Billabong International Limited

ABN 17 084 923 946




1 Billabong Place
Burleigh Heads
QLD 4220 Australia

P O Box 283
Burleigh Heads
QLD 4220 Australia

Tel: +61 7 5589 9899
Fax: +61 7 5589 9654

www.billabongbiz.com

ASX ANNOUNCEMENT

TRADING UPDATE

At the time of its Annual General Meeting (AGM) in October, the Company indicated that Group sales revenue in the three months to 30 September 2011 was up 24.7% in constant currency terms (up 6.2% adjusting for the impact of acquisitions) compared to the prior corresponding period (pcp) and the business anticipated strong underlying EBITDA growth compared to the pcp in constant currency terms in the 2011-12 financial year.

At the announcement of the 2010-11 financial year results in August and again at the AGM, the Company also stressed the magnitude of the December and June trading months to the Group's overall results for the 2011-12 financial year.

Following receipt and finalisation of management accounts reflecting actual trading results for the month of November and receipt of preliminary retail sales data for company owned stores for the period ended 11 December, the sales growth trend has deteriorated significantly in this critical retail period.

Based on the data received, this is illustrated in the following table:

Period	Constant currency sales revenue growth	Constant currency sales revenue growth adjusting for the impact of acquisitions
For the three months to 30 September 2011	+24.7%	+6.2%
For the four months to 31 October 2011	+17.2%	+2.8%
For the five months to 30 November 2011	+11.7%	+0.4%

Based on preliminary sales data to 11 December and assuming a continuation of current trends, it is now anticipated that sales revenue for the six months to 31 December will be approximately 5% higher than the pcp in constant currency terms (down approximately 3% adjusting for the impact of acquisitions).

The reasons for the sales slowdown vary by region, but the data received reflects the European sovereign debt issues and the ensuing fears of global recession which are impacting consumer confidence and spending patterns significantly. Within the key regions:

- The Group's European company owned retail stores, which were showing slightly positive comparable store sales growth to the end of October, declined sharply in November after a positive start to the month and this downward trend continued into the first week of December.

- With the lower sell through from the late start to winter and limited snowfalls, European retailers are pushing back early summer December deliveries to later in the year. While it is expected the Group will deliver the majority of these summer forward orders in the second half, the later deliveries may result in lower in-season repeats.

- In Australia, while there was some sales improvement following the November fall in interest rates, sales in the latter part of the month were significantly affected by unseasonally cold summer weather, particularly in New South Wales. The poor weather has continued into December and is reflected in same store sales declines.

- With respect to North America, the Group's business in the USA has continued to perform well, with good like-for-like sales growth in October and November but turning negative in the first two weeks of December on growing global concerns about Europe. Challenging trading conditions remain in Canada, in both wholesale and retail.

Overall, Europe is by far the Group's most challenging market, followed by Australia. The slower global sales come as the general market environment has become highly promotional and this is placing pressure on gross margins. Much of the consequent loss of gross profit is leading to a reduction in EBITDA given the limited ability to reduce the relatively fixed cost base in the short term.

While the Group's trading results remain heavily subject to performance across the balance of the critical December trading period, the Company anticipates reported EBITDA for the six months ending 31 December 2011 to be in the range of $70 million to $75 million (compared to $94.6 million in the pcp). On a constant currency basis, the Company anticipates this EBITDA range would be approximately $4 million higher, with the range on an 'as reported' basis being adversely impacted in particular by the stronger AUD against the USD and Euro for the six month period ending 31 December 2011 compared to the pcp. Given the poor macroeconomic and trading environment, the Company is not able to provide guidance for the full 2011-12 financial year, however, strong underlying EBITDA growth compared to the pcp in constant currency terms for the full year is not expected.

While the Group remains focused on reducing working capital and maximising cash flow from operating activities, the poor macroeconomic and trading environment is hampering the Group's ability to clear excess inventory.

In light of the shift in retail consumer and wholesale customer spending patterns, and while significant costs have already been taken out of the business over recent years, the Company is undertaking a further operational review of the business to ensure additional appropriate reductions are made to overheads in the current financial year and into the 2012-13 financial year.

In addition, a strategic capital structure review is under way with the Company's advisor, Goldman Sachs. This review includes an assessment of all potential alternatives to strengthen the Company's capital structure in light of the existing operating environment and the risk for further deterioration. The review encompasses all of the Company's balance sheet alternatives. It would be premature to speculate on the most likely outcome of this review and, while nothing has been ruled out, raising equity is not the preferred path at this time as the Company is reviewing other options.

Despite the extremely challenging external trading environment, the Company continues to believe in the fundamental mid to longer term potential of its previously-stated strategy, in particular to enhance its direct-to-consumer business model, grow the vertical margin contribution from company owned brands in acquired retail stores and continue the rapid expansion of its online businesses.

The Company will release its half year results on 17 February 2012.

MARIA MANNING
COMPANY SECRETARY