date
RPS Dividend	12.0% (9.0% cash / up to 3.0% stock)
RPS conversion price	US$0.213 (A$0.235)
RPS maturity	9.5 years

Asset-Based Revolver

Commitment size	US$160m (A$177m)
Applicable interest rate	Base rate plus 2.00% margin
Accounts Receivable Advance Rate	up to 85%
Inventory Advance Rate	up to 90%
Maturity	5 years

[5] *7.5% of fully diluted shares outstanding of 563,463,874 (including 84,519,582 options).*

ANNEXURE A: KEY TERMS OF FINANCING FACILITIES (CONT.)

Option and RPS dilution mechanics

	Current ownership		Ownership after issuance of options		Ownership after issuance of options and RPS[6]		Ownership after issuance of options, RPS and equity payment of RPS dividend[7]	
	# shares (m)	% diluted ownership	# shares (m)	% diluted ownership	# shares (m)	% diluted ownership	# shares (m)	% diluted ownership
Current shares outstanding	478.9	100.00%	478.9	85.00%	478.9	63.75%	478.9	59.51%
Options			84.5	15.00%	84.5	11.25%	84.5	10.50%
RPS					187.8	25.00%	187.8	23.34%
Equity payment of RPS dividend							53.5	6.65%
Diluted shares outstanding	**478.9**	**100.00%**	**563.5**	**100.00%**	**751.3**	**100.00%**	**804.8**	**100.00%**

Note: Totals do not add due to rounding.

[6] *The 36.25% sum of Options and RPS % diluted ownership assumes Billabong pays the RPS dividend in cash.*

[7] *Billabong has the right to elect to pay 25% of the RPS dividend in ordinary shares, in which case the Altamont Consortium's potential future ownership in Billabong could be as high as 40.49% after 9.5 years, assuming the Altamont Consortium chooses to redeem its RPS at the latest possible date and that Billabong chooses to pay 25% of the RPS dividend in equity in every period up until the conversion date.*