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BY THE US PRIVATE PLACEMENT MEMORANDUM AND DELIVERED SOLELY TO APPROVED US SHAREHOLDERS

PATHFINDER

THIS IS NOT A PROSPECTUS

Important Notice

You must read this notice before reading or making any use of
this document or any information contained in this document.
By accepting this document, you agree to be bound by the following
terms and conditions, including any modifications to them.

This document is a draft prospectus or pathfinder document (**Pathfinder**) for the purpose of section 734(9) of the *Corporations Act 2001* (Cth) (**Corporations Act**) in respect of a proposed offer of shares (**New Shares**) by Billabong International Limited (ABN 17 084 923 946) (**Billabong**) (the **Entitlement Offer**).

This Pathfinder has been prepared solely for information purposes and is provided so that you may consider an invitation to participate in the proposed Entitlement Offer (**Opportunity**).

This Pathfinder is not a prospectus, product disclosure statement or other disclosure document for the purposes of the *Corporations Act* and has not been lodged with the Australian Securities and Investments Commission (**ASIC**).

This Pathfinder is a draft only and is subject to change prior to it being approved by the Directors of Billabong and lodged with ASIC, which is expected to occur on or about 26 February 2014 (the **Prospectus**). The Prospectus will be available to Eligible Retail Shareholders from its lodgement date on the Billabong website at www.billabongbiz.com and as otherwise distributed or made generally available. Eligible Retail Shareholders who want to acquire the New Shares should complete, or otherwise apply in accordance with, the personalised Entitlement and Acceptance Form that will accompany the Prospectus and should consider the Prospectus in deciding whether or not to acquire New Shares.

This Pathfinder has been prepared at a time when the due diligence process and drafting of the Prospectus has not been finalised and therefore the information presented in this Pathfinder may differ materially in both content and presentation from that presented in the Prospectus and Billabong reserves the right to alter the document accordingly. This Pathfinder does not purport to be all inclusive or to contain all information which recipients may require to make an informed assessment of whether to invest in New Shares. This Pathfinder contains statements which are either missing information or which assume completion of matters expected to be completed by the date the Prospectus is lodged with ASIC. In particular, the Pathfinder refers to an Institutional Entitlement Offer and Institutional Shortfall Bookbuild, neither of which have been completed at the date of this Pathfinder.

Billabong may in its absolute discretion, but without being under any obligation to do so, update or supplement this Pathfinder. Any further information will be provided subject to these terms and conditions.

Parties named in this Pathfinder may seek amendments to the references to them or reports provided by them in this Pathfinder before it is finalised and lodged with ASIC as a Prospectus.

Unless otherwise defined, capitalised terms in this Pathfinder have the meaning given to them in the Prospectus.

NO DISCLOSURE DOCUMENT REQUIRED

This Pathfinder is provided to you on the basis that you are, and you represent and warrant that:

- If you are in Australia, you are a person to whom an offer and issue of New Shares may be made in Australia without a disclosure document (as defined in the Corporations Act).
- If you are outside Australia, you are a person to whom an offer and issue of New Shares may be made outside Australia without registration, lodgement or approval of a formal disclosure document or other filing in accordance with the laws of that foreign jurisdiction (except to the extent Billabong, in its absolute discretion, is willing to comply with such requirements); provided that you are not in the United States and are not acting for the account or benefit of a person in the United States.
- If you are in the United States, you are a Shareholder as of the Record Date (each as defined in this Pathfinder) and on the offer announcement date you are either (a) a "qualified institutional buyer" (as defined in Rule 144A under the US Securities Act of 1933 (the "US Securities Act")) (a **QIB**) that is acting for your own account or for the account or benefit of one or more persons each of whom is a QIB; (b) a dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (as defined in Regulation S under the US Securities Act) for which you have and are exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act (collectively, **Approved US Shareholders**), and you have received the U.S. Private Placement Memorandum dated 21 February 2014 (**US Private Placement Memorandum**).
- If you are in New Zealand, your principal business is the investment of money or you, in the course of and for the purposes of your business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act 1978. In relation to the New Shares, you are acquiring the securities for your own account and you intend to hold the securities on long term capital or investment account, and accordingly you are not acquiring securities with a view to offering them (or any of them) for sale to the public (within the meaning of the *New Zealand Securities Act 1978*). If in the future you elect to directly or indirectly offer to sell any of the securities you undertake that you will not do so in any manner which:
 - will, or is likely to, result in the offer, or such sale, being viewed as an "offer of securities to the public" or an offer requiring a prospectus, investment statement or other

similar offering or disclosure document or any registration or filing;

- would contravene New Zealand securities laws or the securities laws of any applicable jurisdiction; or
- may result in Billabong or its directors incurring any liability whatsoever.

If you are not such a person, please do not read the Pathfinder. Please return it to Billabong and destroy or delete any copies.

LIMITATIONS OF THIS DOCUMENT

This Pathfinder is based on information supplied by Billabong and from sources reasonably believed to be reliable. This information has not been independently verified and may not be independently verifiable.

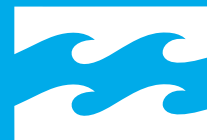
Do not rely on this Pathfinder to make an investment decision.

This Pathfinder is not, and should not be construed as, a recommendation by Billabong nor Goldman Sachs Australia Pty Limited (the **Offer Manager**) or their respective affiliates, related bodies corporate, or their officers, employees, directors, partners or advisers or any other party referred to in this Pathfinder to participate in the Opportunity. The provision of this Pathfinder is not and should not be considered as financial product advice. Nothing in this Pathfinder constitutes investment, legal, tax or other advice. The information in this Pathfinder is general only and does not take into account your individual objectives, taxation position, financial situation or needs. Before making an investment decision, you should consider whether an investment in the New Shares or Billabong is appropriate in light of your individual objectives, taxation position, financial situation or needs and consider obtaining professional securities advice. In all cases, you should conduct your own investigations and analysis of the Opportunity, the financial condition, assets and liabilities and business affairs of Billabong and its business, and the contents of this Pathfinder.

This Pathfinder does not constitute an invitation, offer or recommendation to apply for New Shares and does not contain any application form for New Shares. This Pathfinder does not constitute an advertisement for an offer or proposed offer of New Shares. It is not intended to induce any person to engage in, or refrain from engaging in, any transaction.

DISTRIBUTION

This Pathfinder is confidential, is being furnished to you solely for your information and may not be reproduced or distributed to any person except persons within your organisation directly involved in considering this Opportunity provided that they are not in the United States other than by Billabong to Approved US Shareholders that have received the US Private Placement Memorandum that is attached to or accompanies this document.



This Pathfinder and its contents are provided on the basis that recipients will not breach applicable insider trading laws.

Distribution of this Pathfinder (including an electronic copy) outside Australia and New Zealand may be restricted by law. Persons who come into possession of this Pathfinder who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws.

This Pathfinder has not been filed, registered or approved in any jurisdiction. No action has been taken or is proposed to be taken to register or qualify this Pathfinder, New Shares or the offer of New Shares, or otherwise permit a public offering of securities, in any jurisdiction outside Australia.

FOREIGN JURISDICTIONS

Without limiting the foregoing, the distribution of this and any other materials relating to the Opportunity, the proposed offer, or the offering, issue or sale of New Shares in jurisdictions outside Australia and New Zealand is subject to the following requirements and restrictions:

United States

This Pathfinder does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any person to whom such an offer or sale would be unlawful. Neither the Entitlements under the Retail Entitlement Offer nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States.

The Entitlements under the Retail Entitlement Offer may not be taken up by persons in the United States or by persons who are acting for the account or benefit of, persons in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

Canada (British Columbia, Ontario and Quebec provinces)

This Pathfinder constitutes an offering of Entitlements and New Shares only in the Provinces of British Columbia, Ontario and Quebec (the **Provinces**) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This Pathfinder is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This Pathfinder may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this Pathfinder, the merits

of the Entitlements or the New Shares or the offering of such securities and any representation to the contrary is an offence. No prospectus has been, or will be, filed in the Provinces with respect to the offering of Entitlements or New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Entitlements or the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

Billabong and its Directors and officers may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this Pathfinder has been prepared in accordance with the measurement and recognition principles of Australian Accounting Standards and also comply with the measurement and recognition principles of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Entitlements or the New Shares purchased pursuant to this Pathfinder (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission

against the Company if this Pathfinder or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this Pathfinder contains a misrepresentation, a purchaser who purchases the Entitlements and the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased such securities with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of such securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which such securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the Entitlements and the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of such securities as any discussion of taxation related matters in this Pathfinder is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this Pathfinder, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

European Economic Area – Austria, Germany and Luxembourg

The information in this Pathfinder has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

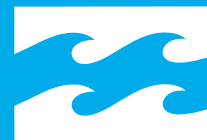
- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This Pathfinder is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Pathfinder and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New



Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: This Pathfinder has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this Pathfinder or to permit the distribution of this Pathfinder or any documents issued in connection with it. Accordingly, the Entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements and the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Pathfinder have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Pathfinder, you should obtain independent professional advice.

Italy

The offering of the Entitlements and the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, (**CONSOB**)) pursuant to the Italian securities legislation and, accordingly, no offering material relating to these securities may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1 (t) of Legislative Decree No. 58 of 24 February 1998, as amended (Decree No. 58), other than:

- to qualified investors (**Qualified Investors**), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended (Regulation No. 11971); and
- in other circumstances that are exempt from the rules on

public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Entitlements or the New Shares or distribution of any offer document relating to these securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Entitlements and the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Norway

This Pathfinder has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this Pathfinder shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This Pathfinder and any other materials relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Pathfinder and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with

exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Pathfinder has been given to you on the basis that you are (i) an existing holder of Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Pathfinder immediately. You may not forward or circulate this Pathfinder to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Entitlements and the New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Pathfinder has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Pathfinder nor any other offering or marketing material relating to the Entitlements and the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. These securities will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this Pathfinder nor any other offering or marketing material relating to the Entitlements and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Pathfinder will not be filed with, and the offer of Entitlements and New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This Pathfinder is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this Pathfinder nor any other document relating to the Entitlement Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and

no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Entitlements or the New Shares. This Pathfinder is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this Pathfinder, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Pathfinder should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

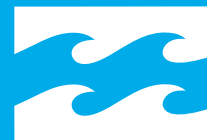
In the United Kingdom, this Pathfinder is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this Pathfinder relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Pathfinder or any of its contents.

OTHER JURISDICTIONS

The New Shares may not be offered or sold in any other jurisdiction by means of this Pathfinder, except to persons to whom such offer, sale or distribution is permitted under applicable law without lodgement, registration or other formality or filing with or by a governmental agency.

NO LIABILITY

Billabong has prepared this Pathfinder based on information available to it at the time of preparation. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, likelihood of achievement or reasonableness of any forecasts, reports, opinions and conclusions contained in this Pathfinder or any other information Billabong or the Offer Manager otherwise provides to you.



You cannot assume that the information in this Pathfinder will be updated at any time subsequent to 21 February 2014. The distribution of this Pathfinder does not constitute a representation by Billabong or the Offer Manager or their respective affiliates, related bodies corporate, or the directors, officers, employees, partners, or advisers that the information will be updated at any time after the date of this Pathfinder. Except to the extent required by law, Billabong and the Offer Manager do not undertake to advise any person of any information coming to their attention relating to the financial condition, status or affairs of Billabong or its related bodies corporate (as that term is defined in the Corporations Act) (**related bodies corporate**).

To the maximum extent permitted by law, Billabong and the Offer Manager, their respective related bodies corporate and their affiliates, officers, directors, employees, advisers and agents, and any other party referred to in this Pathfinder, do not accept any responsibility or liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any direct, indirect, consequential or contingent loss or damage suffered by any person arising from the use of this Pathfinder or its contents or otherwise in connection with it.

The Offer Manager and its related bodies corporate, and their respective directors, officers, employees or advisers make no recommendation as to whether you should participate in the Opportunity or the sub-underwriting of the Opportunity, nor do they make any representation or warranty concerning the Opportunity. You should make your own decision to participate based on your own enquiries and information contained in this Pathfinder.

To the extent the Offer Manager provides any information contained in this Pathfinder to any person (whether by distributing this Pathfinder, or in verbal communications or otherwise), they do so as a mere conduit of Billabong and in reliance on this Pathfinder.

Forward Looking Statements

Some of the information contained in this Pathfinder may constitute forward-looking statements that are subject to various risks and uncertainties. Nothing in this Pathfinder is a forecast, or a promise or representation as to the future. Statements or assumptions in this Pathfinder as to future matters may prove to be incorrect. Billabong does not make any representation or warranty as to the accuracy, completeness, likelihood of achievement or reasonableness of any forward-looking statements contained in this Pathfinder.

You acknowledge that circumstances may change and the contents of this Pathfinder may become out dated as a result. You also acknowledge that no audit or review has been undertaken by an independent third party of the assumptions, data, results,

calculations and forward-looking statements contained in or referred to in this Pathfinder. You should make your own independent assessment of the information and seek your own independent professional advice in relation to the information and any action taken on the basis of the information.

REPRESENTATIONS , WARRANTIES AND ACKNOWLEDGEMENT

By accepting this Pathfinder, you acknowledge and agree that you understand the contents of this notice and that you agree to abide by the terms and conditions of this notice.

You also:

- represent and warrant that you are not in the United States, unless you are an Approved US Shareholder and have received the US Private Placement Memorandum that is attached to or accompanies this document;
- represent and warrant that you will not, and will procure that your officers and employees will not, use this Pathfinder, in whole or in part, for any purpose other than deciding whether or not to participate in the Opportunity;
- represent and warrant that you will act on the basis of your own investigations and analysis in respect of any investment decision whether to acquire New Shares;
- acknowledge that Billabong and the Offer Manager are relying on you complying with this notice and on the truth and accuracy of the representations and warranties given by you; and
- to the maximum extent permitted by applicable law, indemnify and agree to keep indemnified Billabong and the Offer Manager, their related bodies corporate and their officers, directors, employees and agents against any loss, damage and costs incurred and arising out of or relating to any breach by you of this disclaimer and conditions or representations or warranties given by you.

Neither this Pathfinder nor any copy of it may be transmitted, distributed or released, directly or indirectly, in the United States (other than by Billabong to Approved US Shareholders that have received the US Private Placement Memorandum that is attached to or accompanies this document). By accepting this draft document, you agree to be bound by these limitations.

21 February 2014

BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946



PROSPECTUS

For a pro rata accelerated renounceable entitlement offer by
Billabong International Limited ABN 17 084 923 946 to raise
approximately A\$50 million at an issue price of A\$0.28 per New Share

For personal use only



THIS DOCUMENT IS NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES UNLESS ACCOMPANIED BY
THE US PRIVATE PLACEMENT MEMORANDUM AND DELIVERED SOLELY TO APPROVED US SHAREHOLDERS

IMPORTANT INFORMATION

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read all of this Prospectus carefully before deciding whether to invest in New Shares. In particular, you should consider the key risks that could affect the performance of Billabong or the value of an investment in Billabong, some of which are outlined in Section 6 of this Prospectus. Note, however, that the information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation, tax position or particular needs of individual investors.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects of the Entitlement Offer will vary between investors. A summary of potential Australian tax implications is contained in Section 9 of this Prospectus. However, all investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Investors should note that the past share price performance of Billabong provides no guidance as to its future share price performance.

Within seven days after the date of this Prospectus, Billabong will apply to ASX for the New Shares to be quoted on ASX.

This Prospectus is dated 26 February 2014 and a copy of this Prospectus was lodged with ASIC on that date. This Prospectus expires on the date 13 months after it was lodged (**Expiry Date**). No New Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date. ASIC and ASX take no responsibility for the contents of this Prospectus.

PROSPECTUS AVAILABILITY

Eligible Retail Shareholders can obtain a copy of this Prospectus during the Entitlement Offer Period on the Billabong website at www.billabongbiz.com or by calling the Billabong Entitlement Offer Information Line on the numbers listed below under the heading 'Enquiries'.

A replacement Entitlement and Acceptance Form can also be requested by calling the Billabong Entitlement Offer Information Line.

Persons who access the electronic version of this Prospectus

should ensure that they download and read the entire Prospectus. Shareholders in jurisdictions outside Australia and New Zealand (including Shareholders in the United States) are not entitled to access a copy of this Prospectus on the Billabong website. The electronic version of this Prospectus on the Billabong website will not include an Entitlement and Acceptance Form.

Eligible Retail Shareholders will only be entitled to take up their Entitlement by completing the Entitlement and Acceptance Form which accompanies this Prospectus and returning it with their cheque, bank draft or money order using the reply paid envelope provided or by paying all Application Monies by BPAY® (see Sections 3.1.1 and 3.4 for further information).

Any reference to documents included on Billabong's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference in this Prospectus.

The distribution of this Prospectus (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to persons in the United States or otherwise distributed or released in the United States.

FUTURE PERFORMANCE AND FORWARD LOOKING STATEMENTS

Neither Billabong nor any other person warrants or guarantees the future performance of New Shares or any return on any investment made pursuant to this Prospectus.

The pro forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Billabong's view on its future financial condition and/or performance.

Certain "forward-looking statements" have been provided in this Prospectus. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken



with due care and attention, however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of Billabong and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of Billabong such that actual performance differs materially to any performance indicated in the forward-looking statements. Some of the risk factors that impact on forward-looking statements in this Prospectus are set out in Section 6. No assurance can be provided that actual performance will mirror the guidance provided.

Other than as required by law, none of Billabong, its Directors, officers, employees or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will actually occur. You are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Prospectus reflect the views held only immediately before the date of this Prospectus, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of Billabong, its Directors, officers, employees and advisers disclaims any duty to disseminate after the date of this Prospectus any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

FINANCIAL INFORMATION

The pro forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Billabong's view on its future financial condition and/or performance. Certain financial data included in this Prospectus are "non-GAAP financial measures" under the Australian Accounting Standards or Regulation G of the US Securities Exchange Act of 1934, as amended. The disclosure of such financial measures that do not accord with US GAAP in the manner included in this Prospectus may not be permissible in a registration statement under the US Securities Act. The non-GAAP financial measures, EBITDAI, EBITDA, Gross Debt and Net Debt do not have a standardized meaning prescribed by Australian Accounting Standards or by US GAAP and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or US GAAP. Although Billabong believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of the business, you are cautioned not to place undue reliance on any non-GAAP financial measures included in this Prospectus.

AUSTRALIA AND NEW ZEALAND

This Prospectus contains an offer to Eligible Retail Shareholders and Eligible Shortfall Investors in Australia or New Zealand of continuously quoted securities (as defined in the Corporations Act) of Billabong, and has been prepared in accordance with section 713 of the Corporations Act. In preparing this Prospectus, regard has been had to the fact that Billabong is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult. Investors should therefore have regard to the other information disclosed to ASX in relation to Billabong before deciding whether to invest.

New Shares being offered under this Prospectus are also being offered to Eligible Retail Shareholders and Eligible Shortfall Investors with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013*. This Prospectus is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

FOREIGN JURISDICTIONS

This Prospectus is being sent to Eligible Retail Shareholders. This Prospectus and the accompanying personalised Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. By submitting the personalised Entitlement and Acceptance Form or by making a payment of Application Monies by BPAY® you represent and warrant that your actions do not breach such laws. Billabong disclaims all liabilities to such persons. Eligible Retail Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Eligible Retail Shareholders who hold Existing Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Entitlement Offer does not breach the selling restrictions set out in this Prospectus or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Prospectus, New Shares or the Retail Entitlement Offer, or otherwise to permit a public offering of New Shares, in any jurisdiction outside Australia and New Zealand. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons who are acting for the account or benefit of, persons in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account

or benefit of, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia. No action has been taken to register or qualify the Retail Entitlement Offer, the Retail Shortfall Bookbuild, the Entitlements or New Shares, or otherwise permit the public offering of New Shares, in any jurisdiction other than Australia and New Zealand. The Entitlement Offer is not being extended to any Shareholder outside Australia and New Zealand, other than to Eligible Institutional Shareholders and certain other Institutional Investors as part of the Institutional Entitlement Offer or the Shortfall Bookbuilds. Concurrently with the Entitlement Offer, the Company is conducting the US Private Placement. This Prospectus does not constitute an offer in the United States or to any person acting for the account or benefit of a person in the United States, or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

DISCLAIMER OF REPRESENTATIONS

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Prospectus.

Any information or representation that is not in this Prospectus may not be relied on as having been authorised by Billabong, the Offer Manager or their respective related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Billabong, or any other person, warrants or guarantees the future performance of Billabong or any return on any investment made pursuant to this Prospectus.

The Offer Manager has not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Prospectus. The Offer Manager does not make, or purport to make, any statement in this Prospectus, and there is no statement in this Prospectus which is based on any statement by the Offer Manager. To the maximum extent permitted by law, the Offer Manager expressly disclaims all liability in respect of, makes no representations regarding and takes no responsibility for any part of this Prospectus.

WITHHOLDING TAX

This Prospectus refers to the potential payment of a Retail Premium to certain investors. Billabong may be required to withhold Australian tax in relation to any Retail Premium that is paid to those investors under applicable laws. References to the payment of the Retail Premium in this Prospectus should be read as payments net of any applicable withholding taxes. If you are an Australian tax resident Shareholder, and you have not previously provided your

TFN or ABN to Billabong, you may wish to do so prior to the close of the Retail Entitlement Offer to ensure that any withholding tax is not deducted from any proceeds payable to you at the rate of 46.5%. You are able to provide your TFN or ABN online with the Share Registry at www.investorcentre.com/au.

REFERENCES TO "YOU" AND "YOUR ENTITLEMENT"

In this Prospectus, references to "you" are references to Eligible Retail Shareholders and references to "your Entitlement" (or "your Entitlement and Acceptance Form") are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders.

TRADING ENTITLEMENTS AND NEW SHARES

Billabong will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Billabong or the Share Registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

Billabong will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Billabong or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase Entitlements on ASX or take up or exercise Entitlements purchased on ASX or transferred from another person. If holders of Entitlements at the end of the trading period do not meet eligibility criteria, they will not be able to exercise the Entitlements and, as a result, they will receive no value for them if there is no Retail Premium resulting from their sale in Retail Shortfall Bookbuild.

If you are in any doubt as to these matters you should first consult with your stockbroker, solicitor, accountant or other professional adviser.

Refer to Sections 2.7 and 3.7 for more details on trading of New Shares and Entitlements.

DEFINED WORDS AND EXPRESSIONS

Some words and expressions used in this Prospectus have defined meanings, which are set out in the glossary in Section 11, as are certain rules of interpretation that apply to this Prospectus.



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References to times and dates in this Prospectus are indicative only and subject to change and refer to Sydney time unless otherwise stated. All financial amounts in this Prospectus are expressed in Australian currency unless otherwise stated.

ENQUIRIES

If you have any questions in relation to the Entitlement Offer, please contact your stockbroker, solicitor, accountant or other professional adviser. If you have questions in relation to the calculation of your Entitlement, how to complete the Entitlement and Acceptance Form or how take up your Entitlement, please call the Billabong Entitlement Offer Information Line on the phone number set out below:

Within Australia 1300 640 142 (local call cost).

Outside Australia +61 3 9415 4686.

The Billabong Entitlement Offer Information Line is open between 9.00am and 5.00pm (Sydney time) Monday to Friday during the Entitlement Offer Period.

PRIVACY

Please read the privacy statement located in Section 10.9. By submitting an Entitlement and Acceptance Form accompanying this Prospectus, you consent to the matters outlined in that statement.

LETTER FROM THE CHAIRMAN

26 February 2014

Dear Fellow Shareholder

On behalf of the directors of Billabong, I am pleased to extend to you an invitation to participate in a non-underwritten pro rata accelerated renounceable entitlement offer of new Billabong shares (**New Shares**) at an offer ratio of 3 New Shares for every 8 existing Billabong shares (**Existing Shares**) and an offer price of A\$0.28 per New Share (**Offer Price**) to issue up to 180,273,753 shares and raise up to approximately A\$50 million (**Entitlement Offer**)^{1 2}.

As announced on 19 September 2013, Billabong entered into agreements with certain entities affiliated with Centerbridge Partners, L.P. and Oaktree Capital Management, L.P. (together the **C/O Consortium**) in relation to a long term financing to recapitalise our company and provide it with a stronger balance sheet and capital structure to allow it to stabilise the business, address its cost structure, and pursue a strategy to grow the business. The Entitlement Offer forms part of those transactions.

The additional capital raised by the Entitlement Offer will complete the recapitalisation plans announced in September 2013 and further reduce the amount of debt in Billabong's capital structure, providing greater financial flexibility and lowering the risk of future financial constraints. Lower debt levels will result in reduced interest payments, providing greater financial capacity during the turnaround phase and enabling decisions to be taken with a longer term perspective. As with the placement to the C/O Consortium approved by shareholders on 30 January 2014 (the **Placement**), the Entitlement Offer provides Billabong the opportunity to apply at least A\$20 million³ of the amount raised toward the part prepayment of the Term Loan Facility provided by the C/O Consortium with no prepayment penalty.

The Entitlement Offer also provides you with the opportunity to further participate in the turnaround of Billabong's performance, planning for which was outlined by our new Chief Executive Officer Neil Fiske at the AGM on 10 December 2013.

As I described at that same AGM, Billabong has confronted an extraordinary sequence of circumstances over the last year and the Entitlement Offer will assist in delivering a financial structure to the Company which will facilitate the turnaround task. All Directors therefore intend to take up their Entitlements in full.

ENTITLEMENT OFFER

The Entitlement Offer is being conducted by way of a pro rata accelerated institutional, tradeable retail entitlement offer (**PAITREO**). The PAITREO structure comprises an accelerated institutional entitlement offer and a retail entitlement offer that includes the ability to trade retail entitlements on ASX. Under this Prospectus Eligible Retail Shareholders are invited to purchase 3 New Shares for every 8 existing Billabong Shares held at 7.00pm (Sydney time) on the Record Date of 26 February 2014 at the Offer Price of A\$0.28 per New Share. The Offer Price represents a 62% discount to Billabong's closing price of A\$0.73 on 20 February 2014, the business day before the Entitlement Offer was announced, and an 57% discount to the theoretical ex-rights price (**TERP**) of A\$0.65.

New Shares will rank equally with Existing Shares in all respects from allotment, including entitlements to dividends/distributions. The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

The Institutional Entitlement Offer (which closed on 24 February 2014) and associated bookbuild (conducted on 25 February 2014) raised approximately A\$[*] million.

The Retail Entitlement Offer and associated retail bookbuild (described below) will raise approximately A\$[*] million. This Prospectus relates to the Retail Entitlement Offer and Entitlements allotted under it. This Prospectus contains important information about the Retail Entitlement Offer and Billabong's business.

¹ The offer ratio for the Entitlement Offer is 3 New Shares for every 8 Existing Shares and to be consistent with the agreement between Billabong and the C/O Consortium, the C/O Consortium will not be taking up or selling their rights in respect of the Placement Shares (and such shares shall not be part of the Shortfall Bookbuilds). As a result, it is expected that the Entitlement Offer will result in the issuance of up to 180,273,753 New Shares at A\$0.28 per New Share, and will raise up to approximately A\$50 million.

² On 19 September 2013, Billabong announced the Entitlement Offer would result in the issuance of up to 178,571,429 New Shares (calculated based on the proposed size of the raising (A\$50 million) and the A\$0.28 Offer Price). As a result of the 3 for 8 offer ratio and the issuance of 1,785,714 shares to Neil Fiske (Chief Executive Officer) in January 2014, the Entitlement Offer is now expected to result in the issuance of up to 180,273,753 New Shares.

³ Billabong also has the discretion to determine whether to apply the proceeds from the Entitlement Offer in excess of A\$20 million to the part prepayment of the Term Loan Facility with no prepayment penalty. Proceeds of the Entitlement Offer that Billabong does not apply to the Term Loan Facility will be used by Billabong for general corporate purposes. In the event that the Entitlement Offer raises less than A\$20 million, Billabong is not obliged to make up any shortfall from the A\$20 million to prepay the Term Loan Facility.



Accompanying this Prospectus is your personalised Entitlement and Acceptance Form which contains details of your Entitlement.

Your Entitlement may have value and it is important that you determine whether to take up, sell or do nothing in respect of your Entitlement.

The Retail Entitlement Offer closes at 5.00pm (Sydney time) on 18 March 2014. To participate, you need to ensure that you have completed your Application by paying Application Monies by BPAY®, or by lodging your Entitlement and Acceptance Form with your Application Monies paid by cheque, bank draft or money order so that they are received before this time in the manner described in this Prospectus. For information on how to take up all or part of your Entitlement see Section 3.

If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on ASX from 26 February 2014 to 11 March 2014 or transfer all or part of your Entitlement directly to another person. The assignment, transfer and exercise of Entitlements is restricted to persons meeting certain eligibility criteria, as described in Section 3.7.

If you choose to do nothing in respect of all or part of your Entitlement, all or part (as applicable) of your Entitlement will be offered for sale for your benefit through a bookbuild process on 25 March 2014 (**Retail Shortfall Bookbuild**). If holders at the end of the trading period do not meet the eligibility criteria to exercise Entitlements, their Entitlements will also be sold into the Retail Shortfall Bookbuild. The first A\$0.28 per New Share of the price obtained for Entitlements sold to investors in the Retail Shortfall Bookbuild will be paid to Billabong as subscription money. Any amount paid above the Offer Price of A\$0.28 per New Share in respect of those Entitlements sold to investors in the Retail Shortfall Bookbuild will be paid to holders whose Entitlements are sold, less any applicable withholding tax (the **Retail Premium**).

C/O CONSORTIUM

As part of the recapitalisation plans announced in September 2013, the C/O Consortium agreed that it will not participate in the Entitlement Offer in respect of the 329,268,294 shares received under the Placement. Accordingly, the C/O Consortium will not be taking up or selling its Entitlements in respect of such shares, and such Entitlements shall not be part of any shortfall bookbuild.

FURTHER INFORMATION

Further details of the Entitlement Offer are set out in this Prospectus. Please carefully read this Prospectus in its entirety and consult your stockbroker, solicitor, accountant or other professional adviser before making your investment decision. In particular, you should read and consider the "Risk Factors" in Section 6 of this Prospectus which contains a summary of some of the key risks associated with an investment in Billabong. This Prospectus is also available on the company website at www.billabongbiz.com.

If you have any questions, please call the Billabong Entitlement Offer Information Line on 1300 640 142 (local call cost within Australia) or +61 3 9415 4686 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday during the Entitlement Offer Period or consult your stockbroker, solicitor, accountant or other professional adviser.

I thank you for your continued support of Billabong and encourage you to consider carefully this investment opportunity.

Yours sincerely,

Ian Pollard

Chairman

SUMMARY OF THE ENTITLEMENT OFFER AND KEY DATES

KEY ENTITLEMENT OFFER STATISTICS

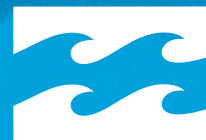
Entitlement Offer ratio	3 New Shares for every 8 Existing Shares held as at the Record Date
Offer Price	A\$0.28 per New Share
Number of New Shares offered under the Entitlement Offer	180,273,753
Amount to be raised under the Entitlement Offer	A\$50 million
Total number of Shares on issue at completion of the Entitlement Offer ¹	990,272,053 ²

¹ The final number of New Shares issued and the amount raised under the Entitlement Offer may be less than the amounts specified above due, among other things, to rounding of Entitlements and reconciliation of Entitlements under the Entitlement Offer to shareholdings at the Record Date. The exact number of New Shares to be issued, and the number of New Shares that may be issued under each part of the Entitlement Offer, will not be known until completion of the Entitlement Offer.

² At the date of this Prospectus, the number of Shares on issue is 809,998,300. The offer ratio for the Entitlement Offer is 3 New Shares for every 8 Existing Shares, and to be consistent with the agreement between Billabong and the C/O Consortium, the C/O Consortium will not be taking up or selling their Entitlements in respect of the Placement Shares (and such Entitlements shall not be part of the Shortfall Bookbuilds). As a result, it is expected that the Entitlement Offer will result in the issuance of up to 180,273,753 New Shares at A\$0.28 per Share, and will raise up to approximately A\$50 million.

SUMMARY OF KEY DATES

Event	Date
Entitlement Offer announced	Friday, 21 February 2014
Pathfinder prospectus lodged with ASX	Friday, 21 February 2014
Institutional Entitlement Offer opened	Friday, 21 February 2014
Institutional Entitlement Offer closed	Monday, 24 February 2014
Institutional Shortfall Bookbuild	Tuesday, 25 February 2014
Existing Shares recommence trading on ASX	Wednesday, 26 February 2014
Entitlements under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 26 February 2014
Record Date for eligibility in the Entitlement Offer	7.00pm (Sydney time) Wednesday, 26 February 2014
Prospectus lodged with ASIC and ASX	Wednesday, 26 February 2014
Retail Entitlement Offer opens	Thursday, 27 February 2014
Entitlements under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Friday, 28 February 2014
Despatch of Prospectus	Friday, 28 February 2014
Settlement of Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Wednesday, 5 March 2014
Issue and commencement of trading on ASX of New Shares issued under Institutional Offer and Institutional Shortfall Bookbuild	Thursday, 6 March 2014
Institutional Premium (if any) expected to be despatched	Thursday, 6 March 2014
Despatch of holding statements to holders of New Shares issued under the Institutional Offer and Institutional Shortfall Bookbuild	Monday, 10 March 2014
Trading on ASX of Entitlements under the Retail Entitlement Offer ends	Tuesday, 11 March 2014



Event	Date
New Shares under Retail Entitlement Offer commence trading on deferred settlement basis	Wednesday, 12 March 2014
Retail Closing Date	5.00pm (Sydney time) Tuesday, 18 March 2014
Retail Shortfall Bookbuild	Tuesday, 25 March 2014 (after market close)
Settlement of Retail Entitlement Offer and Retail Shortfall Bookbuild	Friday, 28 March 2014
Issue of New Shares under the Retail Entitlement Offer and Retail Shortfall Bookbuild	Monday, 31 March 2014
New Shares issued under the Retail Entitlement Offer and Retail Shortfall Bookbuild commence trading on ASX on a normal settlement basis	Tuesday, 1 April 2014
Retail Premium (if any) expected to be despatched	Wednesday, 2 April 2014
Despatch of holding statements to holders of New Shares issued under the Retail Entitlement Offer and Retail Shortfall Bookbuild	Wednesday, 2 April 2014

The timetable above is indicative only and may be subject to change. Billabong reserves the right to amend any or all of these dates and times subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, Billabong reserves the right to extend the Retail Closing Date, to accept late Applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Retail Entitlement Offer without prior notice. Any extension of the Retail Closing Date will have a consequential effect on the issue date of New Shares.

The commencement of quotation of New Shares and trading in Entitlements is subject to confirmation from ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their personalised Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

WHAT SHOULD YOU DO?

This Prospectus contains important information in relation to the Retail Entitlement Offer. You should read all of this Prospectus carefully, including Section 6 which identifies the key risks associated with an investment in Billabong and Section 9 which contains a general summary of the Australian tax implications associated with the Retail Entitlement Offer for Eligible Retail Shareholders. It is also important for you to read carefully and understand the information on Billabong and the Retail Entitlement Offer made publicly available, including the information lodged by Billabong with ASX as part of its continuous disclosure obligations, prior to deciding whether to take up all or part of your Entitlement, sell or transfer all or part of your Entitlement or do nothing in respect of your Entitlement. In particular, please refer to the other announcements made available at www.billabongbiz.com (including announcements which may be made by Billabong after publication of this Prospectus).

If you are in doubt as to the course of action you should follow, you should contact your stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

SECTION 1

Investment Overview

OPTIONS AVAILABLE TO ELIGIBLE RETAIL SHAREHOLDERS

AM I ELIGIBLE TO PARTICIPATE IN THE RETAIL ENTITLEMENT OFFER?

You are eligible to participate in the Retail Entitlement Offer if you are an Eligible Retail Shareholder.

An Eligible Retail Shareholder is any person who, as determined by Billabong at its absolute discretion:

- is a Shareholder as at the Record Date;
- has a registered address on the Billabong share register in Australia or New Zealand;
- is not in the United States and is not acting for the account or benefit of a person in the United States;
- was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

If you are a Shareholder on the Record Date who is not an Eligible Retail Shareholder, Eligible Institutional Shareholder or Ineligible Institutional Shareholder, then you are an Ineligible Retail Shareholder. Ineligible Retail Shareholders will receive the Retail Premium (if any), for the sale of Entitlements by a nominee for their benefit through the Retail Shortfall Bookbuild.

Billabong reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder and therefore able to participate in the Retail Entitlement Offer, or an Ineligible Retail Shareholder and therefore unable to participate in the Retail Entitlement Offer. Billabong disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.



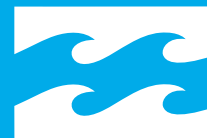
I AM AN ELIGIBLE RETAIL SHAREHOLDER		I AM AN INELIGIBLE RETAIL SHAREHOLDER	
KEY CONSIDERATIONS	TAKE UP ALL OR PART OF YOUR ENTITLEMENT	SELL OR TRANSFER ALL OR PART OF YOUR ENTITLEMENT	DO NOTHING - YOUR ENTITLEMENT WILL BE SOLD THROUGH THE RETAIL SHORTFALL BOOKBUILD
	- You may elect to purchase New Shares at the Offer Price (see Sections 3.1.1 and 3.4 for instructions on how to take up your Entitlement). - The New Shares will rank equally in all respects with the Existing Shares. - The Retail Entitlement Offer closes at 5.00pm (Sydney time) on 18 March 2014. - If you only take up part of your Entitlement, you may choose to sell or transfer the balance (see Section 3.1.2) or you may do nothing and allow that part to be sold in the Retail Shortfall Bookbuild (see Section 3.1.4). - Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as set out in their personalised Entitlement and Acceptance Form. - If you take up your Entitlement in full you will not have your percentage shareholding in Billabong diluted by the Entitlement Offer. - If you only take up part of your Entitlement, your percentage shareholding in Billabong (held at the Record date) will be diluted assuming Entitlements not taken up (by you or others) are sold or transferred (on market or directly to another person) or sold in the Retail Shortfall Bookbuild (and all such Entitlements are exercised).	- If you do not wish to take up all or part of your Entitlement, you may be able to sell all or part of your Entitlement on ASX through your broker (see Section 3.1.2) or transfer your Entitlement directly to another person (see Section 3.1.3). - Entitlements may be traded on ASX from 26 February 2014 to 11 March 2014 (ASX code: BBGR). You may incur brokerage costs if you sell all or part of your Entitlement on ASX. - If you sell your Entitlements in the Retail Entitlement Offer trading period, you may receive a higher or lower amount than an Eligible Retail Shareholder who sells their Entitlements at a different time in the Retail Entitlement Offer trading period or through the Retail Shortfall Bookbuild. - If you only sell or transfer part of your Entitlement, you may choose to take up the remainder (see Section 3.1.1) or you may do nothing and let that part be sold in the Retail Shortfall Bookbuild (see Section 3.1.4). - By selling or transferring part or all of your Entitlement, your percentage shareholding in Billabong (held at the Record date) will be diluted assuming Entitlements not taken up (by you or others) are sold or transferred (on market or directly to another person) or sold in the Retail Shortfall Bookbuild (and all such Entitlements are exercised). - There are important tax implications where you sell or transfer all or part of your Entitlement (see Section 9 for further information).	- If you do not take up your Entitlement or if you are an Ineligible Retail Shareholder, your Entitlements will be sold through the Retail Shortfall Bookbuild on 25 March 2014 and you will receive any Retail Premium in respect of those Entitlements (see Section 3.3). There is no guarantee that there will be any Retail Premium. - By allowing your Entitlement to be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to future increases or decreases in the value of New Shares that would have been allotted to you had you taken up your Entitlement (or any value for that Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in Billabong (held at the Record Date) will also be diluted. - There are important taxation implications where Retail Premiums are paid to Shareholders where Entitlements are not taken up or are paid to Ineligible Retail Shareholders (see Sections 9.1.6 and 9.2.6 for further information.) - Billabong may be required to withhold tax if you are an Australian tax resident Shareholder and you have not previously provided your TFN or ABN to Billabong (see Section 9.1.6). - If you are a New Zealand tax resident, withholding tax of up to 15% may apply. Billabong may be required to withhold tax at rates of up to 30% if you are a Shareholder located outside of Australia and are not a New Zealand tax resident (see Section 9.2.6).

Section 1 Investment Overview

KEY RISKS ASSOCIATED WITH AN INVESTMENT IN BILLABONG

There are risks involved with investing in New Shares and in Billabong. Many of these risks are outside the control of Billabong and its Board. These risks include those described in Section 6 and any other matters referred to in this Prospectus. Before making any investment decision, you should read the entire Prospectus and carefully consider these risk factors.

Brand	Possible damage or loss of market appeal to the brands or image of Billabong.	Section 6.2.1
Fashion	Failure to design and deliver products that appeal to customers.	Section 6.2.2
Key markets	Further adverse effects to sales of Billabong products in Billabong's key markets.	Section 6.2.3
Macro-economic environment	The financial performance of Billabong and the value of Shares will fluctuate due to various factors including movements in the Australian and international capital markets, interest rates, foreign currency exchange rates, inflation, Australian and international economic conditions (including any significant and extended economic downturn in Australia, Asia, North America, Europe, South America and Africa), change in government, fiscal, monetary and regulatory policies, prices of commodities, investor perceptions and other factors that may affect Billabong's financial position and earnings. These factors may cause the price of Shares to fluctuate and trade below the Offer Price and may adversely affect the income and expenses of Billabong as well as the level of demand for the Company's products.	Section 6.2.4
Currency fluctuations	Billabong receives revenue in more than 10 different currencies and movements in these currencies could have an impact on Billabong's profitability.	Section 6.2.5
Reliance on, and ability to attract and retain, key personnel	Billabong's future success will be influenced by the ability of Billabong to attract and retain suitably qualified personnel in the future.	Section 6.2.6
Competition	Billabong competes for discretionary income spend. Billabong's performance may be adversely affected by competitors' actions, for example, by lowering their sale prices or creating new product lines that are more attractive in the marketplace or by agreeing to pay more for production, other services or talent and employment costs.	Section 6.2.7
Seasonal factors	Part of Billabong's business is seasonal in nature and prolonged unseasonal weather conditions in a particular region may adversely affect sales in that region.	Section 6.2.8
Changes in taxation, tariffs and free trade agreements	Any changes to the system of taxation (as it relates to Shareholders, including individuals, companies, partnerships and trusts) in jurisdictions where Billabong operates will impact the Company's profits and therefore have an impact on Shareholder returns. In addition, any change in tax policy or its interpretation in a jurisdiction in which Billabong operates or any change in tax arrangements between Australia and other jurisdictions, could have an adverse impact on profit margins and the level of franking credits available to frank any future dividends. Changes in tariffs, free trade agreements, legislation or government policy in the jurisdictions in which Billabong operates could also prevent or impact upon the Company's ability to trade in a particular jurisdiction.	Section 6.2.9
Product sourcing and delivery	A material change or disruption in Billabong's product sourcing and delivery arrangements could have an adverse impact on Billabong.	Section 6.2.10



KEY RISKS ASSOCIATED WITH AN INVESTMENT IN BILLABONG

On-line retailing	Continued migration of consumers to on-line retail purchases may adversely impact the performance of Billabong's bricks and mortar retail outlets and wholesale customers and the historically higher margin regions.	Section 6.2.11
Debt covenants	Failure to comply with its financial covenants caused by a significant further decline in revenue or earnings may require Billabong to seek amendments, waivers of covenant compliance or alternative borrowing arrangements.	Section 6.2.12
C/O Consortium's involvement in Billabong	While the C/O Consortium has a substantial equity ownership in Billabong and is therefore likely to be focused on maximising value (and therefore its incentives should be broadly aligned to those of other Shareholders), there is a risk that as a debt holder the C/O Consortium's interests may not always align with those of other Shareholders. If so, the C/O Consortium's significant holding of Shares and entitlement to nominate two Directors to the Board will mean it will be in a position to influence decisions of the Company.	Section 6.2.13
No dividends	The Company has not paid dividends since 2012 and does not make any representation as to when dividend payments might be resumed. There are also restrictions under the Company's facility agreements which prevent the payment of dividends in certain circumstances. Should the Board believe a dividend payment is appropriate then it would be expected that the financial position of the Company at that time would mean that the restrictions in those agreements would not apply such that there would be no requirement to obtain financier consent before declaring a dividend.	Section 6.2.14
Regulation and litigation	New regulations or litigation against Billabong could have a material adverse effect on its future performance or position or, in the case of litigation, damage the Company's brand.	Section 6.2.15
Workplace health and safety	Billabong may be liable for penalties or damages arising out of workplace accidents and incidents involving its employees.	Section 6.2.16
Relationship with landlords	A default under a store lease could adversely affect Billabong's ability to operate stores in preferred locations and market conditions may result in less favourable lease terms for Billabong.	Section 6.2.17
Asset impairment	Billabong's assets may be required to be written down or become impaired (in accordance with relevant accounting standards), which may negatively impact Billabong's financial performance and position.	Section 6.2.18
Proceeds from the refinancing may not provide sufficient funding to execute the Company's turnaround strategy	Should Billabong experience a protracted decline in earnings, there is a possibility that the quantum of debt funding available to the Company would not be sufficient to execute its turnaround strategy, which could have a negative impact on its future financial performance or position.	Section 6.2.19
Changing distribution patterns	In some jurisdictions in which Billabong operates, it is moving away from Company-owned operations to a distributor model. As in any contractual relationship, the exercise of Billabong's rights under its distribution agreements is dependent upon the Company's ability to comply with its obligations, and the relevant distributor complying with its contractual obligations. Additionally, the emerging e-commerce distribution channel puts further pressure on sales through bricks and mortar stores.	Section 6.2.20

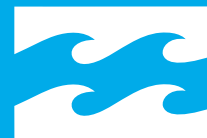
Section 1 Investment Overview

KEY RISKS ASSOCIATED WITH AN INVESTMENT IN BILLABONG

Outcome of tax audits	The Company has recorded tax provisions on the balance sheet in accordance with Australian Accounting Standards. The Company is under tax audit or review in a number of jurisdictions. Where it has become probable that a tax liability will arise from an audit or review a provision is recorded on the balance sheet. The tax authorities may take a different position to the Company on tax matters which may result in higher amount of tax to be paid than is recorded on the balance sheet.	Section 6.2.21
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RISKS ASSOCIATED WITH THE ENTITLEMENT OFFER

RISK	SUMMARY OF RISK	SECTION
Renunciation of Entitlements	If you do not participate in the Retail Entitlement Offer, your percentage ownership in Billabong (held at the Record Date) will be diluted (to the extent you do not participate) and you will forgo any exposure to future increases or decreases in the value of New Shares that would have been allotted to you had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise). If you sell your Entitlements in the Retail Entitlement Offer trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements at a different time in the trading period through the Retail Shortfall Bookbuild. Ineligible Retail Shareholders' percentage ownership in Billabong (held at the Record Date) will also be diluted as a result of the Entitlement Offer.	Section 6.3.1
Inability to complete the Entitlement Offer	The Entitlement Offer is subject to a range of conditions and termination events as outlined in the Offer Management Agreement. In the event the Offer Management Agreement is terminated, there is no guarantee that the Entitlement Offer will continue in its current form or continue at all.	Section 6.3.2
Tax treatment of Retail Premium (if any)	The Australian Taxation Office (ATO) has stated in Taxation Ruling TR 2012/1 that in certain circumstances retail premiums will be taxed either as unfranked dividends or as ordinary income (and not as capital gains). The ATO's ruling does not apply to the Entitlements because, amongst other things, the Entitlements are tradeable on ASX. It is considered by the Company's taxation advisor that any Retail Premium should be taxable in the hands of Shareholders who hold their Existing Shares on capital account as a capital gain (see Section 9). However, it is possible that the ATO could seek to apply the tax treatment specified in Taxation Ruling TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild.	Section 6.3.3
Impact of share register on carry forward losses	The Company has tax losses in various jurisdictions which are not recorded on the balance sheet. The ability to use these tax losses to reduce the Company's tax payable in the future will depend on the tax laws in the relevant jurisdiction. Several jurisdictions have tax laws that either limit or deny the future use of tax losses if the Company has a change in its ownership. The changes in the share register as a result of the Entitlement Offer may contribute to a change in ownership of the Company and hence may impact the ability to use the tax losses in the future.	Section 6.3.4



GENERAL AND OTHER RISKS

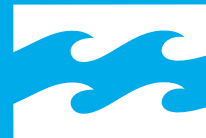
RISK	SUMMARY OF RISK	SECTION
General economic conditions and external factors	Billabong's Share price and financial performance may be materially adversely affected by macro-economic conditions. The Australian and other international markets may also be impacted by changes in interest rates, inflation and exchange rates.	Section 6.4.1
Changes in tax rules or their interpretation	Changes in tax laws or the way they are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. Shareholders are encouraged to seek professional tax advice in connection with any investment in Billabong.	Section 6.4.2
Accounting standards	Changes in accounting standards or the way they are interpreted may have an adverse effect on the reported financial performance or position of Billabong.	Section 6.4.3
Interest rate fluctuations	Any increase in interest rates will affect Billabong's costs of servicing borrowings which may adversely affect its financial position and its operations performance.	Section 6.4.4
Ability to refinance debt or access debt markets	Billabong may not be able to refinance its existing or future debt facilities when they fall due or may not achieve refinancing on favourable terms to Billabong (if at all). Whilst Billabong's term debt is at a fixed interest rate until maturity in September 2019, any increase in interest rates will affect Billabong's costs of servicing other bilateral and trade facilities (including the Asset-Based Revolver facility described in Section 5.7). It may also impact on the cost of future term debt once the current facility expires.	Section 6.4.5
Force majeure events	Unforeseen events may occur that could impact upon the global economies and the operations of Billabong.	Section 6.4.6

KEY DETAILS OF THE ENTITLEMENT OFFER

What is the Entitlement Offer?	The Entitlement Offer is a pro rata accelerated renounceable entitlement offer (with retail entitlement trading) to Eligible Shareholders to apply to purchase 3 New Shares for every 8 Existing Shares held as at the Record Date. The Entitlement Offer comprises four parts: 1. Institutional Entitlement Offer; 2. Institutional Shortfall Bookbuild; 3. Retail Entitlement Offer; and 4. Retail Shortfall Bookbuild.	Section 2.3
How much will be raised through the Entitlement Offer?	Approximately A\$50 million.	Section 2.1
Is the Entitlement Offer underwritten?	No.	Sections 2.3 and 10.4

KEY DETAILS OF THE ENTITLEMENT OFFER		
What is the purpose of the Entitlement Offer?	The purpose of the Entitlement Offer is to prepay at least A\$20-million¹ of the Term Loan Facility (with no prepayment premium). Billabong also has the discretion to determine whether to apply the proceeds from the Entitlement Offer in excess of A\$20 million to the part prepayment of the Term Loan Facility (with no prepayment penalty). Proceeds of the Entitlement Offer that Billabong does not apply to the Term Loan Facility will be used by Billabong for general corporate purposes. The Entitlement Offer is one component of the financing arrangements Billabong agreed with the C/O Consortium in September 2013 which are designed to provide Billabong with a strong balance sheet and capital structure to allow it to stabilise the business and implement strategies and initiatives required to restore earnings growth.	Section 2.1
What are the C/O Consortium's intentions?	The C/O Consortium has agreed that it will not take up its Entitlements under the Entitlement Offer in respect of the Shares it received under the Placement (and such Entitlements will not be any part of the Shortfall Bookbuilds). This agreement was reached with Billabong as part of the C/O Consortium refinancing arrangements (which included the Placement and the Entitlement Offer) announced to ASX in September 2013.	Section 4.3
What is the impact of the Entitlement Offer on the C/O Consortium's shareholding in Billabong?	The C/O Consortium's percentage shareholding would be reduced from 40.6% of fully diluted ownership in Billabong to 33.7% of fully diluted ownership in Billabong, assuming that the full A\$50 million is raised under the Entitlement Offer.	Sections 4.3.4 and 5.9
What are the tax implications of investing in New Shares?	The tax implications of investing in New Shares will vary depending on the specific circumstances of individual investors. Investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.	Section 9
What is my Entitlement?	Each Eligible Shareholder is entitled to subscribe for 3 New Shares for every 8 Existing Shares held by them as at the Record Date as set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus.	Entitlement and Acceptance Form
How can I apply?	There are two ways you can apply for your Entitlement if you are an Eligible Retail Shareholder: • submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order; or • pay via BPAY® payment.	Sections 3.4 and 3.5
Can I apply for additional New Shares above my Entitlement?	No. The number of New Shares offered to Eligible Retail Shareholders under the Retail Entitlement Offer is on a pro rata basis in respect of Existing Shares held as at the Record Date. Eligible Retail Shareholders cannot apply for additional New Shares above their Entitlements.	Section 2.5

1. In the event the Entitlement Offer raises less than A\$20 million, Billabong is not obliged to make up any shortfall from the A\$20 million to prepay the Term Loan Facility.



KEY DETAILS OF THE ENTITLEMENT OFFER

What are the rights and liabilities attaching to New Shares under the Entitlement Offer?	New Shares offered under the Entitlement Offer will be fully paid and will rank equally with Existing Shares.	Section 10.5
What happens if I am a Shareholder on the Record Date but not an Eligible Retail Shareholder?	You will not be entitled to subscribe for New Shares under the Retail Entitlement Offer. Ineligible Retail Shareholders will have their percentage shareholding in Billabong (held at the Record Date) diluted as a result of the Entitlement Offer. However, Ineligible Retail Shareholders will receive the Retail Premium (if any) for Entitlements that will be sold for their benefit into the Retail Shortfall Bookbuild.	Section 3.2
What is my Entitlement if I become a Shareholder after the Record Date?	You have no Entitlement if you become a Shareholder after the Record Date.	Section 11 (definition of "Eligible Retail Shareholder")

FURTHER INFORMATION

How can further information be obtained?	If you would like further information you can: • contact your stockbroker, solicitor, accountant or other professional adviser; or • call the Billabong Entitlement Offer Information Line on 1300 640 142 (local call within Australia) or +61 3 9415 4686 (outside Australia) at any time between 9.00am and 5.00pm (Sydney time) Monday to Friday during the Entitlement Offer Period.	Section 3.8
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SECTION 2

Details of the Entitlement Offer

2.1 PURPOSE OF THE ENTITLEMENT OFFER AND USE OF PROCEEDS

On 19 September 2013, Billabong announced that it had entered into agreements with the C/O Consortium in relation to a long term financing to recapitalise the Company and provide Billabong with a stronger balance sheet and capital structure to allow it to stabilise the business, address its cost structure, and pursue a strategy to grow the business. As described in Section 4.3.2, that financing included the Term Loan Facility, the Placement, the C/O Options and the Entitlement Offer.

A requirement of the Term Loan Facility is that Billabong must apply A\$20 million of the proceeds of the Entitlement Offer towards the part prepayment of the Term Loan Facility with no prepayment premium. Billabong also has the discretion to determine whether to apply the proceeds from the Entitlement Offer in excess of A\$20 million to the part prepayment of the Term Loan Facility with no prepayment premium. Proceeds of the Entitlement Offer that Billabong does not apply to the Term Loan Facility will be used by Billabong for general corporate purposes.

The Term Loan Facility will be deemed to be prepaid by the amount of the net issuance proceeds of the Entitlement Offer which Billabong applies to the Term Loan Facility (being at least A\$20 million), converted into USD at the exchange rate at the time of prepayment, namely, the prevailing spot rate of exchange plus the spread charged by the bank through which the currency is exchanged from A\$ to US\$.

Part prepayment of the Term Loan Facility will reduce the amount of debt in Billabong's capital structure, providing greater financial flexibility and lowering the risk of future financial constraints. Lower debt levels will result in reduced interest payments, providing greater financial capacity during the turnaround phase of the Company and enabling decisions to be taken with a longer term perspective.

2.2 SOURCES AND USES OF FUNDS

Sources of funds	A\$ million
Institutional Entitlement Offer	[*]
Retail Entitlement Offer	[*]
Total sources of funds	50.0¹

Uses of funds	A\$ million
Repayment of debt	20 ²
General corporate purposes	27.7
Payment of costs associated with the Entitlement Offer	2.3
Total uses of funds	50.0

2.3 OVERVIEW OF THE ENTITLEMENT OFFER

Under the Entitlement Offer, Eligible Shareholders are being offered the opportunity to purchase 3 New Shares for every 8 Existing Shares held as at 7.00pm (Sydney time) on 26 February 2014 (the **Record Date**), at the Offer Price of A\$0.28 per New Share.

The Entitlement Offer is comprised of four components:

- **Institutional Entitlement Offer** – Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement. Entitlements under the Institutional Entitlement Offer were renounceable and were not able to trade on ASX;
- **Institutional Shortfall Bookbuild** – Entitlements not taken up by Eligible Institutional Shareholders and Entitlements of Ineligible Institutional Shareholders were sold through a bookbuild process which completed on 25 February 2014 (**Institutional Shortfall Bookbuild**). The amount paid in respect of those Institutional Entitlements was A\$[*] per Entitlement, which represents a A\$[*] premium to the Offer Price (**Institutional Premium**). Eligible Institutional Shareholders who elected not to take up all or part of their Institutional Entitlements, and Ineligible Institutional Shareholders, will receive the Institutional Premium for each Entitlement not taken up in the Institutional Entitlement Offer and sold into the Institutional Shortfall Bookbuild;
- **Retail Entitlement Offer** – Eligible Retail Shareholders will be allotted Entitlements under the Retail Entitlement Offer which can be taken up in whole or in part or traded on ASX (or transferred directly to another person) in whole or in part. This means that if you do not wish to take up all or part of your Entitlement, you may sell on ASX or transfer all or part of your Entitlement to persons meeting certain eligibility criteria in order to realise value from your Entitlement. You may incur brokerage costs if you sell your Entitlement on ASX; and
- **Retail Shortfall Bookbuild** – Entitlements of Eligible Retail Shareholders which are not taken up by the Retail Closing Date and Entitlements of Ineligible Retail Shareholders will be sold for their benefit through the Retail Shortfall Bookbuild. Any Retail Premium will be remitted proportionally to holders of those Entitlements at the close of the Retail Entitlement Offer, and to Ineligible Retail Shareholders. The Retail Premium, if any, is expected to be paid on or about 2 April 2014.

¹ This assumes the Entitlement Offer raises A\$50 million. As the Entitlement Offer is not underwritten, there is a possibility that less than A\$50 million will be raised.

² Assuming that the minimum amount of A\$20 million is used to repay debt, but noting that the Company may elect to use further proceeds to repay debt (see Section 2.1).



Concurrently with the Entitlement Offer, the Company is conducting the US Private Placement. You have a number of decisions to make in respect of your Entitlement. These decisions may materially affect the value (if any) that may be received in respect of your Entitlement. You should read this Prospectus carefully before making any decisions in relation to your Entitlement.

The Entitlement Offer is not underwritten. Further details on the Retail Entitlement Offer and Retail Shortfall Bookbuild are set out below.

2.4 THE RETAIL ENTITLEMENT OFFER

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to apply for 3 New Shares for every 8 Existing Shares held as at the Record Date at the Offer Price of A\$0.28 per New Share.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer.

The Retail Entitlement Offer opens on 27 February 2014 and will close at 5.00pm (Sydney time) on 18 March 2014 (the **Retail Closing Date**).

2.5 YOUR ENTITLEMENT

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 3 New Shares for every 8 Existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding. New Shares issued under the Retail Entitlement Offer will be fully paid and from allotment rank equally in all respects with Existing Shares and will be entitled to dividends on the same basis as Existing Shares. The rights and liabilities attaching to the New Shares are set out in the Constitution, a copy of which is available at www.billabongbiz.com (see also Section 10.6).

2.5.1 ALLOTMENT OF NEW SHARES UNDER THE RETAIL ENTITLEMENT OFFER

New Shares under the Retail Entitlement Offer will be allotted on the Allotment Date (expected to be 31 March 2014).

No certificates will be issued in respect of New Shares. Following

allotment, Shareholders will be sent a holding statement which sets out the number of New Shares allotted to them.

Applicants may contact the Share Registry after the Allotment Date on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or on-line through www.investorcentre.com/au to seek confirmation of their allocation.

2.5.2 FOREIGN SHAREHOLDERS

It is the responsibility of each Applicant to ensure compliance with the laws of any country relevant to their Application. Nominees, trustees and custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Retail Shareholder. Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Billabong reserves the right to reject any Application which it believes comes from a person who is not an Eligible Retail Shareholder.

This Prospectus and the Entitlement and Acceptance Form may not be distributed to, or relied upon by, persons in the United States or persons acting for the account or benefit of persons in the United States. Neither the Entitlements under the Retail Entitlement Offer nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements under the Retail Entitlement Offer may not be taken up by persons in the United States or by persons who are acting for the account or benefit of, persons in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable United States state securities laws.

2.6 WITHDRAWAL OF THE ENTITLEMENT OFFER

Billabong reserves the right to withdraw or vary all or part of the Entitlement Offer and this Prospectus at any time prior to the issue of New Shares, in which case Billabong will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

2.7 ASX QUOTATION AND TRADING OF NEW SHARES

Within seven days after the date of this Prospectus, Billabong will apply to ASX for the New Shares to be quoted on ASX. While Billabong is not aware of any reason why quotation would be denied, there is no assurance that the application will be granted. If ASX does not grant quotation of the New Shares, Billabong will refund all Application Monies

SECTION 2 Details of the Entitlement Offer

in accordance with the Corporations Act and without payment of interest.

The fact that ASX may grant quotation of the New Shares is not to be taken as an indication of the merits of Billabong or the New Shares issued under the Entitlement Offer. Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence on 1 April 2014.

Holding statements are expected to be despatched by the Share Registry to Eligible Retail Shareholders on 2 April 2014. It is the responsibility of each Applicant to confirm their holding before trading in New Shares. Any Applicant who sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. Billabong and the Offer Manager disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statement from the Share Registry, whether on the basis of confirmation of the allocation provided by Billabong, the Share Registry or the Offer Manager.

2.8 CHESS AND ISSUER SPONSORED HOLDINGS

New Shares will participate from the date of commencement of quotation in CHESS. New Shares must be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS subregister normally under sponsorship of a participant (usually a broker) or on the issuer-sponsored subregister. Arrangements can be made at any subsequent time, through your controlling participant, to convert your holding from the issuer-sponsored subregister to the CHESS subregister or vice versa.

2.9 APPLICATION MONIES AND INTEREST

Application Monies received from an Applicant will, until New Shares in respect of the Application Monies are issued, be held by Billabong in a trust account. If you are allotted less than the number of New Shares you applied for, you will be sent a refund cheque for the relevant amount of Application Monies (without interest) not applied towards the issue of New Shares, as soon as practicable after the Allotment Date. Any balance of Application Monies that is remaining as a result of rounding will be refunded to you except where the amount is less than A\$2.00, in which instance it will be retained by Billabong or donated to charity.

Billabong reserves the right to withdraw or vary all or part of the Entitlement Offer at any time, subject to applicable laws, in which case Billabong will refund Application Monies in relation to Entitlements or New Shares not already issued

in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, Billabong may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any New Shares applied for by the Applicant are issued to the Applicant, and that any interest earned on Application Monies held by Billabong shall be the property of Billabong.

2.10 ALLOCATION POLICY

Billabong reserves the right to:

- reject any application under the Entitlement Offer or the Shortfall Bookbuilds; and
- issue any New Shares not taken up under the Entitlement Offer or the Shortfall Bookbuilds to other investors.

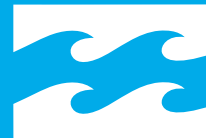
2.11 RECONCILIATION, TOP-UP SHARES AND THE RIGHTS OF BILLABONG AND THE OFFER MANAGER

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more or fewer Shares than they ultimately did on the Record Date. This may result in a need for reconciliation.

If reconciliation is required, it is possible that Billabong may need to issue a small quantity of additional New Shares (**Top-Up Shares**) to ensure all Eligible Shareholders receive their full Entitlement. The price at which the Top-Up Shares would be issued is not known but would not be lower than the Offer Price (of A\$0.28 per Share).

Any Top-Up Shares will be issued under this Prospectus and accordingly (without limiting other provisions of this Prospectus permitting variation of dates or acceptance of late Applications) the offers in this Prospectus remain open for acceptance in respect of such Shares until the date of issue of any Top-Up Shares.

Billabong also reserves the right to reduce the size of an Entitlement or number of New Shares or the amount of the Institutional Premium or Retail Premium allocated to Eligible Institutional Shareholders or Eligible Retail Shareholders, or persons claiming to be Eligible Institutional Shareholders or Eligible Retail Shareholders or other applicable investors, if



Billabong believes in its complete discretion that their claims to Entitlements are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Billabong may, in its discretion, require the relevant Shareholder to transfer oversubscribed New Shares to the Offer Manager at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer Existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

Investors who sell Entitlements to which they are not entitled, or who do not hold sufficient Entitlements at the time required to deliver those Entitlements, may be required by Billabong to otherwise acquire Entitlements or Shares to satisfy these obligations.

By applying under the Entitlement Offer, including pursuant to acquisitions of Entitlements, those doing so irrevocably acknowledge and agree to do the above as required by Billabong in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Billabong or the Offer Manager to require any of the actions set out above.

2.12 RECEIPT OF EXCESS RETAIL PREMIUM

If you receive a Retail Premium payment in excess of the Retail Premium payment to which you were actually entitled based on that part of your Entitlement under the Retail Entitlement Offer which remains held by you as at the Retail Closing Date (5.00pm (Sydney time) on 18 March 2014) then, in the absolute discretion of Billabong, you may be required to repay Billabong the excess Retail Premium.

By taking up or transferring your Entitlement, or accepting the payment to you of a Retail Premium, you irrevocably acknowledge and agree to repay any excess payment of the Retail Premium as set out above as required by Billabong in its absolute discretion. In this case the amount required to be repaid will be net of any applicable withholding tax. You also acknowledge that there is no time limit on the ability of Billabong to require repayment as set out above and that where Billabong exercises its right to correct your Entitlement, you are treated as continuing to have taken up, transferred or not taken up any remaining part of the Entitlement.

2.13 DISCLAIMER

Billabong reserves the right to determine whether a retail

Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder. Billabong and the Offer Manager disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder and also disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether or not a person is an Institutional Investor or an Eligible Institutional Shareholder for the purposes of the Retail Shortfall Bookbuild.

2.14 NOTICE TO NOMINEES AND CUSTODIANS

If Billabong believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not sell or transfer Entitlements in respect of or purport to accept the Retail Entitlement Offer in respect of, Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Ineligible Institutional Shareholders.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to purchase, trade, take up or exercise any Entitlements on ASX or otherwise and will receive no value for them if there is no Retail Premium resulting from the Retail Shortfall Bookbuild. By submitting an Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have made the relevant representations, declarations, warranties and agreements, on behalf of yourself and any of your clients for whom you are acting as nominee, set out in Section 3.6.

Billabong is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of Existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary, including following acquisition of Entitlements on ASX or otherwise, complies with applicable foreign laws. Billabong is not able to advise on foreign laws.

SECTION 3

Actions required by Eligible Retail Shareholders

3.1 OPTIONS AVAILABLE TO YOU

If you are an Eligible Retail Shareholder, you may take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Entitlement:

- (a) take up all or part of your Entitlement (see Section 3.1.1);
- (b) sell all or part of your Entitlement to persons meeting certain eligibility criteria:
 - (i) on ASX (see Section 3.1.2); or
 - (ii) by transferring it directly to another eligible person (see Section 3.1.3); or
- (c) do nothing and let your Entitlement be sold through the Retail Shortfall Bookbuild (see Section 3.1.4).

3.1.1 IF YOU WISH TO TAKE UP ALL OR PART OF YOUR ENTITLEMENT

If you wish to take up all or part of your Entitlement, please either:

- complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies; or
- pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form,

in each case, by no later than 5.00pm (Sydney time) on 18 March 2014 (the **Retail Closing Date**).

If you take up and pay for all or part of your Entitlement before the Retail Closing Date, it is expected that you will be issued New Shares on 31 March 2014. Billabong's decision on the number of New Shares to be issued to you will be final.

Billabong also reserves the right (in its absolute discretion) to reduce the number of New Shares issued (or any Retail Premium paid to) Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders, if Billabong believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to Billabong's satisfaction (see Section 2.11).

3.1.2 IF YOU WISH TO SELL ALL OR PART OF YOUR ENTITLEMENT ON ASX

If you wish to sell all or part of your Entitlement on ASX, you should instruct your stockbroker and provide details as requested from your personalised Entitlement and

Acceptance Form. Allow sufficient time for your instructions to be carried out by your stockbroker. You may incur brokerage if you choose to sell your Entitlement on ASX.

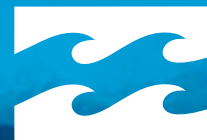
Entitlement trading on ASX starts on a deferred settlement basis on 26 February 2014 (ASX code: BBGR) and ceases on 11 March 2014. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

The assignment, transfer and exercise of Entitlements trading on ASX is restricted to persons meeting certain eligibility criteria. In particular, persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase Entitlements on ASX or exercise Entitlements purchased on ASX. If holders at the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements and, as a result, those Entitlements will be sold into the Retail Shortfall Bookbuild and holders will receive no value for them if there is no Retail Premium resulting from their sale in the Retail Shortfall Bookbuild.

Billabong will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before the Entitlements are allotted, or before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Billabong or the Share Registry or fail to maintain your updated details on the Share Registry or otherwise.

If you wish to sell part of your Entitlement on ASX and let the balance be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

Prices obtainable for Entitlements may rise and fall over the Retail Entitlement Offer trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of Existing Shares relative to the Offer Price. If you sell your Entitlements in the Retail Entitlement Offer trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements at a different time in the Retail Entitlement Offer trading period or through the Retail Shortfall Bookbuild.



If you sell your Entitlement, you will forgo any exposure to future increases or decreases in the value of the New Shares that would have been allotted to you had you taken up your Entitlement. Your percentage shareholding in Billabong (held at the Record Date) will also be diluted.

3.1.3 IF YOU WISH TO TRANSFER ALL OR PART OF YOUR ENTITLEMENT OTHER THAN ON ASX

If you wish to transfer all or part of your Entitlement other than on ASX, you must forward a completed Renunciation and Transfer Form to the Share Registry in relation to the part of your Entitlement that you wish to transfer. If the transferee wishes to take up all or part of the Entitlement transferred to them, they must send their Application Monies together with the Entitlement and Acceptance Form related to the Entitlement transferred to them to the Share Registry.

You can obtain a Renunciation and Transfer Form by calling the Billabong Entitlement Offer Information Line on 1300 640 142 (local call cost within Australia) or +61 3 9415 4686 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday during the Entitlement Offer Period or from your stockbroker.

The Renunciation and Transfer Form as well as the transferee's Application Monies and the Entitlement and Acceptance Form related to the Entitlement transferred to them must be received by the Share Registry at the mail delivery address in Section 3.5 no later than 5.00pm (Sydney time) on 18 March 2014 (the Retail Closing Date).

If the Share Registry receives both a completed Renunciation and Transfer Form and an Application in respect of the same Entitlement, the transfer will take priority over the Application.

If you wish to transfer part of your Entitlement and allow the balance be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to transfer, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

Prices obtainable for Entitlements may rise and fall over the Retail Entitlement Offer trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of Existing Shares relative to the Offer Price. If you sell your Entitlements in the Retail Entitlement Offer trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements

at a different time in the Retail Entitlement Offer trading period or through the Retail Shortfall Bookbuild.

If you transfer your Entitlement, you will forgo any exposure to future increases or decreases in the value of the New Shares that would have been allotted to you had you taken up your Entitlement. Your percentage shareholding in Billabong (held at the Record Date) will also be diluted.

You may only transfer your Entitlement in this way to a purchaser whose address is in Australia or New Zealand, who is not in the United States and is not acting for the account or benefit of a person in the United States (to that extent). Transferees of Entitlements that do not have a registered address in Australia or New Zealand, that are in the United States or that are acting for the account or benefit of a person in the United States will not be eligible to purchase, trade, take up or exercise Entitlements. You should inform any transferee of these restrictions.

See Section 3.7 for more information on restrictions on participation.

3.1.4 IF YOU WISH TO LET SOME OR ALL OF YOUR ENTITLEMENT BE SOLD THROUGH THE RETAIL SHORTFALL BOOKBUILD

Any Entitlements which you do not take up, sell or transfer will be sold through the Retail Shortfall Bookbuild on 25 March 2014 to eligible Institutional Investors. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild (see Section 3.3).

By allowing your Entitlement to be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to future increases or decreases in the value of the New Shares that would have been allotted to you had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in Billabong (held at the Record Date) will also be diluted.

3.2 INELIGIBLE RETAIL SHAREHOLDERS

Ineligible Retail Shareholders will receive the Retail Premium (if any) for Entitlements that have been sold for their benefit into the Retail Shortfall Bookbuild.

3.3 RETAIL SHORTFALL BOOKBUILD

Entitlements of Eligible Retail Shareholders which are not taken up by the Retail Closing Date, and Entitlements of Ineligible Retail Shareholders, will be sold for the benefit

Section 3 Actions required by Eligible Retail Shareholders

of the relevant Shareholder through the Retail Shortfall Bookbuild. The first A\$0.28 per New Share of the price obtained for Entitlements sold in the Retail Shortfall Bookbuild will be paid to Billabong as subscription money. Any amount paid above A\$0.28 per New Share of those Entitlements sold in the Retail Shortfall Bookbuild will be paid to holders whose Entitlements are sold, (less any applicable withholding tax) (this amount is the Retail Premium). Any Retail Premium will be remitted proportionally to such Shareholders on or about 2 April 2014.

Retail Premium amounts, if any, will be paid in Australian dollars either into your nominated bank account or by cheque. You will be paid by direct credit to the nominated bank account as noted on Billabong's share register.

The Retail Premium may be zero, in which case no payment will be made to holders of those Entitlements that were sold into the Retail Shortfall Bookbuild. The outcome of the Institutional Shortfall Bookbuild (including the Institutional Premium (if any)) is not an indication as to whether there will be a Retail Premium or what any Retail Premium may be.

The ability to sell Entitlements under the Retail Shortfall Bookbuild and the ability to obtain any Retail Premium will depend on various factors, including market conditions. If there is a Retail Premium, it may be less than, more than, or equal to the Institutional Premium or less than, more than or equal to any price or prices at which Entitlements may have been sold on ASX or otherwise transferred. To the maximum extent permitted by law, Billabong and each of its related bodies corporate and affiliates, and each of their respective directors, officers, partners, employees, representatives and agents, disclaim all liability, including for negligence, for any failure to procure a Retail Premium under the Retail Shortfall Bookbuild, for any difference between the Retail Premium and the Institutional Premium and for any failure to obtain any particular exchange rate, or any movements in exchange rates. Billabong reserves the right to issue Entitlements and Shares under the Retail Shortfall Bookbuild at its discretion.

3.4 PAYMENT

You can pay your Application Monies in the following ways:

- By BPAY®; or
- By cheque, bank draft or money order.

Cash payments will not be accepted. Receipts for payment will not be issued. Billabong will treat you as applying for as many New Shares as your Application Monies will pay for in full up to your Entitlement.

The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of your actual Entitlement. Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to Applicants on any Application Monies received or refunded.

3.4.1 PAYMENT BY BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

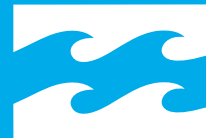
Should you choose to pay by BPAY®:

- You do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the representations, declarations, warranties and agreements on that Entitlement and Acceptance Form and in Section 3.6; and
- If you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on 18 March 2014 (the Retail Closing Date). Your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

3.4.2 PAYMENT BY CHEQUE, BANK DRAFT OR MONEY ORDER

For payment by cheque, bank draft or money order, complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and



return it accompanied by a cheque, bank draft or money order in Australian currency (A\$) for the amount of the Application Monies, payable to "Billabong International Limited Retail Entitlement Offer" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- For an amount equal to A\$0.28 multiplied by the number of New Shares that you are applying for; and
- In Australian currency (A\$) drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident Shareholders must arrange for payment to be made in Australian dollars.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form) and made the representations, declarations, warranties and agreements in Section 3.6. Alternatively, at the discretion of Billabong, your Application will not be accepted.

3.5 MAIL

To participate in the Retail Entitlement Offer, your payment must be received no later than the Retail Closing Date, being 5.00pm (Sydney time) on 18 March 2014. If you make payment via cheque, bank draft or money order, mail your completed personalised Entitlement and Acceptance Form together with Application Monies to:

Billabong International Limited Entitlement Offer
C/- Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001

For the convenience of Eligible Retail Shareholders in Australia, a reply paid envelope addressed to the Share Registry has been enclosed with this Prospectus. If mailed in New Zealand, or any other country outside of Australia, correct postage must be affixed.

Personalised Entitlement and Acceptance Forms and Application Monies will not be accepted at Billabong's registered or corporate offices, or other offices of the Share Registry.

3.6 REPRESENTATIONS BY ACCEPTANCE

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY® or otherwise applying to participate (including after having acquired Entitlements in New Shares), you will be deemed to have represented and warranted on behalf of yourself and each person or account for which you are acting to Billabong that you are an Eligible Retail Shareholder and:

- Acknowledge that you have read and understand this Prospectus and your personalised Entitlement and Acceptance Form in their entirety;
- Agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Prospectus, and the Constitution;
- Authorise Billabong to register you as the holder(s) of New Shares allotted to you;
- Declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- Declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- Acknowledge that once Billabong receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- Agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;
- Authorise Billabong, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- Declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- Acknowledge that the information contained in this

Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;

- Acknowledge that this Prospectus is given in the context of Billabong's past and ongoing continuous disclosure announcements to ASX;
- Acknowledge the statement of risks contained in Section 6 of this Prospectus, and that investments in Billabong are subject to risk;
- Acknowledge that none of Billabong or its respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Billabong, nor do they guarantee the repayment of capital;
- Agree to provide (or direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- Authorise Billabong to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- Represent and warrant (for the benefit of Billabong and its related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- Represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- Represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- Understand and acknowledge that neither the Entitlements nor New Shares have been, and none of them will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements under the Retail Entitlement Offer may not be taken up, purchased or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States;
- Acknowledge that the Entitlements and the New Shares

offered and sold pursuant to the Retail Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act;

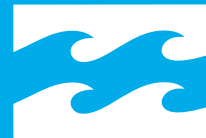
- Represent and warrant you are subscribing for or purchasing Entitlements or New Shares in an "offshore transaction" (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act;
- Represent and warrant you have not and will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand;
- Declare that if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in regular way transactions on ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States; and
- Declare that if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States (to that extent), and you have not sent this Prospectus, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person.

3.7 REPRESENTATIONS BY ACQUIRERS OF ENTITLEMENTS

Investors who acquire Entitlements on ASX or otherwise will, by acquiring those Entitlements, and by applying to take up all or part of those Entitlements, be deemed to agree to make and be subject to the representations, declarations, warranties and agreements in Section 3.6 above (with references to the personalised Entitlement and Acceptance Form to be read as including any other form provided or required to be provided to Billabong, the Share Registry or the person's stockbroker).

If you purchase Entitlements in a transaction on ASX or otherwise, in order to take up those Entitlements and subscribe for New Shares you must be either:

- an Eligible Retail Shareholder; or
- a resident in Australia or New Zealand;



provided in each case you are not in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Entitlements or subscribe for New Shares.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will be sold into the Retail Shortfall Bookbuild and holders will receive no value for them if there is no Retail Premium resulting from their sale in the Retail Shortfall Bookbuild.

ENQUIRIES

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the Billabong Entitlement Offer Information Line on 1300 640 142 (local call cost within Australia) or +61 3 9415 4686 (outside of Australia). The Billabong Entitlement Offer Information Line will be open between 9.00am and 5.00pm (Sydney time), Monday to Friday during the Entitlement Offer Period. Alternatively, you can access information about the Retail Entitlement Offer online at www.billabongbiz.com. If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

BILLABONG'S DISCRETION TO EXTEND THE RETAIL ENTITLEMENT OFFER TO OTHER SHAREHOLDERS

Billabong may (in its absolute discretion) extend the Retail Entitlement Offer to any Institutional Shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

Billabong has decided that it is unreasonable to make offers under the Retail Entitlement Offer to retail Shareholders who are not Eligible Retail Shareholders, having regard to the small number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. Billabong may (in its absolute discretion) extend the Retail Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand (except the United States) in accordance with applicable law.

SECTION 4

Overview of Billabong

4.1 OVERVIEW OF BILLABONG

Billabong's core business is the marketing, distribution, wholesaling and retailing of apparel, accessories, eyewear, wetsuits and hardgoods in the boardsports sector under the Billabong, Element, RVCA, VonZipper, Sector 9, Xcel, Tigerlily, Kustom, Honolua and Palmers Surf brands.

Billabong was founded on Australia's Gold Coast in 1973 by surfer and surfboard shaper Gordon Merchant and his then partner, Rena. The pair designed boardshorts at home, cutting them out on the kitchen table and then carting the finished product around to the local surf shop to sell.

The business found immediate traction, with surfers drawn to the superior functionality of the Billabong boardshorts. They were also far more durable courtesy of the unique triple-stitching technique developed by Gordon Merchant.

By the 1980s, Billabong had firmly established its place in Australian surf culture and was ready for international expansion. The initial focus was on the large North American market and, again, the brand enjoyed success.

Sales began to grow in other offshore markets, with licences granted in a number of territories including New Zealand, Japan and South Africa, and in the late 1980s a new beachhead was established in Europe.

Through the 1990s the surf industry grew and professional surfing gained a newfound respectability. The Company also followed its core customers into other boardsports markets, including skate, snow and wake, where it replicated its proven business model. By the close of the decade, Billabong had been restructured to capitalise on the growing global opportunities in the boardsports sector.

The restructure set the foundation for an initial public offering in Australia in mid-2000. The move saw the Company's

Shares publicly listed on the Australian Securities Exchange in August of that year. This gave the Company greater impetus and the financial capacity to grow the business.

The Company acquired a number of brands including VonZipper sunglasses, the Element Skateboards brand, specialty wetsuit brand Xcel and California-based RVCA. The founders of all those brands, and Billabong, remain in the business ensuring an unmatched authenticity and passion for the product.

Today the Company employs over 4000 staff worldwide and its product is available via more than 10,000 doors globally both through its own retail network and wider distribution.

Along with its own branded ecommerce sites, the Company owns US-based boardsport online retailer Swell.com and a majority interest in Australia's and Europe's Surfstitch.com.

The majority of the Company's revenue is generated through wholly-owned operations in Australia, North America, Europe, Japan, New Zealand, South Africa and Brazil.

4.1.1 BRANDS

Billabong's products are sold under a variety of brands. The brands are managed through direct operations in Australia, Brazil, Canada, France, Indonesia, Japan, New Zealand, Singapore, South Africa and the United States, and are distributed, either directly or indirectly, through more than 100 countries.

A brief description of each of these brands is set out below. The brands are described in more detail in the Billabong's 2013 Shareholder Review (available at www.billabongbiz.com).

Billabong	Billabong is a leading surf brand. The Billabong brand was founded in 1973. It is the Company's cornerstone brand and has established itself as an iconic Australian brand and an international surfing and board sport brand. The brand's identity is represented through its marketing, which is focused on its culturally relevant association with board sport athletes and events.
Element	Element is a leader in the apparel skate brand worldwide. Element was founded in 1992 in California and is a global skateboard brand. Billabong acquired Element in 2001. Element focuses on street lifestyle apparel, with an emphasis on organic, sustainable and environmentally friendly materials.
RVCA	RVCA was established in 2000 and acquired by Billabong in 2010. RVCA is a design driven youth lifestyle brand. RVCA is built around its Artist Network Program, which gives a unique cast of artists, athletes and advocates a platform for creative expression, which is utilised to create graphics for its apparel.



VonZipper	VonZipper was founded in 1999 in California and acquired by Billabong in 2001 to expand into sunglasses and snow goggles. VonZipper is a fashion forward brand, defined by its unique mix of products, novel advertising and imagery, and iconic athletes.
Sector 9	Sector 9 was founded in 1994 and acquired by Billabong in 2008. Sector 9 is an established brand in the skateboard and skate lifestyle products segments and is a market leader in the long board segment of the skateboard market.
Xcel	Xcel was established as a specialty wetsuit brand in 1982 in Hawaii and acquired by Billabong in 2007. Xcel has established itself as premium international brand and produces surf, dive, and military wetsuits and accessories, with surf wetsuits being its primary revenue generator.
Tigerlily	Tigerlily was founded in 2000 in Australia and acquired by Billabong in 2007. Tigerlily is a women's swimwear and apparel brand that utilises unique fabrics and design aesthetics focusing on the Australian swimwear market.
Kustom	Kustom was established in 2000 in Australia, and was acquired by Billabong in 2004. Kustom is a footwear brand that focuses on the casual beach and surf lifestyle market and places an emphasis on environmentally sustainable materials and production methods.
Honolua Surf Company	Billabong acquired the Honolua brand and associated chain of Hawaii-based retail stores in December 2003. The Honolua brand remains predominantly Hawaii based. It is designed to appeal to men and women whose lives revolve around an ocean-inspired lifestyle.
Palmers Surf	Billabong acquired Palmers in 2004. Palmers is primarily a surf accessories brand and is one of the smaller brands in Billabong's portfolio.

The Company's brands are marketed and promoted internationally through association with high profile professional athletes, including former world champions, junior athletes and global events.

4.1.2 BUSINESS STRUCTURE

Billabong's management classifies its operating segments into three geographical regions:

- *Australasia*: consists of Australia, New Zealand, Asia and South Africa. The two largest geographies by revenue are Australia and Japan.
- *Americas*: includes the USA, Canada and Brazil. In addition, Billabong recently moved to a distribution model in Peru and Chile.
- *Europe*: operates in the following countries: Austria, Belgium, Czech Republic, England, France, Germany, Italy, Luxembourg, the Netherlands and Spain. There are also wholesale sales in a number of other European countries.

Billabong's products are sold via three main commercial channels:

- *Wholesale*: the Company sells its products to a diversified network of retail businesses, which are serviced by both internal and external sales forces. Wholesale has historically been Billabong's largest channel.
- *Retail*: at the date of this Prospectus, the Company operates approximately 432 bricks and mortar retail stores, with 72 in the Americas, 112 in Europe and 248 in Australasia (including South Africa). Billabong's

stores comprise a mix of single-branded flagship stores, multi-branded stores and outlet stores. Multi-branded retail stores operate under a series of different banners, typically reflecting the legacy branding from the acquisitions made by Billabong. Billabong has a particularly strong multi-brand retail presence in both Australia and New Zealand. Outlet stores facilitate the sale of previous season inventory.

- *On-line*: Billabong sells its products on-line through brand-specific websites and two main multi-brand platforms, SurfStitch and Swell.

4.1.3 BILLABONG'S STRATEGY

At Billabong's Annual General Meeting in December 2013, Chief Executive Officer Neil Fiske outlined a seven part turnaround strategy for the business with a renewed focus and investment in the world-class brands. The seven parts of the developing thinking for the strategic turnaround are brand, product, marketing, omni-channel, supply chain, organisation, and financial discipline. Further details about the turnaround strategy were released to ASX in February 2014, including in the Company's half-year results announcement on 21 February 2014.

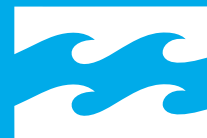
SECTION 4 Overview of Billabong

4.2 BOARD AND SENIOR MANAGEMENT

4.2.1 BOARD OF DIRECTORS

Billabong's Board is comprised as follows:

NAME / ROLE	DESCRIPTION
Ian Pollard Chairman and Non-Executive Director	Ian Pollard is an actuary, Rhodes Scholar and a Fellow of the Australian Institute of Company Directors. He has held a wide range of senior business roles including as Chairman of Just Group Limited and of Corporate Express Australia Limited and as a Director of OPSM Group Limited and DCA Group Limited, which he founded. He is currently Chairman of RGA Reinsurance Company of Australia Limited, a director of Milton Corporation Limited and of SCA Property Group and an executive coach with Foresight's Global Coaching. With an extensive background in corporate finance, strategic investment and retail Dr Pollard has chaired several public company audit committees and was a member of the ASX Corporate Governance Implementation Review Group from 2003 to 2007.
Neil Fiske Chief Executive Officer	Neil brings a strong combination of world-class strategy and successful execution experience as a CEO in retail and the active outdoor category. Neil is a passionate outdoors man with a proven record of turnarounds and is very enthusiastic about the Billabong portfolio of brands. Neil has spent 24 years in the consumer and retail industry as an operator, consultant and investor. He was most recently an Industry Partner to Canadian private equity firm Onex, where he acted as a senior advisor focused on retail. Prior to this, Neil was CEO of Eddie Bauer, where he successfully turned the company from a struggling business to a revitalized brand under private equity ownership. While at Eddie Bauer, Neil conceived and launched the highly successful First Ascent line of expedition gear and returned the company to its outdoor heritage. From 2003 to 2007, Neil served as the CEO of Bath and Body Works, a division of NYSE listed Limited Brands where he reversed 26 months of negative same store sales within three months of joining, growing the revenues of the company from US\$1.8 billion to US\$2.5 billion in just over four years. From 1989 to 2003 Neil worked at the Boston Consulting Group, where he was a Partner in the Consumer and Retail Practice and worked for six years with Les Wexner on brand building at Limited Brands. Neil received a Masters in Business Administration from Harvard Business School and a B.A. in Political Economy from Williams College.
Gordon Merchant AM Non-Executive Director	Gordon Merchant founded Billabong's business in 1973 and has been a major stakeholder in the business since its inception. Mr Merchant has extensive experience in promotion, advertising, sponsorship and design within the surfwear apparel industry. Mr Merchant was awarded a Member of the Order of Australia in the 2010 Australia Day Honours List for service to business, particularly the manufacturing sector, and for his support of medical, youth and marine conservation organisations and surf lifesaving. He is also a director of Plantic Technologies Limited.
Howard Mowlem Non-Executive Director	Howard Mowlem is experienced in many segments of the international retail industry and specifically in Asia. From 2001 to 2010 he was Chief Financial Officer of Dairy Farm International Holdings Limited, a Hong Kong based retail company operating over 5,000 stores across Asia with turnover in excess of US\$10 billion. Prior to this Mr Mowlem held various senior financial positions over a 12 year period with the Coles Myer Group. He brings extensive experience in corporate finance, mergers & acquisitions, financial reporting, treasury, tax, investor relations, audit and governance.
Jason Mazingo Non-Executive Director	Jason Mazingo is a Senior Managing Director at Centerbridge Partners. Jason leads the firm's retail and consumer investment efforts. Prior to joining Centerbridge, Jason was a Principal with Avista Capital Partners (spun-out of DLJ Merchant Banking in 2005) and DLJ Merchant Banking Partners, a leverage buyout group managing in excess of A\$9 billion. He joined DLJ in 1998. Jason graduated from UCLA Phi Beta Kappa, summa cum laude with a degree in economics and received an M.B.A. with high distinction from Harvard Business School in 1998, where he was a Baker Scholar. Jason is a CFA charter holder and a member of the CFA Institute. He currently serves as a Director of P.F. Chang's, CraftWorks Restaurants & Breweries and GT Holdings, LLC.



NAME / ROLE	DESCRIPTION
Sally Pitkin Non-Executive Director	Sally Pitkin is a former corporate partner of a leading Australian law firm, and has extensive experience as a non-executive director in listed companies, private entities, and public sector and non-profit organisations. Dr Pitkin is a current non executive director of retailer Super Retail Group Limited and the Deputy President of the Australian Institute of Company Directors.
Matthew Wilson Non-Executive Director	Matt Wilson is a Managing Director at Oaktree Capital Management and is based in Los Angeles. Matt leads Oaktree's retail and consumer investing efforts, including investments in the apparel, retail, consumer products, food, beverage, and restaurants sectors. Prior to Oaktree, Matt was with H.I.G. Capital, LLC, a leading middle market private equity firm managing over A\$13 billion of capital. Prior thereto, Matt worked in the middle market buyout group at J.H. Whitney & Co. and the investment banking division at Merrill Lynch & Co. in New York. Matt graduated with a B.A. degree with Distinction in Economics and History from the University of Virginia and an M.B.A. from the Harvard Business School. He currently serves on the Boards of Directors of AdvancePierre Foods, Diamond Foods (Nasdaq: DMND), and The Bridge Direct HK and is Chairman of the Board of Trustees of the Children's Bureau of Los Angeles.

4.2.2 BILLABONG SENIOR MANAGEMENT TEAM

Billabong's key executives are as follows:

NAME / ROLE	DESCRIPTION
Neil Fiske Chief Executive Officer	See profile in Section 4.2.1 above.
Peter Myers Group Chief Financial Officer	Peter Myers joined Billabong on 14 January 2013 in his current role as Chief Financial Officer. Prior to joining Billabong Mr Myers held several senior executive roles with high profile listed entities including 9 years as Chief Financial Officer of APN News & Media Limited and 9 years with Network Ten, including 6 years as Chief Financial Officer. Mr Myers holds a Bachelor of Business. He is a CPA and member of the Australian Institute of Company Directors.
Jean Louis Rodrigues General Manager, Europe	Jean-Louis Rodrigues joined Billabong on 3 September 2008 as Europe's Retail Director. He has extensive experience in the action sports industry, including senior roles at Reebok, Quiksilver and O'Neill where he was the General Manager for southern Europe. In October 2013, Mr Rodrigues was appointed General Manager Europe. He holds qualifications in International Commerce.
Shannan North General Manager, Asia Pacific	Shannan North joined Billabong on 9 August 1993. His career at Billabong quickly progressed from retail to marketing and then to sales management. His expertise across the business led to him being appointed General Manager Asia Pacific, a position which he has now held since 2004. Mr North holds qualifications in sales and marketing and is a member of the Australian Institute of Company Directors.
Ed Leasure President, Americas	Ed Leasure joined Billabong on 10 August 2008 when Billabong acquired Quiet Flight, a successful surf retail chain which he opened and owned and operated for many years. Mr Leasure initially joined the Company to serve as President of Quiet Flight but was later appointed to lead the entire US retail division. In October 2013 he was appointed President Americas. He holds a Bachelor of Business Administration.

4.3 RELATIONSHIP WITH THE C/O CONSORTIUM

4.3.1 THE C/O CONSORTIUM

The C/O Consortium is comprised of:

- **Centerbridge** – a private investment firm headquartered in New York City with approximately US\$20 billion in capital under management as of May 2013. The firm focuses on private equity and credit investments. The firm is dedicated to partnering with world-class management teams across targeted industry sectors to help companies achieve their operating and financial objectives; and
- **Oaktree** – a leader among global investment managers specialising in alternative investments, with US\$83.6 billion in assets under management as of December 2013. The firm emphasises an opportunistic, value-oriented and risk-controlled approach to investments in corporate debt, private equity, convertible securities, real estate and listed equities. Headquartered in Los Angeles, the firm has over 750 employees and offices in 13 cities worldwide.

4.3.2 FINANCING ARRANGEMENTS WITH THE C/O CONSORTIUM

On 19 September 2013, Billabong announced that the Company had entered into binding agreements with the C/O Consortium in relation to a long term financing to recapitalise the Company.

The C/O Consortium financing arrangements are designed to provide Billabong with a stronger balance sheet and capital structure to allow it to stabilise the business and implement strategies and initiatives required to restore earnings growth. The financing includes:

- the Term Loan Facility;
- the Placement;
- the C/O Options; and
- the Entitlement Offer, the retail component of which is the subject of this Prospectus.

These arrangements were entered into following an extensive and competitive process undertaken by Billabong in the first half of 2013 through which it had sought to obtain proposals from a number of parties for a long term financing solution for the Company.

4.3.3 C/O CONSORTIUM'S BOARD NOMINEES

In order to adequately reflect the C/O Consortium's significant investment in Billabong, the C/O Consortium is entitled to nominate representatives to the Board. The current C/O Consortium nominees on the Board are Jason Mzingo (as nominee of Centerbridge) and Matthew Wilson (as nominee of Oaktree). These nominees represent 2 of the 7 current members of the Board. Profiles of the Directors are set out in Section 4.2.1.

4.3.4 C/O CONSORTIUM'S OWNERSHIP AND VOTING POWER

The C/O Consortium currently hold a fully diluted ownership in Billabong of approximately 40.6%.

The C/O Consortium has agreed that it will not participate in the Entitlement Offer in respect of the Shares issued pursuant to the Placement. Assuming full take-up under the Entitlement Offer, the Entitlement Offer will result in the issuance of up to 180,273,753 Shares to Eligible Shareholders, which would result in the C/O Consortium's maximum ownership of Shares on a fully diluted basis being approximately 33.7% and a maximum potential voting power of 35.2%¹. If there is no take-up under the Entitlement Offer and no Shares are issued, then the C/O Consortium's ownership of Shares on a fully diluted basis would remain at 40.6% and its maximum potential voting power would remain at 42.7%¹. The actual maximum voting power will be between 35.2% and 42.7%, depending on the level of take-up by existing Shareholders under the Entitlement Offer.

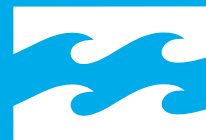
The effect of the Entitlement Offer on the capital structure of Billabong is described in more detail in Section 5.9.

4.3.5 C/O CONSORTIUM'S STATEMENTS OF INTENTION

In the Explanatory Memorandum to the Notice of Extraordinary General Meeting sent to Shareholders on 23 December 2013, the C/O Consortium made the following statements regarding the future of Billabong if Shareholders approved the Placement:

- *Conduct of business:* To the extent that Centerbridge and Oaktree will have influence over the nature and conduct of the business of Billabong, neither of them intends to make any changes to it other than where

¹ The maximum Shareholder voting power assumes that no options, other than the C/O Options, are exercised.



this would be consistent with the turnaround strategy of the Board. Both Centerbridge and Oaktree are supportive of Billabong's new Chief Executive Officer, Neil Fiske.

- *Injection of further capital:* To the extent that Centerbridge and Oaktree will have influence over the capital management of Billabong, neither of them intends to inject further capital into Billabong.
- *Future employment of employees:* To the extent that Centerbridge and Oaktree will have influence over the employment of the present employees of Billabong, neither of them intends to make any changes to the workforce other than where this would be consistent with the turnaround strategy of the Board.
- *Transfers of assets:* Neither Centerbridge nor Oaktree intend to propose any transfer of assets between Billabong and them (or their associates).
- *Redeployment of fixed assets:* To the extent that Centerbridge and Oaktree will have influence over the deployment of the fixed assets of Billabong, neither of them intends to redeploy any of those assets.
- *Financial or dividend policies:* To the extent that Centerbridge and Oaktree will have influence over financial or dividend policies of Billabong, both of them intend to support the continuation of Billabong's efforts to build a healthy balance sheet, the maintenance of appropriate levels of debt capital, and, in due course, dividend levels commensurate with the health and cash flow generation of the Company (and any necessary changes to the Company's financial and dividend policies to give effect to these things).

Those statements of intention must be read subject to the following:

- The statements are based on the information concerning Billabong and the circumstances affecting the business of Billabong that are known to Centerbridge and Oaktree at the date of this Prospectus.
- Centerbridge and Oaktree are not aware of all of the material information, facts and circumstances that are necessary to assess the financial, operational, commercial, taxation and other implications of the intentions set out in this Section 4.3.5. Accordingly, the statements reflect current intentions only and are subject to change as new information becomes available or as circumstances change.
- Centerbridge and Oaktree expect to be supportive of the turnaround strategy for Billabong and the steps that are involved in executing it, and they are prepared to

assist the Company in formulating and implementing this strategy in the shortest possible timeframe.

- The Directors nominated by Centerbridge and Oaktree to the Board will not represent a majority of the Board and therefore will not be able to themselves determine decisions of the Board.
- The Directors nominated by Centerbridge and Oaktree to the Board will have a duty to act in good faith in the best interests of Billabong for a proper purpose, and in doing so will need to have regard to the interests of all Shareholders. They will also have a duty to manage conflicts of interest in an appropriate manner.
- Laws regarding related party transactions (in particular under the Corporations Act and the Listing Rules) may place restrictions on the ability of Billabong to enter into certain transactions with Centerbridge and Oaktree or their respective associates.

SECTION 5

Financial Information

5.1 INTRODUCTION

The financial information for Billabong contained in this Section 5, which has been prepared for inclusion in this Prospectus, includes:

- (a) the historical consolidated income statement for the 6 months ended 31 December 2013;
 - (b) the historical operating cash flow statement for the 6 months ended 31 December 2013; and
 - (c) the historical consolidated balance sheet as at 31 December 2013;
- (collectively, the **Historical Financial Information**)
- (d) the pro forma historical consolidated income statement for the 6 months ended 31 December 2013;
 - (e) the pro forma historical operating cash flow statement for the 6 months ended 31 December 2013; and
 - (f) the pro forma historical consolidated balance sheet as at 31 December 2013.
- (collectively, the **Pro Forma Historical Financial Information**),

collectively the **Financial Information**.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

This Prospectus does not include any prospective financial information. The Board determined that there would not be a reasonable basis for including prospective financial information in the context of the current market and limited trading performance since recent changes in Billabong management and strategy.

5.2 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

The Directors are responsible for the preparation of the Financial Information. The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards.

The Financial Information is presented in an abbreviated format and does not contain all of the disclosures provided in an annual report prepared in accordance with the Corporations Act. Investors should refer to financial reports for the year ended 30 June 2013 and the 6 months ended 31 December 2013 and related announcements on ASX's website www.asx.com.au should they wish to obtain more detailed disclosure and commentary on historical financial

information in relation to Billabong. Section 10.3 of this Prospectus contains further details of how these documents can be requested by investors.

Following the discovery of a prior period error in the 30 June 2012 financial statements with respect to the tax effect accounting for brand intangible assets, the comparative consolidated balance sheets as at 30 June 2013 and 31 December 2012 were restated in the 31 December 2013 financial statements released on 21 February 2014. Refer to note 1 of the consolidated financial statements for the 6 months ended 31 December 2013 for further details of this prior period error.

The consolidated half year financial statements for the 6 months ended 31 December 2013 have been reviewed by PricewaterhouseCoopers, who have issued an unmodified review opinion in respect of this period.

The Financial Information in this Section 5 should also be read in conjunction with the significant accounting policies outlined in Billabong's audited financial report for the year ended 30 June 2013.

The Financial Information has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd as set out in the Investigating Accountant's Report (refer to Section 8).

The pro forma historical consolidated income statement and operating cash flow statement for the 6 months ended 31 December 2013 and the pro forma historical consolidated balance sheet as at 31 December 2013 have been derived from the historical consolidated statutory income statement and historical consolidated operating cash flow statement for the 6 months ended 31 December 2013 and historical consolidated balance sheet as at that date after adjusting for the following events and assumptions:

(a) Use of proceeds from the Placement

The Placement of 329,268,294 Shares to the C/O Consortium at A\$0.41 per Share (total subscription price of A\$135 million) occurred on 6 February 2014.

The Placement was used in full to repay A\$135 million of the Term Loan Facility. Under the arrangements with the C/O Consortium, the amount of debt repaid from the Placement was determined by converting the subscription price at an exchange rate of A\$1:US\$0.924, which resulted in a total debt repayment of US\$124.7 million upon completion of the Placement.



(b) Use of proceeds from the Entitlement Offer

The Entitlement Offer will result in the issuance of up to 180,273,753 Shares to Eligible Shareholders.

Following completion of the Entitlement Offer, Billabong is required to prepay A\$20 million of the Term Loan Facility from the proceeds of the Entitlement Offer and has the discretion to determine whether to apply the proceeds in excess of A\$20 million to prepay the Term Loan Facility (as described in Section 2.1).

The pro forma adjustments assume that the full A\$50 million is raised under the Entitlement Offer and Billabong prepays the minimum Term Loan Facility required (A\$20 million). The additional A\$30 million raised less transaction costs is assumed to be held in cash and is expected to be used for general corporate purposes, including funding of Billabong's turnaround strategy (see Section 4.1.3). Billabong may decide it has adequate liquidity to repay more than the minimum A\$20 million in which case term debt and interest charges would be reduced further. (If less than A\$50 million is raised under the Entitlement Offer, cash held will be reduced accordingly. If less than A\$20 million is raised, the debt repayment will be reduced accordingly).

The pro forma balance sheet has been adjusted to reflect the impact of the above transactions as though they had occurred on 31 December 2013.

The pro forma income statement has been adjusted to reflect the interest and borrowing costs which would have been incurred if the anticipated debt profile of Billabong following completion of the Placement and the Entitlement Offer had been in place at 1 July 2013.

The pro forma cash flow statement has been adjusted to reflect the interest and borrowing costs which would have been paid if the anticipated debt profile of Billabong following completion of the Placement and the Entitlement Offer had been in place at 1 July 2013.

SECTION 5 Financial Information

5.3 HISTORICAL CONSOLIDATED INCOME STATEMENT AND PRO FORMA CONSOLIDATED INCOME STATEMENT

Billabong International Limited - Income Statement		6 months ended 31 Dec 13 \$'000 Actual	Adjustment for Impact of new debt structure	6 months ended 31 Dec 13 \$'000 Proforma
	Note			
Revenue - continuing		579,835	-	579,835
EBITDAI (before significant items)	1	42,371	-	42,371
Significant items		(44,851)	35,338	(9,513)
EBITDAI (after significant items)	1	(2,480)	35,338	32,858
Depreciation and amortisation	2	(18,085)	(926)	(19,011)
Net interest expense		(19,143)	3,863	(15,280)
Loss before income tax (expense)/benefit		(39,708)	38,275	(1,433)
Income tax expense		(70,289)	757	(69,532)
Loss from continuing operations		(109,997)	39,032	(70,965)
Loss from discontinued operations		(18,330)	-	(18,330)
Loss for the period		(128,327)	39,032	(89,295)
Loss attributable to non-controlling interests		2,040	-	2,040
Loss attributable to shareholders		(126,287)	39,032	(87,255)

¹ EBITDAI is earnings before interest, tax, depreciation and amortisation and impairment from continuing operations. It is non-IFRS financial information. Billabong believes that non-IFRS financial information provides useful information to users in measuring the financial performance of Billabong. Investors are cautioned not to place undue reliance on any non-IFRS financial information.

² The unwind of capitalised borrowing costs has been included in amortisation expense for the period.

The pro forma adjustments made to the Historical Income Statement of Billabong reflect the following events and assumptions:

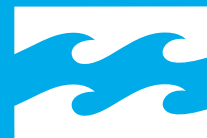
Adjustment for impact of new debt structure

The impact of the new debt structure in the pro forma consolidated income statement is based on the assumptions that:

- Interest charges (A\$19.1 million) which were incurred in the 6 months ended 31 December 2013 are replaced with the interest charge (A\$15.3 million) which would be incurred on the revised group debt facilities after completion of the Placement and assuming a further A\$20 million has been repaid on the Term Loan Facility from the proceeds of the Entitlement Offer. No interest charges are assumed to be incurred in respect of cash drawn from the asset-based multi-currency revolving

credit facility (A\$40.6 million of cash drawn down as at 31 December 2013) as this was repaid in January 2014 and no interest revenue has been assumed to be earned for the period.

- The removal of borrowing costs (A\$35.3 million) which were incurred in the 6 months ended 31 December 2013 with respect to the previous refinancing transaction with the Altamont Consortium.
- An adjustment to borrowing costs amortisation (net impact of A\$0.9 million) to reflect the revised amortisation of capitalised costs incurred on the Term Loan Facility which would be amortised over a 6 month period, following completion of the repayment of the Term Loan Facility from the Placement and Entitlement Offer.
- A reduction in income tax expense of A\$0.8 million arising from the above pro forma adjustments.



5.4 HISTORICAL CONSOLIDATED CASH FLOW AND PRO FORMA CONSOLIDATED CASH FLOW

Billabong International Limited - Operating Cash Flow Statement	6 months ended 31 Dec 13 \$'000 Statutory	Adjustment for Impact of new debt structure	6 months ended 31 Dec 13 \$'000 Proforma
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	772,422	-	772,422
Payments to suppliers and employees (inclusive of GST)	(724,843)	-	(724,843)
Interest received	454	-	454
Other revenue	3,031	-	3,031
Finance costs	(68,938)	53,063	(15,875)
Income taxes received/(paid)	(9,418)	577	(8,841)
Net cash inflow/(outflow) from operating activities	(27,292)	53,640	26,348

The pro forma adjustments made to the historical operating cash flows of Billabong reflect the following events and assumptions:

Adjustment for impact of new debt structure

The impact of the new debt structure in the pro forma is based on the assumption that:

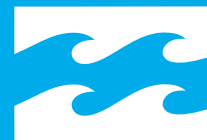
- Interest payments (A\$19.1 million) for the 6 months ended 31 December 2013 are replaced with the interest payments (A\$15.3 million) on the revised group debt facilities after completion of the Placement and assuming a further A\$20 million has been repaid on the Term Loan Facility from the proceeds of the Entitlement Offer.

- The removal of borrowing costs (A\$49.2 million) which were paid in the 6 months ended 31 December 2013 with respect to the initial draw down of the Altamont Consortium term debt and the initial draw down of the Term Loan Facility on the assumption that those facilities were in place from the beginning of the period.
- A reduction in income tax cash payable of A\$0.6 million arising from the above pro forma adjustments.

SECTION 5 Financial Information

5.5 HISTORICAL BALANCE SHEET AND PRO FORMA BALANCE SHEET

Billabong International Limited - Balance Sheet	31 Dec 13 \$'000 Statutory	Adjustment for Placement	Adjustment for Proceeds from Rights issue	31 Dec 13 \$'000 Proforma
ASSETS				
Current assets				
Cash and cash equivalents	266,528	(750)	27,700	293,478
Trade and other receivables	141,258	-	-	141,258
Inventories	208,343	-	-	208,343
Current tax receivables	6,376	-	-	6,376
Other	19,633	(5,584)	-	14,049
Assets held for sale	22,615	-	-	22,615
Total current assets	664,753	(6,334)	27,500	684,169
Non-current assets				
Receivables	9,138	-	-	9,138
Investment accounted for using the equity method	-	-	-	-
Property, plant and equipment	102,378	-	-	102,378
Intangible assets	181,364	-	-	181,364
Deferred tax assets	-	-	-	-
Other	795	-	-	795
Total non-current assets	293,675	-	-	293,675
Total assets	958,428	(6,334)	27,700	979,794
LIABILITIES				
Current liabilities				
Trade and other payables	181,861	-	-	181,861
Borrowings	9,538	-	-	9,538
Current tax liabilities	4,922	-	-	4,922
Provisions	33,661	-	-	33,661
Liabilities associated with assets held for sale	21,673	-	-	21,673
Total current liabilities	251,655	-	-	251,655
Non-current liabilities				
Borrowings	432,058	(135,138)	(19,213)	277,707
Deferred tax liabilities	-	-	-	-
Provisions and payables	39,378	-	-	39,378
Deferred payments	41,475	-	-	41,475
Total non-current liabilities	512,911	(135,138)	(19,213)	358,560
Total liabilities	764,566	(135,138)	(19,213)	610,215
Net Assets	193,862	128,804	46,913	369,579
EQUITY				
Contributed equity	910,836	134,475	48,390	1,093,701
Treasury shares	(22,508)	-	-	(22,508)
Option reserve	10,663	-	-	10,663
Other reserves	(104,460)	-	-	(104,460)
Retained losses	(593,862)	(5,671)	(1,477)	(601,010)
Capital and reserves	200,669	128,804	46,913	376,386
Non-controlling interests	(6,807)	-	-	(6,807)
Total equity	193,862	128,804	46,913	369,579



The pro forma adjustments made to the Balance Sheet of Billabong reflect the following events and assumptions:

Adjustment for Placement

- The completion of the Placement of A\$135 million was used in full to repay the Term Loan Facility with the amount of debt repaid from the Placement determined by converting the subscription price at a fixed A\$:US\$ exchange rate of A\$1:US\$0.924. This results in a total debt repayment of US\$124.7 million (A\$140.6 million) and the extinguishment of an embedded derivative asset (carrying value A\$5.6 million as at 31 December 2013).
- The repayment of the loan results in an adjustment to the carrying amount of the Term Loan Facility to reflect the present value of the revised estimated cash flows at the Term Loan Facility effective interest rate. This results in an increase to borrowing of A\$5.4 million and a reduction in retained earnings of A\$5.4 million.
- Transaction costs incurred with respect to the Placement of A\$0.8 million are debited against equity (net of related tax of A\$0.2 million) and deducted from the proceeds received. As deferred tax assets have been derecognised, retained earnings are reduced for the tax impact of the transaction costs.

Adjustment for proceeds from Entitlement Offer

- The completion of the Entitlement Offer, assuming that the full A\$50 million is raised and Billabong repays the minimum A\$20 million as required under the Term Loan Facility. The additional A\$30 million raised is assumed to be held in cash and is expected to be used for general corporate purposes, including funding of Billabong's turnaround strategy (see Section 4.1.3).
- The repayment of the loan results in an adjustment to the carrying amount of the Term Loan Facility to reflect the present value of the revised estimated cash flows at the Term Loan Facility effective interest rate. This results in an increase to borrowing of A\$0.8 million and a reduction in retained earnings of A\$0.8 million.
- Transaction costs incurred with respect to the Entitlement Offer of A\$2.3 million are debited against equity (net of related tax of A\$0.7 million) and deducted from the proceeds received. As deferred tax assets have been derecognised, retained earnings are reduced for the tax impact of the transaction costs.

5.6 MANAGEMENT DISCUSSIONS AND ANALYSIS OF CONSOLIDATED INCOME STATEMENT

Global sales were A\$667 million and NPAT after significant items was a loss of A\$126.3 million compared to a loss of A\$536.6 million for the previous corresponding period (the **pcp**).

Included in the result are substantial refinancing costs, restructuring and redundancy costs across all of our operations and more than A\$60 million of non-cash tax adjustments.

Billabong's portfolio of assets has also changed since the pcp with the sale of the DaKine brand in July 2013, the exit of virtually all of the Group's 48.5% interest in Nixon in July 2013, and the recent completion in February 2014 of the sale of its Canadian retail chain, West 49.

Excluding the discontinued businesses global sales were A\$576.8 million up 3% on the pcp. On the same basis, EBITDA was A\$42.4 million down A\$6.9 million on the pcp.

Of the earnings decline in the Americas of A\$8 million, A\$4.9 million was attributable to South America. To address the issues in this region the Company recently entered into distributor arrangements in Peru and Chile and we have appointed highly experienced surf industry executive, Felipe Motta, as Vice President Latin America. The result was also heavily impacted by the period of uncertainty before the C/O Consortium refinancing.

Whilst the Americas were down collectively the rest of the Group was ahead compared to the pcp.

In Europe sales grew slightly and earnings were relatively stable. The benefits of the operational restructuring progressed during the period were offset by the expected start-up losses from SurfStitch's European operations.

The results for Australasia were ahead of the prior year. Revenue was down slightly, reflecting the impact of the store closure program offset by good performances for brand Billabong and RVCA, which both showed growth during the period. Tight cost controls resulted in EBITDA growth of 5.6% for the period.

5.7 DEBT FINANCE FACILITIES

(a) Term Loan Facility

On 19 September 2013 Billabong announced it had entered into a 6 year senior secured term loan of up to US\$360 million (A\$405.9 million as at 31 December 2013) with C/O Consortium (the **Term Loan Facility**). The Term Loan Facility has been fully drawn as at 31 December 2013.

The following is a summary of the principal provisions of the Term Loan Facility.

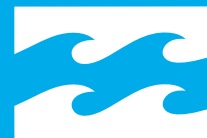
- *Commitment size:* The commitment under the Term Loan Facility is up to US\$360 million (A\$405.9 million as at 31 December 2013).
- *Applicable interest rate:* The facility incurs a fixed interest rate of 11.9% per annum (5.9% must be paid in cash and up to 6.0% payable in kind at the Company's option).
- *Single financial covenant:* The Term Loan Facility has a single financial covenant (in respect of leverage) which will first be tested on 31 December 2014. Based on the Company's historic EBITDA and current total interest bearing debt, the Directors of Billabong expect to comply with the single financial covenant.
- *Maturity:* The loan matures on 16 September 2019. Scheduled repayments begin on the third anniversary of the date of first drawdown, with a repayment amount of 0.25% of the original aggregate principal amount of the loans, payable on the last business day of each calendar quarter and increasing to 0.625% of the original aggregate principal amount on the fourth anniversary of drawdown, with final repayment on the maturity date.
- *Mandatory prepayments:* The facility is subject to prepayment premiums, where in the event of early repayment of any amount of the Term Loan Facility, the C/O Consortium will be entitled to be paid a premium over and above the face value of the debt which is being repaid by the Company (excluding up to US\$171 million (A\$185 million) to be prepaid by way of the Placement and Entitlement Offer).
- For a prepayment in the first year of the facility funded through an equity raising (other than the Placement and Entitlement Offer), refinancing or asset sale (other than in relation to specified assets), a make-whole premium of 11.9% plus interest that would otherwise have accrued on the loan through to the first end of period date, discounted at the applicable US Treasury rate plus 0.5%, will apply. In the following year, the premium is 11%. Thereafter the premium declines. There is no mandatory pre-payment event upon a change of control but Billabong is required to offer to prepay the loans at a 1% prepayment premium on change of control plus any accrued interest.
- *Allocation of funds:* After allocation of the proceeds raised from the Placement and the Entitlement Offer against the loan, the maturity profile of the loan will change, with US\$0.9 million falling due on 31 December 2016, US\$2.7 million falling due in the year ending 31 December 2017 and US\$213.9 million falling due on the final maturity date in September 2019.

(b) Asset-Based Revolver

Billabong has also entered into an asset-based multi-currency revolving credit facility arranged by GE Capital (the **Asset-Based Revolver**). The facility size is up to US\$100 million, subject to holding sufficient eligible accounts receivable and inventory as collateral at any given time.

The interest rate on cash drawings is base rate plus 2% margin. The facility also incurs interest charges in respect of other trade borrowings and the undrawn portion of the facility.

The total drawn down on the Asset-Based Revolver balance as at 31 December 2013 was US\$37.9 million (A\$42.7 million), including cash drawdowns of US\$36 million (A\$40.6 million) and letters of credit drawn down with respect to various guarantees of US\$1.9 million (A\$2.1 million). In January 2014 all of the cash drawdowns under this facility were repaid in full.



5.8 GEARING

The table below shows the actual gross leverage and net leverage as at 31 December 2013 and the change in these ratios as a result of the Placement and Entitlement Offer.

			Actual 31-Dec-13		Pro forma for Placement and Entitlement Offer
	Actual	Adj. for	Pro forma for	Adj. for	
A\$m	31-Dec-13	Placement	Placement	Entitlement Offer	31-Dec-13
Cash	266.5	(0.7)	265.8	27.7	293.5
Current borrowings	9.5	0.0	9.5	0.0	9.5
Non-current borrowings	432.1	(135.1)	297.0	(19.2)	277.8
Net debt	175.1	(134.4)	40.7	(46.9)	(6.2)
Gross debt	441.6	(135.1)	306.5	(19.2)	287.3
	Actual	Adj. for	Pro forma for Placement	Adj. for	Pro forma for Placement and Entitlement Offer
	31-Dec-13	Placement	31-Dec-13	Entitlement Offer	31-Dec-13
LTM EBITDAI	64.7		64.7		64.7
Gross debt	441.6	(135.1)	306.5	(19.2)	287.3
LTM EBITDAI	64.7		64.7		64.7
Gross leverage ratio	6.8 x		4.7 x		4.4 x
Net debt	175.1	(134.4)	42.5	(46.9)	(6.2)
LTM EBITDAI	64.7		64.7		64.7
Net leverage ratio	2.7 x		0.6 x		(0.1)x

Basis of preparation of gearing information in Section 5.8

Note 1: The above cash and debt balances do not adjust for the US\$36 million repayment of the Asset-Based Revolver balance which occurred subsequent to the 31 December 2013 balance date.

Note 2: LTM EBITDAI is earnings before interest, tax, depreciation and amortisation and impairment and significant items for the 12 months ended 31 December 2013.

Note 3: LTM EBITDAI has been adjusted to remove the impact of the discontinued operations of Dakine and West49.

Note 4: The gross and net debt numbers in the table above are based on the financial statements as at 31 December 2013 as announced to ASX on 21 February 2014 but adjusted for the pay down of the Term Loan Facility via the Placement, as if this had occurred on 31 December 2013.

Note 5: Neither the historical financial information or the pro forma financial information presented in the table above should be taken to represent the views of Billabong or any other person as to future financial performance or forward looking statements.

Note 6: Reported and pro forma net debt figures as at 31 December 2013 do not reflect peak seasonal requirements and do not incorporate non-cash credit requirements

Note 7: The above analysis assumes gross proceeds of A\$50 million from the Entitlement Offer less transaction costs, with the minimum of A\$20 million applied to pay down the Term Loan Facility.

Note 8: The above analysis does not distinguish cash that is securing various performance obligations of the Billabong Group in relation to obligations to third party landlords, suppliers and others.

SECTION 5 Financial Information

5.9 SHARE CAPITAL NOTE

	Ownership prior to Entitlement Offer		Ownership after Entitlement Offer (A\$30 million take up)		Ownership after Entitlement Offer (A\$50 million take up)	
	# Shares (m)	% diluted ownership	# Shares (m)	% diluted ownership	# Shares (m)	% diluted ownership
Shares on issue (excl. C/O Consortium)	480.7	54.4%	480.7	48.5%	480.7	45.2%
Entitlement Offer			107.1	10.8%	180.3	16.9%
Existing Shareholders	480.7	54.4%	587.9	59.3%	661.0	62.1%
C/O Options	29.6	3.3%	29.6	3.0%	29.6	2.8%
Placement	329.3	37.3%	329.3	33.2%	329.3	30.9%
C/O Consortium	358.9	40.6%	358.9	36.2%	358.9	33.7%
Other options	44.1	5.0%	44.1	4.4%	44.1	4.1%
Diluted Shares outstanding	883.7	100.0%	990.8	100.0%	1,063.9	100.0%

Note 1: Totals may not add due to rounding. The final number of New Shares issued and the amount raised under the Entitlement Offer may be less than the amounts specified above due, among other things, to rounding of Entitlements and reconciliation of Entitlements under the Entitlement Offer to Share holdings at the Record Date. The exact number of New Shares to be issued, and the number of New Shares that may be issued under each part of the Entitlement Offer, will not be known until completion of the Entitlement Offer.

Note 2: On 6 February 2014, Billabong issued approximately 329,268,294 Shares to the C/O Consortium at A\$0.41 per Share to raise A\$135 million as a private placement (the **Placement**).

Note 3: - On 3 December 2013 Billabong issued 29,581,852 options to the C/O Consortium (the **C/O Options**). The C/O Options are exercisable at the election of the C/O Consortium at a strike price of A\$0.50 per Share and will expire on 3 December 2020. Shares issued upon the exercise of the C/O Options will rank equally with the then Shares on issue but will be subject to escrow for the period commencing on the date of issue of such Shares and ending on 18 September 2015. The exercise price of each C/O Options (and/or the number of Shares over which each C/O Option is exercisable) may be adjusted as permitted by (and otherwise in accordance with) the Listing Rules if there is a pro rata issue of Shares, a bonus issue of Shares or a reorganisation of the capital of Billabong however it is agreed that no adjustment will be made as a result of the Entitlement Offer.

5.10 DIVIDEND POLICY

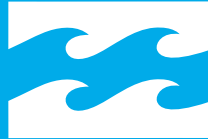
The Board has not declared an interim ordinary dividend for the half-year ended 31 December 2013.

The dividend re-investment plan remains suspended.

There are also restrictions under the loan agreements which prevent payment of dividends in certain circumstances (see Section 6.2.14).

The Board will reassess dividend policy on a periodic basis. Any decision to recommence dividend payments will take into account a range of considerations including turnaround strategy funding and other future capital requirements of Billabong.

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SECTION 6

Risk Factors

6.1 INTRODUCTION

Investing in New Shares involves a degree of risk. Before applying for New Shares, you should consider whether they are a suitable investment for you.

You should be aware that there are risks involved with participating in the Entitlement Offer and holding New Shares. Some of these risks are specific to an investment in Billabong, while others relate generally to any investment in the equity markets. The occurrence of these risks may have an adverse impact on Billabong's business, results of operations, financial condition and performance or the price of Shares.

This Section 6 discusses some of the key risks associated with an investment in Billabong. It should be read in conjunction with Section 4 and Section 5, which contain further details on Billabong. The risks set out below are not listed in order of importance and do not necessarily constitute an exhaustive list of all the risks involved with an investment in Billabong. Many such risks are outside the control of Billabong and its Board.

You should read all of this Prospectus carefully and consider your personal circumstances and consult your stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

6.2 BILLABONG RISKS

6.2.1 BRAND

Billabong's products are sold under a variety of different brands. These brands and Billabong's image are key assets of Billabong. Should the brands or image of Billabong be damaged in any way or lose their market appeal, the Billabong business is likely to be adversely impacted.

6.2.2 FASHION

Billabong's design teams in Australia, North America and Europe provide in house expertise on specific fashion trends in key markets. The objective is to design, develop and deliver products for changing fashion trends as they emerge. Fashion trends change rapidly and if Billabong does not design and deliver products that appeal to consumers, the financial performance of Billabong could be adversely impacted.

6.2.3 KEY MARKETS

Sales in the Americas comprised 47% of Billabong's total sales in FY2013, and in Australasia 35% and Europe

17%. Billabong's sales in these markets are affected by a number of factors including relatively poor current economic conditions, actions of competitors in that market, adverse weather conditions, fashion trends and changing consumer tastes, changes in taxation or changes in the regulatory environment. If Billabong's sales in these places are adversely affected by any of these factors, Billabong's financial performance is likely to be adversely impacted.

6.2.4 MACRO-ECONOMIC ENVIRONMENT

The financial performance of Billabong and the value of Shares will fluctuate due to various factors including movements in the Australian and international capital markets, interest rates, foreign currency exchange rates, inflation, Australian and international economic conditions (including any significant and extended economic downturn in Australia, Asia, North America or Europe), change in government, fiscal, monetary and regulatory policies, prices of commodities, investor perceptions and other factors that may affect Billabong's financial position and earnings. These factors may cause the price of Shares to fluctuate and trade below the Offer Price and may adversely affect the income and expenses of Billabong.

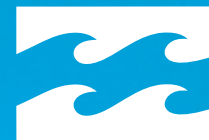
Examples of the way in which changes in economic conditions may impact Billabong include:

- changes in economic conditions may affect demand for Billabong products or the creditworthiness of customers or suppliers to Billabong;
- changes in economic conditions may affect customers' level of discretionary spend and therefore impact upon Billabong's performance;
- changes in employment levels and associated costs in the labour market may affect the cost structure of Billabong;
- changes in the availability of debt or equity financing may impact Billabong's ability to sustain its operations and growth; and
- changes in inflation and interest rates may affect Billabong's cost of funding.

6.2.5 CURRENCY FLUCTUATIONS

Billabong's sales are based in more than 100 countries and result in revenue receipts in more than 10 currencies – primarily Australian, New Zealand, US and Canadian dollars, Euros and Japanese yen. Movements in these currencies will have an impact on Billabong's profitability, assets and liabilities.

Virtually all of Billabong's debt is drawn in US\$ but not all its revenues and earnings are denominated in US\$. This could



mean that movements in the US\$/A\$ exchange rate could have a more pronounced impact on Billabong's borrowings when translated into A\$ than the same movement would have on Billabong's revenues and earnings when translated into A\$, particularly given only a portion of revenue and earnings are earned in the US. This discrepancy and increased volatility in Billabong's borrowing movements could also add volatility to financial covenants.

Billabong sources and pays for significant quantities of product in US\$ but a proportion of Billabong revenues are not denominated in US\$. This means that increases in input prices may not be able to be recouped by selling price increases.

6.2.6 RELIANCE ON AND ABILITY TO ATTRACT KEY PERSONNEL

The day-to-day operations of Billabong rely on a number of key personnel. Billabong's future success will be influenced by the ability of Billabong to attract and retain suitably qualified personnel in the future.

Whilst Billabong has in place long term service contracts and a long term equity based incentive program, there can be no assurance that Billabong can retain the services of key employees or attract other suitably qualified personnel in the future. Loss of key personnel and/or failure to attract suitably qualified personnel could adversely affect Billabong's financial performance.

6.2.7 COMPETITION

Billabong competes for discretionary income spend. Billabong also competes with other surfwear labels and apparel distributors and retailers. The actions of competitors (for example, by lowering their sales prices or creating new product lines that are more attractive in the marketplace or by agreeing to pay more for production, other services or talent and employment costs) may adversely affect Billabong's performance.

6.2.8 SEASONAL FACTORS

Part of Billabong's business is seasonal in nature and prolonged unseasonal weather conditions in a particular region may adversely affect sales in that region.

6.2.9 CHANGES IN TAXATION, TARIFFS AND FREE TRADE AGREEMENTS

Any changes to the current system of taxation (as it relates to Shareholders, including individuals, companies, partnerships and trusts) in jurisdictions where Billabong operates will impact the Company's profits and therefore

have an impact on Shareholder returns. Any change to the current rates of goods and services tax, sales tax and income tax applying to Shareholders (including individuals, companies, partnerships and trusts) may also impact on Shareholder returns. In addition, any change in tax policy or its interpretation in a jurisdiction in which Billabong operates or any change in tax arrangements between Australia and other jurisdictions, could have an adverse impact on profit margins and the level of franking credits available to frank any future dividends.

Changes in tariffs, free trade agreements, legislation or government policy in the jurisdictions in which Billabong operates could also prevent or impact upon the Company's ability to trade in a particular jurisdiction.

6.2.10 PRODUCT SOURCING AND DELIVERY

Billabong's products are sourced from independent contractors, and a significant proportion are sourced from China. A material change or disruption in Billabong's product sourcing and/or delivery arrangements could have an adverse impact on Billabong. For example:

- any change in existing relationships could have an adverse impact on the ability of Billabong to source, receive and distribute appropriate product at reasonable cost;
- having product sourcing concentrated in any one particular country brings about increased risks of disruption of product sourcing and/or delivery in the event of a natural disaster, political unrest, legislative changes or strike in that country;
- any change in quota arrangements may impact the sourcing of Billabong's products, thereby impacting the profitability of the Company;
- any change in the terms or conditions of overseas suppliers or logistics providers or in the political or economic environment in which they operate could adversely impact overseas supplies; and
- inflation risk (including for product materials and labour), particularly in China, puts pressure on the costs of goods.

6.2.11 ON-LINE RETAILING

The ability to purchase products via the internet is increasing retail competition by opening up that market to participants who provide on-line platforms for purchasing products (whether instead of, or in addition to, traditional retail outlets). On-line retailing has resulted in consumers being able to undertake greater global price comparisons and to

make purchases outside their local geographic boundaries and has placed pressure on wholesalers to move to global pricing and traditional bricks and mortar retailers to compete on price and other value added inducements despite their potentially higher overhead costs. Continued migration of consumers to on-line retail purchases may adversely impact the performance of Billabong's bricks and mortar retail outlets and wholesale customers and the historically higher margin regions.

6.2.12 DEBT COVENANTS

Billabong's debt facilities are subject to covenants including a single financial covenant (in respect of leverage). In the course of operating a prudent financing strategy, particularly in current market conditions, Billabong can employ a range of strategies in order to meet its debt covenants. If there were a significant further decline in revenue or earnings, this could cause Billabong to not comply with these debt covenants. A failure to comply with any of these debt covenants may require Billabong to seek amendments, waivers of covenant compliance or alternative borrowing arrangements. There is no assurance that its lenders would consent to such an amendment or waiver in the event of non compliance, or that such consent would not be conditioned upon the receipt of a cash payment, revised payout terms, increased interest rates, or restrictions in the expansion of debt facilities in the foreseeable future, or that its lenders would not exercise rights that would be available to them, including among other things, demanding immediate payment of outstanding borrowings. If such a demand was made and appropriate forbearance or refinance arrangements could not be reached, Billabong would not have sufficient available funds to meet that demand. At the date of this Prospectus, the Board does not have any reason to believe Billabong will not be able to pay its debts as and when they fall due.

6.2.13 C/O CONSORTIUM'S INVOLVEMENT IN BILLABONG

As described in Section 4.3, in September 2013 Billabong announced it had entered into long term financing arrangements with the C/O Consortium to recapitalise the Company. As a result of the Placement and assuming a full take-up of Entitlements under the Entitlement Offer, the Entitlement Offer will result in the C/O Consortium owning approximately 33.7% of Shares on a fully diluted basis and could result in the C/O Consortium holding 35.2%¹ of Shareholder voting power assuming all of the C/O Options are exercised. If there is no take up of Entitlements under the Entitlement Offer then the C/O Consortium

will own approximately 40.6% of Shares on a fully diluted basis and could result in the C/O Consortium holding 42.7%¹ of Shareholder voting power. While as equity holders Centerbridge and Oaktree are likely to be focused on maximising equity value (and therefore their incentives should be broadly aligned to those of other Shareholders), there is a risk that as a debt holder the C/O Consortium's interests may not always align with those of other Shareholders. If so, the C/O Consortium's significant holding of Shares will mean it will be in a position to influence decisions of the Company, including, as a consequence of voting power, the ability to influence the outcome of Shareholder resolutions.

In addition, the C/O Consortium is entitled to nominate two Directors to the Board. Those nominees have a duty to act in good faith in the best interests of Billabong for a proper purpose, and in doing so need to have regard to the interests of all Shareholders. They also have a duty to avoid conflicts of interest. However, the nominee Directors will still be in a position to influence strategy and operating decisions of the Board.

6.2.14 NO DIVIDENDS

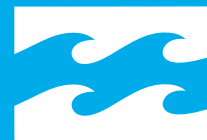
Billabong is going through a period of change. The Company has not paid dividends since 2012 and does not make any representation as to when dividend payments might be resumed. Consistent with agreements of this type, there are also restrictions under the Company's facility agreements which prevent the payment of dividends in certain circumstances. Should the Board believe a dividend payment is appropriate then it would be expected that the financial position of the Company at that time would mean that the restrictions in those agreements would not apply such that there would be no requirement to obtain financier consent before declaring a dividend.

6.2.15 REGULATION AND LITIGATION

There is a risk that regulation is introduced that restricts interactions with consumers, trading hours, sales tactics, and marketing campaign efforts. Such changes could impact the normal operations of Billabong and reduce Billabong's ability to generate revenue which may have an adverse effect on Billabong's future financial performance or position.

Billabong may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Billabong's reputation, divert its financial and management resources from more beneficial uses, or

¹ The maximum Shareholder voting power assumes that no options, other than the C/O Options, are exercised.



have a material adverse effect on Billabong's future financial performance or position.

Billabong is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes. While this is not currently a material issue, there is the potential for one or more claims that are cumulatively material, with the result that costs are increased or the brand is damaged.

6.2.16 WORKPLACE HEALTH AND SAFETY

Billabong's employees are at risk of workplace accidents and incidents. In the event that a Billabong employee is injured in the course of their employment, Billabong may be liable for penalties or damages. This risk has the potential to harm both the reputation and future financial performance of Billabong.

6.2.17 RELATIONSHIP WITH LANDLORDS

Billabong operates 432 bricks and mortar stores. Billabong leases its stores from a number of landlords. The leases typically contain a range of restrictions on Billabong's activities at the relevant premises (such as restrictions on effecting structural changes or sub-leasing or licensing more than a limited amount of space to concession operators without landlord consent), which may restrict Billabong's operating flexibility. The leases have a range of terms and option periods, although they are generally leases which Billabong cannot readily terminate.

Any default under a lease by Billabong, or failure to renew existing leases on acceptable terms or an inability to negotiate alternative arrangements, could materially adversely affect Billabong's ability to operate stores in preferred locations, which may have an adverse effect on Billabong's future financial performance. In addition, there is a risk that Billabong may become subject to lease terms which are less favourable due to unanticipated changes in the property market or if one or more stores do not achieve the financial performance anticipated at the time of entering into the relevant leases.

6.2.18 ASSET IMPAIRMENT

There is a risk that the current carrying value of Billabong's assets, in particular the Company's inventories and intangible assets, are required to be written down or become impaired, in accordance with the relevant accounting standards, if the carrying values do not reflect current valuations of those assets. While no material write-downs or impairment are currently anticipated, should

such a charge be required in the future, this may negatively impact Billabong's reported financial performance and position.

6.2.19 PROCEEDS FROM THE REFINANCING MAY NOT PROVIDE SUFFICIENT FUNDING TO EXECUTE THE COMPANY'S TURNAROUND STRATEGY

Billabong's business strategy is reliant upon access to debt funding over an extended period of time and at an acceptable cost of debt. The Company's existing facility agreements restrict its ability to incur further debt except in certain circumstances. Should the Company experience a protracted decline in earnings, there is a possibility that the quantum of debt funding available to the Company would not be sufficient to execute its turnaround strategy which could have a negative impact on the future financial performance or position of Billabong.

6.2.20 CHANGING DISTRIBUTION PATTERNS

In some jurisdictions in which it operates, Billabong is moving away from Company-owned operations to a distributor model. As in any contractual relationship, the exercise of Billabong's rights under its distribution agreements is dependent upon the Company's ability to comply with its obligations, and the relevant distributor complying with its contractual obligations. If a major distributor terminates an agreement or fails to fulfil its obligations under an agreement, Billabong may choose to or may be forced to lose the benefit of the agreement and may not be able to obtain similarly favourable terms upon entry into replacement agreements (if at all). Additionally, the emerging e-commerce distribution channel puts further pressure on sales through bricks and mortar stores.

6.2.21 OUTCOME OF TAX AUDITS

The Company has recorded tax provisions on the balance sheet in accordance with Australian Accounting Standards. The Company is under tax audit or review in a number of jurisdictions. Where it has become probable that a tax liability will arise from an audit or review a provision is recorded on the balance sheet. The tax authorities may take a different position to the Company on tax matters which may result in higher amount of tax to be paid than is recorded on the balance sheet.

6.3 RISKS ASSOCIATED WITH THE ENTITLEMENT OFFER

6.3.1 RENOUNCING ENTITLEMENTS UNDER THE RETAIL ENTITLEMENT OFFER

Prices obtainable for Entitlements may rise and fall over

the Retail Entitlement Offer trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of Existing Shares relative to the Offer Price. If you sell your Entitlements in the Retail Entitlement Offer trading period, you may receive a higher or lower amount than a Shareholder who sells their Entitlements at a different time in the Retail Entitlement Offer trading period or through the Retail Shortfall Bookbuild.

There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

If you sell or transfer all or part of your Entitlement or allow all or part of your Entitlement to be sold into the Retail Shortfall Bookbuild, you will forgo any exposure to future increases or decreases in the value of New Shares that would have been allotted to you had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise) and your percentage shareholding in Billabong (held at the Record Date) will be diluted to the extent of your non-participation in the Retail Entitlement Offer. Ineligible Retail Shareholders' percentage ownership in Billabong (held at the Record Date) will also be diluted as a result of the Entitlement Offer.

The final impact of the Entitlement Offer on a Shareholder's percentage holding in Billabong is dependent on a number of factors, including the individual Shareholder's level of take-up and the level of take-up by other Eligible Shareholders under the Entitlement Offer. If you are an Eligible Retail Shareholder you may receive value for your Entitlement through the Retail Shortfall Bookbuild; however, this cannot be assured and no value will be received if there is no Retail Premium.

The tax consequences from selling Entitlements or from doing nothing (and allowing your Entitlements to be sold through the Retail Shortfall Bookbuild) may be different. Before selling Entitlements or choosing to do nothing in respect of Entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in Section 9.

6.3.2 INABILITY TO COMPLETE THE ENTITLEMENT OFFER

The Entitlement Offer is subject to a range of conditions and termination events as outlined in the Offer Management Agreement and summarised in Section 10.4. In the event the Offer Management Agreement is terminated, there is

no guarantee that the Entitlement Offer will continue in its current form or continue at all.

6.3.3 TAX TREATMENT OF RETAIL PREMIUM (IF ANY)

As outlined in Section 9, there is some uncertainty regarding the tax treatment of the Retail Premium (if any) received in respect of renounced Entitlements.

6.3.4 IMPACT OF SHARE REGISTER ON CARRY FORWARD LOSSES

The Company has tax losses in various jurisdictions which are not recorded on the balance sheet. The ability to use these tax losses to reduce the Company's tax payable in the future will depend on the tax laws in the relevant jurisdiction. Several jurisdictions have tax laws that either limit or deny the future use of tax losses if the Company has a change in its ownership. The changes in the share register as a result of the Entitlement Offer may contribute to a change in ownership of the Company and hence may impact the ability to use the tax losses in the future.

6.4 GENERAL RISKS

6.4.1 GENERAL ECONOMIC CONDITIONS

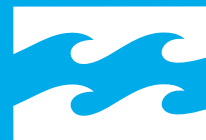
Billabong's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, exchange rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected to have an adverse impact on Billabong's business, results of operations or financial condition and performance.

6.4.2 CHANGES IN TAX RULES OR THEIR INTERPRETATION

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Billabong.

6.4.3 ACCOUNTING STANDARDS

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of Billabong and its Directors. Any changes to



the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of Billabong.

6.4.4 INTEREST RATE FLUCTUATIONS

Changes in interest rates will affect borrowings which bear interest at floating rates. Any increase in interest rates will affect Billabong's costs of servicing these borrowings which may adversely affect its financial position.

6.4.5 ABILITY TO REFINANCE DEBT OR ACCESS DEBT MARKETS ON ATTRACTIVE TERMS

Billabong is subject to the risk that it may not be able to refinance its existing or future debt facilities when they fall due or that the terms available to Billabong on refinancing will not be as favourable as the terms of its existing or future debt facilities.

Whilst Billabong's term debt is at a fixed interest rate until maturity in September 2019, any increase in interest rates will affect Billabong's costs of servicing other bilateral and trade facilities (including the Asset-Based Revolver facility described in Section 5.7). It may also impact on the cost of future term debt once the current facility expires.

6.4.6 FORCE MAJEURE EVENTS

Events may occur within or outside Billabong's key markets that could impact upon the global economies and the operations of Billabong. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Billabong's product offering and services and its ability to conduct business.

6.5 OTHER RISKS

The above risks are not an exhaustive list of the risks. The risks outlined above and other risks may materially affect the future performance of Billabong. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by Billabong.

SECTION 7

Interests and benefits

7.1 INTERESTS AND BENEFITS

7.1.1 DIRECTORS' INTERESTS

Other than as set out in this Prospectus:

- no Director or proposed Director holds at the date of this Prospectus, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of Billabong;
 - property acquired or proposed to be acquired by Billabong in connection with its formation or promotion or the Entitlement Offer; or
 - the Entitlement Offer; and
- no one has paid or agreed to pay any amount, or given or agreed to give any benefit, whether in cash or shares or otherwise, to any Director or proposed Director, either:
 - to induce them to become, or qualify them as, a Director; or
 - in connection with services provided by them,

in connection with the formation or promotion of Billabong or in connection with the Entitlement Offer.

(a) Holdings of Shares

As at the date of this Prospectus, relevant interests held by Directors in Shares are set out in the table below:

Director	Number of Shares
Ian Pollard	7,329
Neil Fiske	1,785,714
Gordon Merchant AM	70,605,521
Howard Mowlem	100,000
Jason Mazingo	Nil
Sally Pitkin	70,000
Matthew Wilson	Nil

As at the date of this Prospectus, the Directors do not hold any options to apply for Shares.

(b) Remuneration

The Constitution contains several provisions as to remuneration of executive and non-executive Directors. As remuneration for services, each non-executive Director is to be paid an amount determined by the Board, subject to a maximum aggregate amount determined in general meeting. That aggregate maximum has been set at A\$1,500,000 per annum.

Any Director who performs services outside the ordinary duties of a Director (such as serving on committees or devoting special attention to the business of Billabong) may be paid extra remuneration as determined by the Board.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of Billabong, of the Board or of any committees, or while engaged on the business of Billabong.

(c) Indemnity and insurance

In accordance with the Constitution, Billabong has entered into a Director's Deed with each Director. Each Director's Deed provides:

- an ongoing indemnity to the relevant Director against any liability incurred by the Director in or arising out of either the conduct of the business of Billabong or in or arising out of the discharge of the duties of that Director, to the extent permitted by law;
- that Billabong will maintain normal insurance policies for the benefit of that Director against liability arising as a result of them acting in their official capacity, with that Director being afforded the protection of such policies for the term of their appointment and for seven years following their retirement; and
- that Director with a right of access to Board papers relating to their period as a Director and for a period of seven years following their retirement as a Director, subject to confidentiality obligations.

(d) Intentions of Directors

Each Director will be entitled to participate in the Entitlement Offer to the extent that the Director holds Existing Shares at the Record Date. Each Director intends to participate in the Entitlement Offer to the extent of subscribing for their Entitlement.

(e) Intentions of the C/O Consortium

The C/O Consortium, including its associates, will not participate in the Entitlement Offer. For more information regarding the intentions of the C/O Consortium, see Section 4.3.5.

7.1.2 INTERESTS OF EXPERTS AND ADVISERS

Goldman Sachs is acting as Offer Manager for the



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Entitlement Offer. The Offer Manager is entitled to receive the fees and commissions described in the summary of the Offer Management Agreement in Section 10.4.

PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Report in Section 8. Billabong has agreed to pay A\$102,000 (excluding GST) for such services to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its usual time-based charges.

Allens has acted as Australian legal adviser to Billabong in connection with the Entitlement Offer and has performed work in relation to the Australian due diligence enquiries on legal matters. Billabong has agreed to pay approximately A\$175,000 (excluding GST and disbursements) for legal services in connection with the Entitlement Offer to the date of this Prospectus. Further amounts may be paid to Allens in accordance with its usual time-based charges.

Other than as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (each, a relevant person) holds at the date of this Prospectus, or has held in the two years prior to the date of this Prospectus, any interest in:

- the formation or promotion of Billabong; or
- the Entitlement Offer; or
- any property acquired or proposed to be acquired by Billabong in connection with its formation or promotion of the Entitlement Offer.

Other than as set out in this Prospectus, no one has paid or agreed to pay any amount, or given or agreed to give any benefit, to such relevant persons for services provided in connection with the formation or promotion of Billabong or the Entitlement Offer.

SECTION 8

Investigating Accountant's Report



The Directors
Billabong International Limited
1 Billabong Place,
BURLEIGH HEADS
QLD 4220

[26] February 2014

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Billabong International Limited historical financial information and Financial Services Guide

We have been engaged by Billabong International Limited (the Company) to report on the historical financial information of the Company for the half-year ended 31 December 2013 for inclusion in the Prospectus dated on or about [26] February 2014 and relating to the pro rata accelerated renounceable entitlement offer.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Company (the responsible party) included in the Prospectus:

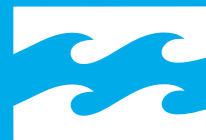
Historical Financial Information

- the historical consolidated income statement for the 6 months ended 31 December 2013;
- the historical consolidated operating cash flow statement for the 6 months ended 31 December 2013; and
- the historical consolidated balance sheet as at 31 December 2013.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of the Company for the half-year ended 31 December 2013, which was reviewed by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued an unmodified review opinion on the financial report. The

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572

Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au



Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

- the pro forma historical consolidated income statement for the 6 months ended 31 December 2013;
- the pro forma historical consolidated operating cash flow statement for the 6 months ended 31 December 2013; and
- the pro forma historical consolidated balance sheet as at 31 December 2013.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in sections 5.3, 5.4 and 5.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in section 5.2 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective income statement, operating cash flows or balance sheet.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro Forma Historical Financial Information based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.



Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company, as described in sections 5.3, 5.4 and 5.5 of the Prospectus, and comprising:

- the historical consolidated income statement for the 6 months ended 31 December 2013;
- the historical consolidated operating cash flow statement for the 6 months ended 31 December 2013; and
- the historical consolidated balance sheet as at 31 December 2013

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in sections 5.3, 5.4 and 5.5 of the Prospectus, and comprising:

- the pro forma historical consolidated income statement for the 6 months ended 31 December 2013;
- the pro forma historical consolidated operating cash flow statement for the 6 months ended 31 December 2013; and
- the pro forma historical consolidated balance sheet as at 31 December 2013

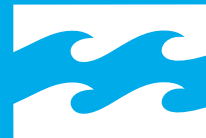
are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 5.2 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information.

Restriction on Use

Without modifying our conclusions, we draw attention to section 5.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.



Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

[DRAFT]

Paul Lindstrom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated [26 February 2014]

1. *About us*

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (PwC Securities) has been engaged by Billabong International Limited (the Company) to provide a report in the form of an Investigating Accountant's Report in relation to the pro rata accelerated renounceable entitlement offer (the Report) for inclusion in the Prospectus dated on or about [26 February 2014].

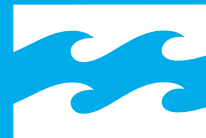
You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. *This Financial Services Guide*

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. *Financial services we are licensed to provide*

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.



4. ***General financial product advice***

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. ***Fees, commissions and other benefits we may receive***

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, an estimation of our fees is approximately \$102,000 (exclusive of GST and out of pocket expenses) as at [21 February 2014].

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. ***Associations with issuers of financial products***

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is acting as auditor of Billabong International Limited for the year ending 30 June 2014.

7. ***Complaints***

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.



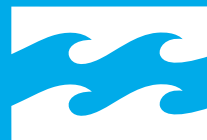
8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Paul Lindstrom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001

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SECTION 9

Australian Taxation Implications

This Section 9 is a general summary of the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for Shareholders that hold their Existing Shares on capital account. Australian tax law is applied differently to residents of Australia for Australian tax purposes (**Australian Residents**) and to entities that are not Australian Residents (**Foreign Residents**). This summary does not apply to:

- Eligible Retail Shareholders that hold their Existing Shares as trading stock or revenue assets or will hold their Entitlements or New Shares as trading stock or revenue assets;
- Shareholders that acquired the Existing Shares in respect of which the Entitlements are issued under an employee share scheme;
- Persons or entities that acquired Entitlements otherwise than because they are a Shareholder (i.e. where their Entitlements were acquired by them on ASX);
- Shareholders that are Foreign Residents and hold their Existing Shares, or will hold their New Shares, as part of a business carried on by them through a permanent establishment in Australia; or
- Shareholders that acquired, or are taken to have acquired, their Existing Shares prior to 20 September 1985.

This summary is necessarily general in nature and is based on Australian income tax legislation and administrative practice in force as at the date of this Prospectus. It does not take into account any financial objectives, tax positions, or investment needs of any Shareholders. As the taxation implications of the Retail Entitlement Offer will vary depending upon a Shareholder's particular circumstances, Shareholders should seek and rely upon their own professional tax advice before concluding on the particular taxation treatment that will apply to them.

Shareholders that are subject to tax in a jurisdiction outside Australia may be subject to tax consequences in that jurisdiction in respect of the Retail Entitlement Offer that are not covered by this summary. Such Shareholders should seek and rely upon their own professional tax advice in relation to the taxation implications of the Retail Entitlement Offer in any jurisdictions that are relevant to them.

Neither Billabong nor any of its officers or employees, nor its taxation or other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences of the Retail Entitlement Offer.

9.1 TAXATION CONSEQUENCES FOR AUSTRALIAN RESIDENTS

9.1.1 ISSUE OF ENTITLEMENTS

The issue of the Entitlements should not, of itself, give rise to

any tax liabilities for Shareholders.

9.1.2 SALE OF ENTITLEMENTS

Eligible Retail Shareholders that sell their Entitlements on ASX or via direct transfer should derive a capital gain for capital gains tax (**CGT**) purposes equal to the sale proceeds less the non-deductible costs of disposal.

Individuals, complying superannuation entities or trustees that have held their Existing Shares for at least 12 months prior to the date of sale should be entitled to discount the amount of a capital gain resulting from the sale of the Entitlements (after the application of any current year or carry forward capital losses). The amount of this discount is 50% for individuals and trustees and 33 1/3% for complying superannuation entities. This is referred to as the "CGT discount". The CGT discount is not available for companies that are not trustees. Trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries because of discount capital gains.

9.1.3 ACCEPTING THE RETAIL ENTITLEMENT OFFER

No income tax or CGT liability will arise to Eligible Retail Shareholders that exercise (i.e. take up) their Entitlements by accepting the Retail Entitlement Offer.

Eligible Retail Shareholders that exercise their Entitlements will receive New Shares. The cost base of the New Shares for CGT purposes will equal the amount paid to acquire those New Shares (i.e. the Offer Price) plus certain non-deductible incidental costs incurred to acquire (or dispose of) them.

9.1.4 DISTRIBUTIONS ON NEW SHARES

Any future dividends or other distributions made in respect of New Shares will be subject to the same income taxation treatment as dividends or other distributions made on Existing Shares held in the same circumstances.

9.1.5 DISPOSAL OF NEW SHARES

An Eligible Retail Shareholder that disposes of a New Share will make a capital gain if the capital proceeds on disposal exceed the cost base of the New Share or, alternatively, will make a capital loss if those capital proceeds are less than the reduced cost base of the New Share. The cost base of New Shares is described above in Section 9.1.3.

Individuals, complying superannuation entities or trustees that have held their New Shares for at least 12 months prior to the date of disposal should be entitled to claim the CGT discount in respect of a capital gain resulting from the sale



of the New Shares (after the application of any current year or carry forward capital losses). Trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries because of discount capital gains.

For the purpose of determining whether New Shares have been held for at least 12 months Eligible Retail Shareholders will be taken to have acquired them on the day on which they accepted the Entitlement Offer.

Eligible Retail Shareholders that make a capital loss from the disposal of New Shares can only use that loss to offset other capital gains from other sources (i.e. the capital loss cannot be used against taxable income on revenue account). However, if the capital loss cannot be used in a particular income year it can be carried forward to use in future income years, providing certain tests are satisfied.

9.1.6 NOT ACCEPTING THE RETAIL ENTITLEMENT OFFER

The Entitlements of Ineligible Retail Shareholders, or of Eligible Retail Shareholders that do not take up or sell all of their Entitlements, will be sold through the Retail Shortfall Bookbuild on 25 March 2014 and any amount obtained above the Offer Price (A\$0.28 per New Share) for those Entitlements will be remitted to relevant Shareholders as a cash payment referred to as the Retail Premium.

The Commissioner of Taxation (the **Commissioner**) has expressed his view in Taxation Ruling TR 2012/1 ("Retail premiums paid to shareholders where share entitlements are not taken up or are not available") that retail premiums are assessable as unfranked dividends or, alternatively, as ordinary income, and not as capital gains. However TR 2012/1 states that it does not apply to share entitlements that are assignable by, tradeable by, or given to a nominee for disposal on behalf of, the shareholders entitled to them.

As previously noted, the Entitlements issued by Billabong are tradeable by Eligible Retail Shareholders on ASX. In addition, Entitlements which are not taken up by Eligible Retail Shareholders will be sold for their benefit via the Retail Shortfall Bookbuild. Having regard to the manner in which the Retail Shortfall Bookbuild is to be conducted, it is considered by the Company's taxation adviser that any Retail Premium received by Eligible Retail Shareholders should be treated as capital proceeds for the Entitlements sold for their benefit via the Retail Shortfall Bookbuild. Accordingly, the following tax treatment should apply:

- Eligible Retail Shareholders whose Entitlements are sold

into the Retail Shortfall Bookbuild should derive a capital gain for CGT purposes equal to the amount of the Retail Premium received (assuming no eligible incidental costs are incurred); and

- Eligible Retail Shareholders who are individuals, complying superannuation entities or trustees that have held their Existing Shares for at least 12 months prior to the date of sale, should be entitled to the CGT discount (see Section 9.1.2 above) in respect of any capital gain resulting from the sale of the Entitlements for their benefit into the Retail Shortfall Bookbuild (after the application of any current year or carry forward capital losses).

However, the Commissioner has not issued any public ruling or other guidance specific to the tax treatment of premiums received in the particular circumstances of the Retail Shortfall Bookbuild. Eligible Retail Shareholders need to be aware that the Commissioner may seek to apply the tax treatment specified in TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild and treat the Retail Premium as assessable either as an unfranked dividend or as ordinary income and not as a capital gain. In such circumstances, the Retail Premium will be subject to tax without the benefit of any tax offsets such as franking credits and you will not be able to apply the CGT discount, nor offset the Retail Premium against any capital losses.

Given the uncertainty surrounding the tax treatment of amounts of Retail Premium paid to Shareholders, Billabong recommends that you seek your own tax advice if you propose to allow your Entitlements to be sold into the Retail Shortfall Bookbuild.

Australian Resident Shareholders that have not previously provided their TFN or ABN (if applicable) to Billabong may wish to do so prior to the Retail Closing Date to ensure that withholding tax is not deducted from any Retail Premium payable to them at the rate of 46.5%. Shareholders are able to provide their TFN or ABN online with the Share Registry at www.investorcentre.com/au. Shareholders providing their details online will be required to enter their Security Reference Number or Holder Identification Number as shown on their Issuer Sponsored/CHESS statements and other details such as their postcode.

9.1.7 TAXATION OF FINANCIAL ARRANGEMENTS

The Taxation of Financial Arrangements (**TOFA**) rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) operate to make assessable or deductible, gains or losses arising from certain 'financial arrangements'. The

SECTION 9 Australian Taxation Implications

CGT discount will not be available in respect of any gain that is subject to the TOFA provisions.

An entitlement or right to receive a share is a 'financial arrangement'. However, depending on the circumstances of the particular Eligible Retail Shareholder, the TOFA rules may not apply. Further, certain taxpayers (including many individuals) may be excluded from the application of the TOFA rules unless they have made a valid election for them to apply.

As the application of the TOFA rules is dependent on the particular facts and circumstances of the Eligible Retail Shareholder, each Eligible Retail Shareholder should obtain their own advice regarding the potential application of the TOFA rules to their particular facts and circumstances.

9.2 TAXATION CONSEQUENCES FOR FOREIGN RESIDENTS

9.2.1 ISSUE OF ENTITLEMENTS

The issue of the Entitlements should not, of itself, give rise to any tax liabilities for Shareholders that are Foreign Residents.

9.2.2 SALE OF ENTITLEMENTS

No Australian income tax or CGT will be payable on any gain realised upon the disposal of Entitlements that are always held by Foreign Residents outside of Australia except if the Entitlements are purchased with the intention of deriving that gain by resale, or the Entitlements are trading stock of the Foreign Resident, or if an ordinary incident of the Foreign Resident's business is the sale of equity securities for a gain and, in any case, the gain from the sale has a source in Australia. Such gain will generally only have a source in Australia if the business is conducted in Australia or if the Entitlements are sold in Australia. Notwithstanding that a gain from a disposal of Entitlements is prima facie assessable in Australia in the foregoing circumstances, if the Foreign Resident is a resident of a country with which Australia has a taxation treaty then, depending on the circumstances of the case and the terms of the relevant treaty, relief from Australian tax may nevertheless be available under the treaty.

9.2.3 ACCEPTING THE RETAIL ENTITLEMENT OFFER

Only Foreign Residents that have a registered address in Australia or New Zealand, and satisfy the other requirements to be an Eligible Retail Shareholder, are able to exercise their Entitlements by accepting the Retail Entitlement Offer.

No income tax or CGT liability will arise to Eligible Retail Shareholders that are Foreign Residents that exercise (i.e. take up) their Entitlements by accepting the Retail Entitlement Offer.

9.2.4 DISPOSAL OF NEW SHARES

No Australian income tax or CGT will be payable on any gain realised upon the disposal of New Shares that are always held by Foreign Residents outside of Australia except if the New Shares are purchased with the intention of deriving that gain by resale, or the New Shares are trading stock of the Foreign Resident, or if an ordinary incident of the Foreign Resident's business is the sale of equity securities for a gain and, in any case, the gain from the sale has a source in Australia. Such gain will generally only have a source in Australia if the business is conducted in Australia, if the New Shares are sold in Australia or the New Shares are physically held in Australia. Notwithstanding that a gain from a disposal of New Shares is prima facie assessable in Australia in the foregoing circumstances, if the Foreign Resident is a resident of a country with which Australia has a taxation treaty then, depending on the circumstances of the case and the terms of the relevant treaty, relief from Australian tax may nevertheless be available under the treaty.

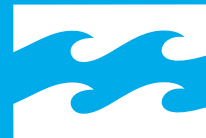
9.2.5 TAXATION CONSEQUENCES OF HOLDING NEW SHARES

Any future dividends or other distributions made in respect of New Shares to Foreign Residents will be subject to the same income taxation treatment (including the possible deduction of Australian dividend withholding tax from payments) as dividends or other distributions made on Existing Shares held in the same circumstances.

9.2.6 NOT ACCEPTING THE RETAIL ENTITLEMENT OFFER

The Entitlements of Ineligible Retail Shareholders, or of Eligible Retail Shareholders that do not take up or sell all of their Entitlements, will be sold through the Retail Shortfall Bookbuild on 25 March 2014 and any amount obtained above the Offer Price (A\$0.28 per New Share) for those Entitlements will be remitted to relevant Shareholders as a cash payment known as the Retail Premium.

The Commissioner of Taxation has expressed his view in Taxation Ruling TR 2012/1 ("Retail premiums paid to shareholders where share entitlements are not taken up or are not available") that retail premiums are assessable as unfranked dividends or, alternatively, as ordinary income, and not as capital gains. However TR 2012/1 states that it does not apply to share entitlements that are assignable by,



tradeable by, or given to a nominee for disposal on behalf of, the shareholders entitled to them.

As previously noted, the Entitlements issued by Billabong are tradeable by Eligible Retail Shareholders on ASX. In addition, Entitlements which are not taken up by Eligible Retail Shareholders and Entitlements of Ineligible Retail Shareholders will be sold for their benefit via the Retail Shortfall Bookbuild. Having regard to the manner in which the Retail Shortfall Bookbuild is to be conducted, it is considered by the Company's taxation adviser that any Retail Premium received by Shareholders should be treated as capital proceeds for the Entitlements sold for their benefit via the Retail Shortfall Bookbuild. In that case, no Australian income tax or CGT will be payable on any gain realised upon the receipt of amounts of Premium in respect of Entitlements that are always held by Foreign Residents outside of Australia except if those Entitlements are trading stock of the Foreign Resident or if an ordinary incident of the Foreign Resident's business is the sale of equity securities for a gain and, in any case, the gain from the receipt of amounts of Retail Premium has a source in Australia. Such gain will generally only have a source in Australia if the business is conducted in Australia or the Entitlements are sold in Australia. Notwithstanding that a gain from a receipt of amounts of Retail Premium is prima facie assessable in Australia in the foregoing circumstances, if the Foreign Resident is a resident of a country with which Australia has a taxation treaty then, depending on the circumstances of the case and the terms of the relevant treaty, relief from Australian tax may nevertheless be available under the treaty.

However, the Commissioner has not issued any public ruling or other guidance specific to the tax treatment of premiums received in the particular circumstances of the Retail Shortfall Bookbuild. Foreign Resident Shareholders need to be aware that the Commissioner may seek to apply the tax treatment specified in TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild and treat the Retail Premium as assessable either as an unfranked dividend or as ordinary income and not as a capital gain. In such circumstances, the Retail Premium will be subject to tax without the benefit of any tax offsets such as franking credits.

Given the uncertainty surrounding the tax treatment of Retail Premiums, Billabong recommends that you seek your own tax advice if you propose to allow your Entitlements to be sold into the Retail Shortfall Bookbuild.

To the extent that the Commissioner advised the Company prior to the payment of the Retail Premium that he regarded the amounts of Retail Premium payable to Shareholders located outside Australia to be dividends, such dividends would be unfranked and Billabong would deduct dividend withholding tax from such payments at the rate of 30% or, if the Shareholder is a resident of a country with which Australia has a taxation treaty, at the rate of 15% (or such lower rate provided for in that treaty).

9.3 OTHER AUSTRALIAN TAXES

No Australian GST or stamp duty will be payable by Shareholders in respect of the issue, sale or exercise of their rights under the Retail Entitlement Offer or the acquisition of New Shares.

SECTION 10

Additional information

This Section 10 sets out a number of matters of which you should be aware that have not been addressed in detail elsewhere in this Prospectus. It gives details of the availability of certain other important documents and a summary of some of these documents that are relevant for your investment decision. In addition, certain other prescribed details in respect of the Entitlement Offer have been set out in this Section 10.

10.1 NATURE OF THIS PROSPECTUS

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. Those rules allow the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the three months prior to the date of the prospectus. The issue of the New Shares complies with those rules.

This Prospectus is a prospectus for continuously quoted securities. The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and information necessary for investors to make an informed assessment of:

- the effect of the Entitlement Offer on Billabong; and
- the rights and liabilities attaching to New Shares.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering of shares.

As an ASX listed company, Billabong has provided ASX with a substantial amount of information regarding its activities and that information is publicly available. This Prospectus is intended to be read in conjunction with that publicly available information. Therefore, Eligible Retail Shareholders who are considering subscribing for New Shares should also have regard to that publicly available information before making any investment decision.

10.2 REPORTING AND DISCLOSURE OBLIGATIONS

Billabong is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making

the information available to the financial market operated by ASX. See Section 10.3 for details on how to obtain these documents.

In particular, Billabong has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning Billabong, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of Billabong's securities. Billabong is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

10.3 AVAILABILITY OF OTHER DOCUMENTS

ASX maintains detailed records of company announcements for all companies listed on ASX. Billabong's announcements may be viewed on the ASX website (www.asx.com.au).

ASIC also maintains records in respect of documents lodged with it by Billabong, and these may be obtained from or inspected at any office of ASIC.

Billabong will provide, or cause to be provided, a copy of each of the following documents, free of charge, to any person on request during the Entitlement Offer Period:

- Billabong's annual financial report for FY2013 and the Appendix 4E lodged with ASX on 27 August 2013 (being the annual financial report most recently lodged);
- Billabong's half-year financial report for FY2014 and the Appendix 4E lodged with ASX on 21 February 2014; and
- any continuous disclosure notices given by Billabong to ASX after the lodgement of Billabong's annual financial report for FY2013 and before the lodgement of this Prospectus with ASIC.

All requests for copies of the above documents should be addressed to

The Company Secretary
Billabong International Limited
1 Billabong Place
Burleigh Heads Queensland 4220

or can be made by phoning the Billabong Entitlement Offer Information Line on 1300 640 142 (local call cost within Australia) or +61 3 9415 4686 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday during



the Entitlement Offer Period. The above information may also be obtained from ASX's website (www.asx.com.au).

There may be additional announcements made by Billabong after the date of this Prospectus and throughout the Entitlement Offer Period that may be relevant to your consideration of whether to take up, sell or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by Billabong by visiting the ASX website before submitting your Application, or selling or transferring your Entitlement.

10.4 OFFER MANAGEMENT AGREEMENT

Billabong and the Offer Manager have entered into an agreement dated 21 February 2014 which relates to the management of the Entitlement Offer and the Shortfall Bookbuilds (the **Offer Management Agreement**). Under the Offer Management Agreement the Offer Manager has agreed to manage the Shortfall Bookbuilds and act as administration agent in connection with the US Private Placement, on the terms and conditions of the Offer Management Agreement.

The following is a summary of the principal provisions of the Offer Management Agreement.

(a) Fees, Costs and Expenses

The Offer Manager will receive the following fees under the Offer management Agreement:

- (i) On the date of settlement of the Institutional Entitlement Offer – A\$1,000,000.
- (ii) On the date of settlement of the Retail Entitlement Offer, the amount calculated in accordance with the following formula, which in any event shall not exceed A\$500,000:

(The total amount raised by the Company
in connection with the Entitlement Offer /
A\$50,000,000 x A\$500,000)

(b) Billabong's Representations, Warranties and Undertakings

Customary and usual representations and warranties are given by the Company in relation to matters such as power and authority to enter into the Offer Management Agreement and compliance with applicable laws and ASX requirements in relation to the Entitlement Offer.

The Company provides a number of further representations and warranties to the Offer Manager, including in respect of misleading or deceptive conduct

(including misleading or deceptive statements in or omissions from the documents issued by the Company in respect of the Entitlement Offer), adverse change to the Company since 31 December 2013 (unless disclosed), insolvency of the Company and each of its material subsidiaries, any material litigation or judgment, engagement in corrupt practices or offers to sell and sale of New Shares in the United States by the Company using any form of general solicitation or general advertisement or in any manner involving a public offering in the United States.

The Company also undertakes to the Offer Manager, amongst other things, that it and its material subsidiaries will not, during the Entitlement Offer Period, breach any law, enter into any material agreement or commitment or dispose of any material business or assets without the consent of the Offer Manager or become insolvent.

(c) Termination Events

The Offer Manager has customary and usual termination rights in relation to events such as misleading or deceptive conduct (including misleading or deceptive statements in or omissions from the documents issued by the Company in respect of the Entitlement Offer and any announcements by the Company by or after 19 September 2013), certain ASIC actions, withdrawal of consents of persons required for the documents issued by the Company in respect of the Entitlement Offer or withdrawal or changes to ASX waivers required for the Entitlement Offer.

The Offer Manager also has certain additional termination rights, including where an event specified in the timetable for the Entitlement Offer is delayed without the Offer Manager's prior written consent, the disqualification or misconduct of directors or chief financial officer of the Company, the insolvency of the Company or any of its material subsidiaries, the alteration of the Company's share capital or the constitution without the Offer Manager's prior written consent, an adverse change or disruption to political or economic conditions or financial markets or the commencement or major escalation of hostilities or a previously undisclosed change in the board of directors, the chief executive officer or the chief financial officer of the Company.

(d) Indemnity

The Company agrees to indemnify the Offer Manager

and its representatives against all losses directly or indirectly suffered by arising out of or in connection with the Entitlement Offer or the appointment of the Offer Manager under the Offer Management Agreement, including:

- (i) The issue of the documents by the Company in respect of the Entitlement Offer or the making, conduct or settlement of the Entitlement Offer.
- (ii) The Company failing to perform or observe any of its obligations or undertakings under the Offer Management Agreement.
- (iii) Any representation or warranty the Company makes or gives under the Offer Management Agreement proving to have been untrue or incorrect.
- (iv) Any review, inquiry or investigation undertaken by ASIC, ASX, the Australian Taxation Office, any state or territory regulatory office or any other regulatory or government agency in relation to the Entitlement Offer or the documents issued by the Company in respect of the Entitlement Offer.
- (v) Any publication made or distributed by or on behalf of the Offer Manager or its representatives in relation to the Entitlement Offer with the prior approval of the Company or its legal advisers.
- (vi) Any claim that the Offer Manager or its representatives have any liability under any applicable law in relation to the Entitlement Offer.
- (vii) The allotment and issue of the New Shares under the Entitlement Offer.

10.5 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

New Shares issued under the Entitlement Offer will be fully paid and will rank equally with existing Shares in all respects. This Section 10.5 contains a summary of the rights and liabilities attaching to Shares (and therefore New Shares) as at the date of this Prospectus. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from the interaction of Billabong's Constitution and statutory, common law and Listing Rules requirements. To obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, investors should seek their own advice.

10.5.1 VOTING RIGHTS

At a general meeting, subject to the Constitution and any rights or restrictions attached to a class of Shares, on a show of hands each Shareholder present in person or by duly

appointed representative, proxy or attorney has one vote.

On a poll, each Shareholder present in person or by duly appointed representative, proxy or attorney has:

- one vote for each fully paid Share held; and
- for each partly paid Share held, a vote in respect of the Share which carries the same proportionate value as the proportion of the amount paid up (excluding amounts credited) on the Share bears to the total issue price of the Share.

10.5.2 DIVIDENDS

Subject to the rights of, or any restrictions attached to a class of Shares, the person entitled to the dividend on a Share is entitled to:

- the entire dividend if the Share is fully paid; or
- a proportion of that dividend equal to the proportion which the amount paid (excluding amounts credited) on that Share is the total amounts paid or payable (excluding amounts credited) on that Share, if the Share is partly paid.

10.5.3 VARIATION OR CANCELLATION OF CLASS RIGHTS

The rights attached to any class of Shares, unless otherwise provided for by the terms of issue of those Shares, may only be varied or cancelled with:

- (a) a special resolution of Billabong; and
- (b) the consent in writing of the holders of three quarters of the issued Shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the Shares in that class.

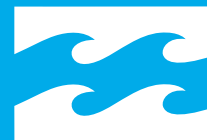
10.5.4 TRANSFER OF SHARES

Shares, when listed on ASX, are transferable by:

- a written transfer in the usual or common form or in any form the Board may prescribe or in a particular case accept, duly stamped (if necessary) and executed by or on behalf of the transferor and (if required by Billabong) by the transferee, being delivered to Billabong with any ancillary documents;
- a proper transfer, which is to be in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules; or
- any other method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.

The Board may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of Shares in the following circumstances:

- if the registration would infringe any applicable laws or the Listing Rules;
- the transfer is not in registrable form;



- the registration of the transfer will create a new holding of Shares which at the time the transfer is lodged is less than a marketable parcel;
- the transfer does not comply with the terms of an employee incentive scheme;
- if the transfer concerns Shares over which Billabong has a lien; or
- Billabong is otherwise permitted or required to do so pursuant to the terms of issue of the Shares.

10.5.5 ISSUE OF FURTHER SHARES

The Board may grant options on the Shares, issue or otherwise dispose of the Shares on the terms and conditions, at the time and for the consideration that the Board considers fit.

10.5.6 GENERAL MEETINGS AND NOTICES

Each Shareholder is entitled to receive notice of general meetings of Billabong and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Constitution and the Corporations Act. Billabong may serve a notice on a Shareholder by giving the notice to the Shareholder in person, sending it by post to the Shareholder's registered address, sending it to the fax number or electronic address (if any) nominated by the Shareholder, notifying the Shareholder of the notice's availability by an electronic means nominated by the Shareholder for that purpose or any other means permitted by the Corporations Act.

10.5.7 WINDING UP

Subject to any rights or restrictions attached to a class of Shares, on a winding up of Billabong, any surplus must be divided among the Shareholders in the proportions which the amount paid (including the amounts credited) on the Shares of a Shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all Shareholders. The liquidator may, with the sanction of a special resolution of Shareholders, distribute the whole or any part of Billabong's property among Shareholders and decide how to distribute the property as between Shareholders or different classes of Shareholders. In a winding up a Shareholder does not need to accept any property, including Shares or other securities, which carries a liability.

10.6 LITIGATION AND REGULATORY ISSUES

The Directors are not aware of any current litigation, pending or threatened litigation or other legal proceedings, which may have a material and adverse effect on Billabong.

10.7 CONSENTS

Each of the parties referred to as "consenting parties" who are named below:

- (a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus in the form and context in which it is named;
- (b) has not made, or purported to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in paragraph (a) above and paragraph (e) below;
- (c) has not authorised or caused the issue of this Prospectus, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus;
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified in paragraph (e) below; and
- (e) additionally in the case of:
 - (i) PricewaterhouseCoopers Securities Ltd, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of the Investigating Accountant's Report in Section 8;
 - (ii) PricewaterhouseCoopers, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to being named as Billabong's auditor in the form and context in which it is named; and
 - (iii) each of Centerbridge and Oaktree, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of reference to the statements in Section 4.3.5.

Role	Consenting Party
Offer Manager	Goldman Sachs Australia Pty Ltd
Australian legal adviser	Allens
Investigating accountant	PricewaterhouseCoopers Securities Ltd
Auditor	PricewaterhouseCoopers
Share Registry	Computershare Investor Services Pty Limited
Substantial Shareholder	Centerbridge
Substantial Shareholder	Oaktree

10.8 COSTS OF THE ENTITLEMENT OFFER

The total estimated expenses of the Entitlement Offer, in aggregate, will be approximately A\$2.3 million (inclusive of GST).

10.9 PRIVACY

As a Shareholder, Billabong and the Share Registry have already collected certain personal information from you. If you apply for Entitlements or New Shares, Billabong and the Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the Entitlement or New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, Billabong and the Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your Application, the Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation of the distribution of Shareholder information and for handing of mail, or as otherwise provided under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information we may not be able to process your Application. In most cases you can gain access to your personal information held by (or on behalf of) Billabong or the Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning or writing to Billabong through the Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001

Telephone Australia: 1300 850 505
Telephone International: +61 3 9415 4000
Facsimile: +61 3 9473 2500

Email: web.queries@computershare.com.au

Please contact the Share Registry if you do not consent to Billabong or the Share Registry using or disclosing your personal information. If you do not contact the Share Registry, by investing in Billabong, you will be taken to have consented to these uses and disclosures.

You can obtain a copy of Billabong's privacy policy electronically at www.billabongbiz.com.

10.10 ASX WAIVERS

In connection with the Entitlement Offer, ASX has agreed to grant Billabong waivers from Listing Rules 3.20, 7.1, 7.40 and 10.11 to the extent necessary to permit:

- the Entitlement Offer to proceed on the timetable described in this Prospectus;
- Billabong to make the Entitlement Offer in the manner described in this Prospectus;
- related parties of Billabong to participate in the Entitlement Offer up to the extent of their Entitlements on the same terms as other Shareholders without the requirement to obtain Shareholder approval.

10.11 ASIC RELIEF

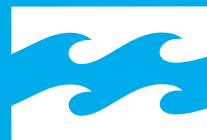
Billabong is not relying upon any ASIC modifications of, or exemptions from, the operation of the provisions in Chapter 6 or 6D of the Corporations Act in relation to the Entitlement Offer.

10.12 GOVERNING LAW

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Queensland, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Queensland, Australia.

10.13 CONSENT TO LODGEMENT

Each of the Directors has consented to the lodgement of this Prospectus.



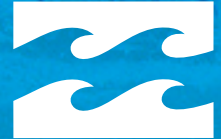
SECTION 11

Glossary

Definitions

The following definitions have been used throughout this Prospectus unless stated otherwise:

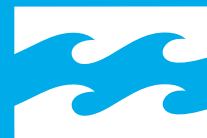
A\$	Australian dollars.
ABN	Australian Business Number.
Administration Agent	The Offer Manager and/or its US broker dealer affiliate acting solely in their capacity as administration agent in connection with the US Private Placement.
Allotment Date	31 March 2014 (or as varied).
Altamont Consortium	A consortium comprising Altamont Capital Management, LLC, ACP Burleigh Holdings, LLC and entities sub-advised by GSO Capital Partners. The entities sub-advised are FS Investment Corporation and FS Investment Corporation II.
Applicants	Persons who submit valid Applications pursuant to this Prospectus.
Application	An application to subscribe for New Shares pursuant to the Retail Entitlement Offer.
Application Monies	Monies received from Applicants in respect of their Applications.
Approved US Shareholder	Those Shareholders as at the opening of the Retail Entitlement Offer and the Record Date, that are located in the United States and that Billabong and the Administration Agent have determined to be either: • QIBs that are acting for their own account or for the account or benefit of one or more persons, each of whom is a QIB; or • dealers or other professional fiduciaries organised, incorporated or (if an individual) resident in the United States that are acting for an account (other than an estate or trust) held for the benefit or account of non-US Persons for which they have and are exercising investment discretion within the meaning of Rule 902(k)(2)(i) of Regulation S, and in each case whose participation in the US Private Placement Billabong and the Offer Manager have expressly approved.
ASIC	Australian Securities and Investments Commission.
Asset-Based Revolver	An asset-based multi-currency revolving credit facility arranged by GE Capital, as described in Section 5.7 (b).
ASX	ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by that entity known as the Australian Securities Exchange.
ASX Settlement Operating Rules	The business rules of the ASX Settlement Pty Limited (ABN 49 008 504 532), the securities clearing house approved under the Corporations Act to operate CHES.
Australian Accounting Standards	The Australian International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.
Billabong or Company	Billabong International Limited (ABN 17 084 923 946) and, where the context requires, its Subsidiaries.
Billabong Group	Billabong and all its Subsidiaries, associates and joint ventures or the Subsidiary company and its associates and joint ventures as the context requires.
Board	The board of Directors of Billabong.
BPAY®	BPAY Pty Limited (ABN 69 079 137 518).
Centerbridge	Centerbridge Partners, L.P. and certain of its affiliates.
CHES	Clearing House Electronic Subregister System operated by ASX Settlement (ABN 49 008 504 532) Pty Limited.
C/O Consortium	The consortium of Centerbridge and Oaktree.
C/O Options	The 29,581,852 options issued by Billabong to the C/O Consortium on 3 December 2013.



Constitution	The constitution of Billabong, as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CY	Calendar year, ended or ending on 31 December in the year stated.
Director	A director of Billabong.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDAI	Earnings before interest, tax, depreciation and amortisation and impairment.
Eligible Institutional Shareholder	Shareholders that are Institutional Investors to whom the Offer Manager made an offer on behalf of Billabong under the Institutional Entitlement Offer and Approved US Shareholders to whom Billabong has made an offer under the US Private Placement.
Eligible Retail Shareholder	A person who, as determined by the Company at its absolute discretion: • is a Shareholder as at the Record Date; • has a registered address on the Billabong share register in Australia or New Zealand; • is not in the United States and is not acting for the account or benefit of a person in the United States); • was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and • is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder.
Eligible Shortfall Investors	Eligible Institutional Shareholders and other Institutional Investors invited by the Offer Manager to participate in the Retail Shortfall Bookbuild.
Entitlement	The number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being 3 New Shares for every 8 Existing Shares held as at the Record Date, subject to rounding up and to the terms of the Entitlement Offer.
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Prospectus.
Entitlement Offer	The entitlement offer comprising the Institutional Entitlement Offer and the Retail Entitlement Offer.
Entitlement Offer Period	The period from the date of this Prospectus until (and including) the Retail Closing Date.
Existing Share	A Share on issue at the Record Date.
FY	Financial year, ended or ending on 30 June in the year stated.
Gross Debt	Current plus non-current borrowings.
IFRS	International Financial Reporting Standards.
Ineligible Shareholder	A person who is an Ineligible Institutional Shareholder or Ineligible Retail Shareholder.
Ineligible Institutional Shareholder	A Shareholder as at the Record Date who is not an Eligible Institutional Shareholder and who Billabong and the Offer Manager determine: • although an Institutional Investor, should not receive an offer under the Institutional Entitlement Offer in accordance with Listing Rule 7.7.1(a); or • although not an Institutional Investor, is a person to whom offers and issues of New Shares could lawfully be made in Australia without the need for disclosure under Chapter 6D of the Corporations Act if that Shareholder had received the offer in Australia, and who should be treated as an Ineligible Institutional Shareholder for the purposes of the Institutional Entitlement Offer.

SECTION 11 Glossary

Ineligible Retail Shareholder	A Shareholder on the Record Date who is not an: • Eligible Retail Shareholder; • Eligible Institutional Shareholder; or • Ineligible Institutional Shareholder.
Institutional Entitlement Offer	The offer of New Shares to Eligible Institutional Shareholders as described in Section 2.3.
Institutional Investor	A person: • who the Offer Manager reasonably believes to be a person to whom offers of New Shares may lawfully be made without issue of a prospectus under Chapter 6D of the Corporations Act, any other lodgement, registration or approval with or by a governmental agency (other than one with which the Company is willing to comply), and subject to the foregoing, may include brokers bidding on behalf of their Australian retail clients; or • to whom an offer of New Shares may be made outside Australia in a jurisdiction approved by the Company without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (except to the extent which the Company is willing to comply with such requirements), provided that if such a person is in the United States or is acting for the account or benefit of a person in the United States (and any such person for whom such person is acting), such person is an Approved US Shareholder.
Institutional Premium	The amount of A\$[*], being the amount paid over the Offer Price in respect of Entitlements sold under the Institutional Shortfall Bookbuild (net of any applicable withholding taxes).
Institutional Shareholder	A Shareholder on the Record Date who is an Institutional Investor.
Institutional Shortfall Bookbuild	The first bookbuild conducted in connection with the Entitlement Offer, being in respect of the Institutional Entitlement Offer, as described in Section 2.3.
Listing Rules	The listing rules of ASX, except to the extent of any written waiver granted by ASX.
Net Debt	Current and non-current borrowings less cash or cash equivalents.
New Shares	The Shares offered under the Entitlement Offer.
Oaktree	Oaktree Capital Management, L.P. and certain of its affiliates.
Offer Manager	Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897).
Offer Price	A\$0.28 per New Share.
Placement	The issue of 164,634,147 Shares to Oaktree and 164,634,147 Shares to Centerbridge at A\$0.41 per Share to raise A\$135 million which completed on 6 February 2014.
Prospectus	This prospectus dated 26 February 2014.
QIB	A "qualified institutional buyer" as defined in Rule 144A of the US Securities Act.
Record Date	The time and date for determining which Shareholders are entitled to the Entitlement, being 7.00pm (Sydney time) on 26 February 2014.
Renunciation and Transfer Form	The form that must be completed by an Eligible Retail Shareholder who wishes to transfer all or part of their Entitlement otherwise than on ASX, as described in Section 3.1.3.
Retail Closing Date	5.00pm (Sydney time) on 18 March 2014, being the latest time and day by which completed Entitlement and Acceptance Forms and BPAY® payments of Application Monies will be accepted (subject to variation).



Retail Entitlement Offer	The offer under this Prospectus of New Shares to Eligible Retail Shareholders under the Entitlement Offer, as described in Section 2.4.
Retail Premium	Any premium paid over the Offer Price in respect of Entitlements sold under the Retail Shortfall Bookbuild (net of any applicable withholding taxes).
Retail Shortfall Bookbuild	The second bookbuild to be conducted in connection with the Entitlement Offer, being in respect of the Retail Entitlement Offer, as described in Sections 2.3 and 3.3.
Share	A fully paid ordinary share in Billabong.
Shareholder	A registered holder of a Share.
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Shortfall Bookbuilds	The Retail Shortfall Bookbuild and the Institutional Shortfall Bookbuild conducted in respect of the Entitlement Offer, as described in 2.3.
Subsidiaries	Has the meaning given to it in the Corporations Act.
Term Loan Facility	A six year senior secured term loan facility from the C/O Consortium of up to US\$360 million, as described in Section 5.7.
Theoretical Ex-Rights Price or TERP	The theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer calculated by reference to Billabong's closing price on 20 February 2014. This is a theoretical calculation and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may differ from the Theoretical Ex-Rights Price.
TFN	Tax File Number.
Top-Up Shares	Has the meaning given in Section 2.11.
US or United States	The United States of America, its territories and possessions, each state of the United States and the District of Columbia.
US GAAP	Generally accepted accounting principles in the United States.
US Private Placement	The offer and sale of Shares by Billabong to Approved U.S. Shareholders (a) as part of the Institutional Entitlement Offer; (b) pursuant to the Institutional Shortfall Bookbuild; and (c) pursuant to the Retail Shortfall Bookbuild in each case in a transaction that is exempt from or not subject to the registration requirements of the US Securities Act.

INTERPRETATION

In this Prospectus, unless the context otherwise requires:

- the singular includes the plural, and vice versa;
- words importing one gender include all genders;
- a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances or by-laws issued under that statute;
- a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- a reference to a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

- a reference to a body (including an institute, association or authority), whether statutory or not:
 - that ceases to exist; or
 - the powers or function of which are transferred to another body,
- is a reference to the body that replaces it or substantially succeeds to its powers or functions;
- other grammatical forms of a word or phrase defined in this Prospectus have a corresponding meaning; and
- a reference to a Section is a reference to a Section of this Prospectus.

CORPORATE DIRECTORY

Company

Billabong International Limited

Registered Office

1 Billabong Place
Burleigh Heads QLD 4220

Offer Manager

Goldman Sachs Australia Pty Ltd
Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Auditor

PricewaterhouseCoopers
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Australian Legal Adviser

Allens
Level 28 Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

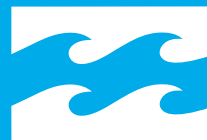
Share Registry

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001

Entitlement Offer enquiries

Billabong Entitlement Offer Information Line
Within Australia 1300 640 142
Outside Australia +61 3 9415 4686





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BILLABONG INTERNATIONAL LIMITED ABN 17 084 923 946

