UNLOCKING BILLABONG GROUP’S VALUE
AGENDA

I. Introduction

II. Billabong Group’s inherent value

III. The pathway to unlocking value

IV. What we will focus on
INTRODUCTION
EVOLUTION OF THE BILLABONG GROUP

Where we were

**Australia**

**Surf**

- Year (Store #s)
  - 2000: 49
  - 2001: 64
  - 2002: 110
  - 2003: 159
  - 2004: 242
  - 2005: 335
  - 2006: 380
  - 2007: 639
  - 2008: 634

**Wholesale**

- **Establishment of Nixon JV**

**Single Brand**

**Where we are now**

**Global**

**Surf Skate Snow**

**Wholesale & Retail**

**Portfolio of Brands**
BILLABONG GROUP’S INHERENT VALUE

I  Leading brand portfolio in board sports

II  Core competency of identifying and growing promising brands

III  Diversified product offering and experienced design team

IV  Global retail portfolio providing direct customer touch points

V  First mover in board sports pure play e-Commerce

VI  Talented and passionate people that live and breathe the business

VII  Significant upside identified
BILLABONG GROUP’S RECENT CHALLENGES

External challenges

- Unprecedented macroeconomic environment
- Structural change impacting the Billabong Brand via diminishing board sport account base
- Unfavourable FX translation impacts

Internal challenges

- Organisational capability unable to keep pace with global expansion strategy
- Own brand performance
- Retail implementation
- Supply chain cost and responsiveness
WE HAVE UNDERTAKEN A DEEP DIVE INCLUDING A DIAGNOSTIC ANALYSIS OF THE BUSINESS

Customer Research
(Primary across surf, skate & snow and Secondary)

Brands
Retail
e-Commerce
Supply Chain & Systems

Regions

Financial Analysis
People & Processes

Strategic Direction
BILLABONG GROUP’S INHERENT VALUE
SIGNIFICANT UPSIDE OPPORTUNITY EXISTS IN NORTH AMERICA, EUROPE AND THE EMERGING MARKETS

Estimated boardsports market annual retail sales by region* (CY2011, $bn)

- **North America**: $8.2bn
- **Europe**: $2.4bn (excluding the UK, France, Germany, Italy and Spain)
- **ANZ & Japan**: $1.7bn
- **Emerging markets**: ~$0.2bn

Approx. Billabong Group FY12 revenue in retail $ (AUD)
- **North America**: ~$1.0bn
- **Europe**: ~$0.4bn
- **ANZ & Japan**: ~$0.6bn
- **Emerging markets**: ~$0.2bn

Note: *Boardsports are defined as action/extreme sports which inherently involve the use of a board as primary equipment, includes equipment and related apparel;
^ Includes the main European countries in which BBG International operates (the UK, France, Germany, Italy and Spain)
Source: Global Industry Analysts, Boardsports Global Strategic Business Report 2012
BILLABONG GROUP’S REPUTATION WITH CONSUMERS IS VERY STRONG

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sells high quality products</td>
<td>70%</td>
</tr>
<tr>
<td>Is a reputable company</td>
<td>68%</td>
</tr>
<tr>
<td>Is a respected company</td>
<td>64%</td>
</tr>
<tr>
<td>Is a reliable company</td>
<td>62%</td>
</tr>
<tr>
<td>Is a company I trust</td>
<td>59%</td>
</tr>
</tbody>
</table>

The very best brands achieve ~70% on these attributes

2012 Billabong Brand Health Study
BRAND BILLABONG AWARENESS IS VERY STRONG IN AUSTRALIA WITH AN OPPORTUNITY TO INCREASE CONVERSION

2012 Billabong Brand Health Study - Benchmark Conversion
1. NPD EuroSima survey
BRAND BILLABONG IS THE PREFERRED LIFESTYLE BRAND IN AUSTRALIA AND TOP THREE WITH UNDER 21s IN THE US

**Australia**

Strong preference across every age group

**US**

Strong preference with under 21s

<table>
<thead>
<tr>
<th>Age Group</th>
<th>% Population who prefer the brand by age group</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 21</td>
<td></td>
</tr>
<tr>
<td>22-29</td>
<td></td>
</tr>
<tr>
<td>30-44</td>
<td></td>
</tr>
<tr>
<td>45+</td>
<td></td>
</tr>
</tbody>
</table>

For personal use only
**ELEMENT, DAKINE & RVCA HAVE GREAT CONVERSION AND CAN GROW THROUGH INCREASED AWARENESS**

% action sports passionates and participants (United States only)

<table>
<thead>
<tr>
<th></th>
<th>ELEMENT</th>
<th></th>
<th>DAKINE</th>
<th></th>
<th>RVCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>%Population</td>
<td></td>
<td>%Population</td>
<td></td>
<td>%Population</td>
<td></td>
</tr>
<tr>
<td>Awareness</td>
<td>32%</td>
<td>Conversion</td>
<td>16%</td>
<td>Conversion</td>
<td>13%</td>
</tr>
<tr>
<td>Consider in Future</td>
<td>19%</td>
<td>Conversion</td>
<td>10%</td>
<td>Conversion</td>
<td>7%</td>
</tr>
<tr>
<td>Ever Bought</td>
<td>11%</td>
<td></td>
<td>5%</td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>Bought 9LTM)</td>
<td>5%</td>
<td></td>
<td>2%</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Total Population Awareness</td>
<td>27%</td>
<td>10%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WE WILL REALISE THE POTENTIAL OF OUR BRANDS THROUGH DIFFERENTIATION

PRODUCT
PRICE
SERVICE
EXPERIENCE
CONVENIENCE
OUR MISSION STATEMENT

“Famous for continuously setting a new standard in board sports through youthful lifestyle brands and experiences.”
WE HAVE CREATED AN INTEGRATED STRATEGY FOR UNLOCKING VALUE AND REFOCUSING THE BUSINESS

ORGANISATIONAL ENABLERS

PEOPLE   MANAGEMENT   IT   INNOVATION
SECTION 3

THE PATHWAY TO UNLOCKING VALUE
BILLABONG GROUP’S PATHWAY TO UNLOCKING VALUE

<table>
<thead>
<tr>
<th>STABILISE (FY13)</th>
<th>BUILD (FY14)</th>
<th>LEVERAGE &amp; EXTEND (FY15)</th>
<th>OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Quick wins – Simplify our business</td>
<td>#2 Leverage Brand Billabong</td>
<td>#3 Leverage other key brands</td>
<td>#4 Realise the strategic potential of retail</td>
</tr>
<tr>
<td>#5 Build global e-Commerce platform</td>
<td>#6 Globalise and integrate supply chain</td>
<td></td>
<td>#7 Organisational enablers</td>
</tr>
</tbody>
</table>
#1 QUICK WINS – OPPORTUNITIES IN THE BUSINESS TO SIMPLIFY OPERATIONS

<table>
<thead>
<tr>
<th>Global</th>
<th>Number</th>
<th>Simplification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique styles</td>
<td>25,239</td>
<td>Reduce tail of styles to streamline design and product processes</td>
</tr>
<tr>
<td>Wholesale customers</td>
<td>~13,000</td>
<td>Serve smaller customers more efficiently through enhanced B2B platform</td>
</tr>
<tr>
<td>Suppliers</td>
<td>500</td>
<td>Rationalise supplier base to leverage scale and drive down cost price</td>
</tr>
<tr>
<td>Banners / stores / online</td>
<td>18 / 625 / 35</td>
<td>Close loss making stores, tightly manage store wages and rationalise banners</td>
</tr>
<tr>
<td>Brands</td>
<td>12</td>
<td>Rationalise sub-scale brands in specific geographies (Honolua, Kustom USA)</td>
</tr>
<tr>
<td>Countries</td>
<td>33*</td>
<td></td>
</tr>
</tbody>
</table>

*Countries where we directly operate, we have distributors in a further 50+ countries*
# Quick Wins – Opportunity to Rationalise Styles, Suppliers and Customers

## Opportunities to Simplify the Business

### Styles
- ~80% of sales generated by ~22% of styles
- Reduction of ~15% of styles

### Suppliers
- ~85% of purchases generated from ~19% of suppliers
- Reduction of ~35% of suppliers

### Customers
- ~80% of sales generated from ~11% of customers

---

### Global Cumulative Sales by Style

- ~1% of sales (~34% of styles)
- ~19% of sales (~44% of styles)
- ~80% of sales (~22% of styles)

---

### Cumulative Purchases by Supplier

- 1% of purchase (46% of suppliers)
- 14% of purchase (35% of suppliers)
- 85% of purchase (19% of suppliers)

---

### Global Cumulative Sales by Customer

- ~1% of sales (~33% of customers)
- ~19% of sales (~56% of customers)
- ~80% of sales (~11% of customers)
LEVERAGE BRAND BILLABONG – CAPTURING MORE CUSTOMERS WITHOUT DILUTING THE CORE

Board Sports Participants: 13%
Surf, skate or snowboard regularly but see it more as a hobby

Board Sports Fanatics: 6%
Surf, skate or snowboard regularly and “would struggle to live without it”

Teens are part of this

Active Lifestyles: 34%
Exercise weekly and avidly look after their health. Many have the same psychographic mindset as our core
LEVERAGE BRAND BILLABONG – EXTENDING REACH WHILE BEING MORE RELEVANT TO THE CORE

Action Sport Core & Active Lifestyle Segments
Psychographic Values

#1 “They want a brand that reflects their lifestyle”

#2 UNIQUE PRODUCT

- “Fashion that defines them”
- “Like to look sporty”
- “Being first to try new things”
- “Superior performance matters”

#3 UNIQUE EXPERIENCE

- “Spontaneity”
- “Adrenalin junkies”
- “Like to feel fit”

Billabong Brand Health Study
LEVERAGE BRAND BILLABONG – DIFFERENTIATED PRODUCT AND EXPERIENCE

PRODUCT
- Innovative designs
- Performance
- Quality
- New and Fresh

EXPERIENCE
- In store experience
  - Exciting
  - Authentic
  - Well presented in store
- Website
  - Easy to shop
  - Inspiring content
  - Tribal engagement
LEVERAGE BRAND BILLABONG – PRODUCT DESIGN CAPABILITY VIA A GLOBAL BRAND MANAGEMENT TEAM

- New Global Brand Manager appointed
- Previously separate teams now integrated into a global team

- Teams in Australia, USA and Europe give us more touch points to identify global trends
- Design teams live the lifestyle, keeping pace with the fast changing culture
LEVERAGE BRAND BILLABONG – CUSTOMER EXPERIENCE TRANSLATED ACROSS CHANNELS

BILLABONG
The place where innovative design and performance meets youth culture energy

Linked by advanced technology interface
LEVERAGE BRAND BILLABONG – CATEGORY AND CHANNEL GROWTH OPPORTUNITIES

Brand Billabong % sales by category

Comparison of Brand Billabong sales channels vs. industry (USA, FY12)

Source: Management estimates
LEVERAGE OTHER KEY BRANDS – STRONG TRACK RECORD OF DEVELOPMENT

Growth of other brands since acquisition
Revenue growth multiple (FY12 vs. acquisition)

Based on the valuation from the recent sale of 51.5% of Nixon, we trebled the value of Nixon over a 6 year period.

<table>
<thead>
<tr>
<th>Years owned</th>
<th>CAGR</th>
<th>VZ</th>
<th>Element</th>
<th>Kustom</th>
<th>Nixon</th>
<th>Xcel</th>
<th>Tigerlily</th>
<th>Sector 9</th>
<th>Dakine</th>
<th>RVCA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>11.3</td>
<td>11.0</td>
<td>7.8</td>
<td>6.4</td>
<td>4.8</td>
<td>4.6</td>
<td>4.0</td>
<td>3.7</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15%</td>
<td>18%</td>
<td>14%</td>
<td>26%</td>
<td>9%</td>
<td>22%</td>
<td>17%</td>
<td>11%</td>
<td>61%</td>
</tr>
</tbody>
</table>
### LEVERAGE OTHER KEY BRANDS – GROW ELEMENT, DAKINE & RVCA

<table>
<thead>
<tr>
<th>Brand</th>
<th>Strategic focus</th>
<th>Initiatives</th>
</tr>
</thead>
</table>
| **ELEMENT** | ■ Authentic skate brand  
■ Strong appeal to urban youth  
■ Redefine identity | ■ Simplify and refocus  
■ Invest in product development  
■ Test category expansion |
| **DAKINE** | ■ Well-respected brand in outdoor  
■ Potential to diversify  
■ Not restrained by demographics | ■ Leverage technical position to new categories  
■ Broaden channels  
■ Outerwear growth opportunities |
| **RVCA** | ■ Small brand with huge potential  
■ Trending very well in US market  
■ Requires marketing spend and product development | ■ A&P driven growth  
■ Test brand extension (premium sport)  
■ Expand globally |
STRATEGIC RETAIL – CONTROLLING SIGNIFICANTLY LARGER SHARE OF RETAIL DISTRIBUTION FOR OUR BRANDS

- Wholesale sales:
  - North America:
    - 2008: 90%
    - 2012: 83%
  - Europe:
    - 2008: 91%
    - 2012: 85%
  - Australia:
    - 2008: 96%
    - 2012: 59%

- External retail:
  - North America:
    - 2008: 10%
    - 2012: 17%
  - Europe:
    - 2008: 9%
    - 2012: 15%
  - Australia:
    - 2008: 4%
    - 2012: 41%
STRATEGIC RETAIL – INTERNAL CHALLENGES

- Problematic integration
- Not sufficiently customer centric
- Underinvested in retailing tools (e.g. IT systems)
- Lacked a network plan
- Lacked scale retail expertise
**STRATEGIC RETAIL – FOCUSSED ON OPERATIONS AND A PORTFOLIO REVIEW**

### OPERATIONS FOCUS

#### Stabilise (FY13)
- Global framework and KPI’s defined
- Strengthen retail capability: sales focus; VM; service; cost mgmt
- Review leases
- Aged stock

#### Build (FY14)
- Drive through performance improvements:
  - Customer experience
  - Planning and stock flow
  - Integrate marketing and promo calendar into planning
  - Inventory control / stock turns

#### Leverage (FY15)
- Develop true multi-channel capability
STRATEGIC RETAIL – FOCUSED ON OPERATIONS AND A PORTFOLIO REVIEW

**PORTFOLIO REVIEW**

**Stabilise (FY13)**
- Who is our customer and how do they shop stores and online?
- Where do we need to be to reach these people?
- What is the proposition in each location? (surf/skate/snow)

**Build (FY14)**
- From all the propositions we have, what works best?
- What are the formats we need? (location, size, seasonal flex, space planning, optimal fitout)

**Leverage (FY15)**
- What actions do we take with the current network (close, downsize, relocate, convert, open)?
STRATEGIC RETAIL – THE TRIALLING OF NEW FORMATS HAS BEGUN

SurfDive’nSki* (Warringah, Australia)

* +12% LFL sales

Amazon (Northlands, NZ)

+16% LFL sales
Moving each performance band up one level has the potential to unlock significant value

Retail LFL store performance by Profitability Performance Band

<table>
<thead>
<tr>
<th>Performance band</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores</td>
<td>92</td>
<td>92</td>
<td>93</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Sales</td>
<td>$89m</td>
<td>$126m</td>
<td>$122m</td>
<td>$107m</td>
<td>$69m</td>
</tr>
</tbody>
</table>
We invested in strong and growing multi-brand e-Commerce sites that are focused on surf, skate and snow in both Australia and the USA.

- Surfstitch has grown into a $30m business in three years (now annualising ~$50m) and continues to demonstrate rapid growth.
- Swell is a $20m business which is still growing fast.
- Growing this channel will deliver more profitable sales, as it requires a lower cost to serve.

Note: Surfstitch is now generating annualised sales of ~$50m.
E-COMMERCE – BUILDING A PLATFORM VIA THREE GROWTH PATHS

**B2C Multi-brand Pure Play**
- Helps customers access our brands/product in the most convenient manner
- Gives customers access to over 300 brands that we can profit from
- Enables us to stay close and in-tune with unfolding trends

**B2C Mono-brand Pure Play**
- Leverages the digital content and social media presence of our brands into sales
- Allows direct interaction with customers
- Will become increasingly important over time

**Multi-channel Capability**
- Over time we will integrate e-Commerce capability into our bricks and mortar network
Key initiatives

- “Parallel” segmented supply chains which balance cost, speed and flexibility to match business needs
- Enhanced product development process
- Improved global sourcing capabilities
- Globally integrated logistics network
- Integrated demand and supply planning

Opportunity for improvements

<table>
<thead>
<tr>
<th>Leadtime¹</th>
<th>BBG</th>
<th>Average</th>
<th>Best</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8 - 12</td>
<td>6 - 9</td>
<td>3 - 5</td>
</tr>
</tbody>
</table>

Supply Chain Cost as % of Sales (Indexed)

<table>
<thead>
<tr>
<th>BBG</th>
<th>Average</th>
<th>Best</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>91</td>
<td>61</td>
</tr>
</tbody>
</table>

Inventory Turns

<table>
<thead>
<tr>
<th>BBG</th>
<th>Average</th>
<th>Best</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4x</td>
<td>4.0x</td>
<td>5.0x</td>
</tr>
</tbody>
</table>
Organisational design and structure, including roles and accountabilities and how the organisation makes decisions

- IT reporting systems

- Performance measures and information

- Filling retail skill gaps

- Customer driven innovation capability
# SUMMARISING THE PATHWAY TO VALUE

## STABILISE (FY13)
- Simplify
  - Reduce tail of styles
  - Store wages reduction
  - Minimise duplication

## BUILD (FY14)
- Leverage Brand Billabong
  - Customer insights research
  - Strengthen core categories
  - Salesforce effectiveness
  - Reposition brand supported by increased marketing investment
  - Improve under-potential categories (winter/girls)

## LEVERAGE & EXTEND (FY15)
- Leverage our other key Brands
  - Redefine Element (US)
  - Invest in marketing for RVCA (US)
  - Invest in Dakine product develop.
  - Grow Element (US/Europe)
  - Invest in marketing for Dakine
  - Ramp up RVCA globally
  - Strategically acquire and integrate new brands

- Realise the full strategic potential of Retail
  - Improve current performance
  - Customer insights research
  - Network planning
  - Clear aged inventory
  - Continue performance improvement
  - Define proposition(s)
  - Strategically open new stores
  - Global banner rationalisation
  - Refurb program

- Build our e-Commerce platform
  - Brand Billabong e-Commerce
  - Wholesale B2B platform to drive sales
  - Invest in marketing
  - Consolidate our backend technology platform
  - Extend e-Commerce platform to other brands
  - Develop integrated multi-channel capability

- Globalise and Integrate our Supply Chain
  - Detailed design of a globally integrated supply chain
  - Define global sourcing model
  - Implement globally integrated supply chain
  - Leverage global capability

- Organisational Enablers
  - Organisation structure
  - Performance measures
  - Retail expertise
  - Systems and processes
  - Customer driven innovation capability
WE ARE TARGETING EBITDA IN FY16 OF >2.5x FY12 PRO FORMA EBITDA OF $84m

**Targeting incremental EBITDA of $155m+ by FY16 over and above pro forma FY12 EBITDA of $84m, prior to reinvestment in the business. Total capital costs to implement of $80m+**

1. Incremental EBITDA of $155m+ under the Transformation Strategy does not include expected $30m annualised EBITDA of cost outs and expected $8m of annualised EBITDA uplift from store closures announced at the time of the Strategic Capital Structure Review.

<table>
<thead>
<tr>
<th>Organisational enablers</th>
<th>STABILISE (FY13)</th>
<th>BUILD (FY14)</th>
<th>LEVERAGE &amp; EXTEND (FY15)</th>
<th>Targeted FY16 incremental EBITDA vs. PF FY12 EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Quick wins – Simplify our business</td>
<td></td>
<td></td>
<td></td>
<td>A$10m+</td>
</tr>
<tr>
<td>#2 Leverage Brand Billabong</td>
<td></td>
<td></td>
<td></td>
<td>A$25m+</td>
</tr>
<tr>
<td>#3 Leverage our other key brands</td>
<td></td>
<td></td>
<td></td>
<td>A$40m+</td>
</tr>
<tr>
<td>#4 Realise the strategic potential of retail</td>
<td></td>
<td></td>
<td></td>
<td>A$35m+</td>
</tr>
<tr>
<td>#5 Build our global e-Commerce platform</td>
<td></td>
<td></td>
<td></td>
<td>A$20m+</td>
</tr>
<tr>
<td>#6 Globalise and integrate our supply chain</td>
<td></td>
<td></td>
<td></td>
<td>A$25m+</td>
</tr>
<tr>
<td>#7 Organisational enablers</td>
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</tr>
</tbody>
</table>
SECTION 4

WHAT WE WILL FOCUS ON
## OUR KEY MEASURES TO SUCCESS ACROSS THE WHOLE BUSINESS

| #2 | #3 | Brands | Sell thru | Conversion %* | GM% | Famous for attributes* |
| #4 | Retail | Sales psm | Conversion % | $/Tx | LFL growth |
| #5 | e-Commerce | Traffic | Conversion% | $/Tx | Items/transaction |
| #6 | Supply Chain | Lead time | Availability | SC cost % | Inventory turns |
| Overall | GM% | EBITDA% | WC% | ROCE% |

*Will come from brand tracking research*
FOUR KEY LEVERS FOR EXECUTION

- Build change in Billabong Group’s culture of creativity
- Introduce new project processes
- Integrate change initiatives with collaboration and common measures
- Leadership is accountable for change, not just operations
WE HAVE MADE A STRONG START ALREADY

- We developed this strategy differently
  - Co-designed with the top leaders in open dialogue forums
  - Taken a global approach, not a bottom-up regional approach

- We based it on data and insights
  - Includes external benchmarks and primary customer research
  - Balancing assumptions and intuition with extensive analytics

- We introduced new thinking and skills
  - Andy Laws, Head of Strategy
  - Collin Haggerty, Global Head of Retail
  - Chris Zyner, Head of HR
  - Top external consultants as part of the strategy development team
WHAT’S NEXT?

- Develop the optimal organisational design and structure to deliver this strategy
- Strengthen information technology systems by appointing a global head
- Building an implementation framework for the strategy
  - Set up a project office to coordinate and drive initiatives
  - Leadership accountability for each initiative with senior executive sponsor and project lead
  - Each initiative to develop implementation plans with timeframes and milestones
  - Strong focus on learning and outcomes for each initiative
## CONCLUSION

<table>
<thead>
<tr>
<th>Pathway</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplification</td>
<td>Customer centric</td>
</tr>
<tr>
<td>Brand Billabong</td>
<td>Innovative product and customer experiences</td>
</tr>
<tr>
<td>Element, Dakine, RVCA</td>
<td>Disciplined execution</td>
</tr>
<tr>
<td>Strategic retail</td>
<td></td>
</tr>
<tr>
<td>e-Commerce</td>
<td></td>
</tr>
<tr>
<td>Supply Chain</td>
<td></td>
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</table>
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