



**Billabong
International
Limited**

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ASX ANNOUNCEMENT

BILLABONG ANNOUNCES RECAPITALISATION WITH CENTERBRIDGE/OAKTREE CONSORTIUM MANAGEMENT AND BOARD CHANGES

GOLD COAST, 19 September, 2013: Billabong International Limited (“Billabong” or the “Company”) announces that it has entered into binding 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 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.

The agreements will enable Billabong to repay in full its existing US\$294 million (A\$315 million) bridge loan facility from the Altamont Consortium¹ which was entered into on 16 July 2013. The agreements include:

- a 6 year senior secured term loan of US\$360 million (A\$386 million) (“New Term Debt”);
- a A\$135 million equity placement to the C/O Consortium (the “Placement”) and, following the Placement, a A\$50 million non-underwritten, renounceable rights issue available only to shareholders other than the C/O Consortium (the “Rights Issue”, and together with the Placement, the “Equity Raising”), the proceeds of which will be used to repay² up to US\$172 million (A\$185 million) of the New Term Debt with no prepayment premium; and
- 29.6 million options issued to the C/O Consortium exercisable at A\$0.50 per share.

In addition to this financing, Billabong retains the previously announced commitment from GE Capital to provide an asset-based multi-currency revolving credit facility of up to US\$140 million (A\$150 million) (“Revolving Facility”).

In order to adequately reflect the C/O Consortium’s significant investment in the Company, the C/O Consortium will be permitted to nominate representatives to the Board of Billabong. The Company notes that both members of the Consortium have long track records of successfully investing in and partnering with retail and other businesses in achieving operational turnarounds.

The Company also announces that it has appointed Mr. Neil Fiske as Chief Executive Officer and Managing Director of Billabong. Mr. Fiske is a proven and industry-respected executive who brings to Billabong a strong combination of world-class strategy and successful execution experience as a CEO in retail and the active outdoor category.

“In fully evaluating the competing refinancing proposals, on a range of factors, the Board determined that the C/O Consortium proposal was in the best interests of the Company, its shareholders, its employees and other key Billabong stakeholders, on both economic terms and in providing near term certainty. The proposal was significantly improved compared to the C/O Consortium’s previously announced proposal and offered lower financial leverage and cheaper cost of funds with lower equity dilution than the Altamont proposal plus the ability for existing shareholders to participate alongside the C/O Consortium via the rights offering,” said Billabong Chairman Dr. Ian Pollard.

“As Billabong continues to restructure its operations globally, the need for immediate long-term funding certainty and a strong financial base from which to reinvigorate an iconic group of brands is best met by entering into this agreement now.”

¹ A consortium comprising Altamont Capital Management, LLC, ACP Burleigh Holdings, LLC and entities sub-advised by GSO Capital Partners. The entities sub-advised by GSO Capital Partners are FS Investment Corporation I and FS Investment Corporation II.

² Billabong has the discretion to determine whether to apply the proceeds from the Rights Issue in excess of A\$32.5 million to repay the New Term Debt.



The Board of Billabong³ decided that it was in the best interests of shareholders and all of the Company's stakeholders to conclude a long term financing as soon as possible. The Board of Billabong had regard to the protracted period of uncertainty, distraction and disruption that had been faced by the business and have entered into the long term refinancing so that the Company can now focus on rebuilding the business and execute on its ambitions to improve earnings.

In arriving at its decision on which of the competing proposals to pursue, the Board of Billabong carefully considered all aspects of the proposals and concluded that the C/O Consortium proposal was superior due to a range of factors. The C/O Consortium proposal included a considerable improvement in economic terms as compared to the previous C/O Consortium proposal announced to the market by Billabong on 23 August, 2013. These improvements are outlined below:

- **Lower cost of debt:** The interest rate on the New Term Debt has reduced to 11.9% per annum from 13.5% per annum, with correspondingly lower prepayment premiums
- **Additional upfront liquidity:** The New Term Debt quantum has increased to up to US\$360 million (A\$386 million) from US\$303 million (A\$325 million), with US\$60 million delayed at the Company's option
- **Longer dated debt facility:** The New Term Debt maturity has increased to 6 years from 5 years
- **Greater shareholder participation:** Existing shareholders are allowed greater participation, with the Rights Issue amount increased to A\$50 million from A\$32.5 million
- **Greater Rights Issue discount given to existing shareholders:** The buy in price under the Rights Issue has reduced to A\$0.28 per share from A\$0.30 per share
- **Greater Placement premium paid by the C/O Consortium:** The placement buy in price for the C/O Consortium has increased to A\$0.41 per share from A\$0.35 per share
- **Lower overall dilution for existing shareholders:** The C/O Consortium will now own between 33.9% and 40.8% of the fully diluted share capital (depending on existing shareholder take up of the Rights Issue), down from 39.7% to 44.3% respectively

Long term financing

Billabong has entered into binding agreements with the C/O Consortium in relation to a senior secured term loan of up to US\$360 million (A\$386 million). The Company has taken the opportunity under the C/O Consortium proposal to increase the maximum size of the term loan funding from US\$303 million to US\$360 million in order to improve balance sheet flexibility as the business turnaround is executed. Up to US\$60 million of the US\$360 million New Term Debt is delayed at the Company's option. The facility term is 6 years. The facility will incur 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) and will have a single financial covenant (in respect of leverage) which will first be tested on 31 December 2014. The facility is subject to prepayment premiums, where in the event of early repayment of any amount of the New Term Debt, 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\$172 million (A\$185 million) to be repaid by way of the Equity Raising). For details on the terms of the New Term Debt please refer to Annexure A.

As part of the New Term Debt and long term financing, Billabong has agreed to issue 29,581,852 options to the C/O Consortium upon funding of the New Term Debt. The options will be exercisable at the election of the C/O Consortium at a strike price of A\$0.50 per share and will expire seven years from the date of grant.

As announced on 16 July 2013, Billabong has also signed a commitment letter with GE Capital for an asset-based multicurrency revolving credit facility of up to US\$140 million

³ In relation to the Board's consideration of the refinancing proposals, the Board of Billabong comprised the non-conflicted directors, being Ian Pollard, Tony Froggatt, Gordon Merchant AM, Howard Mowlem, Colette Paull and Sally Pitkin. Jesse Rogers and Keoni Schwartz are nominees of Altamont Capital Partners and therefore were conflicted in connection with the Board's consideration of the refinancing proposals.



(A\$150 million), subject to holding sufficient eligible accounts receivable and inventory as collateral.

Equity Raising

Billabong has also entered into an Equity Funding Deed in relation to a placement to the C/O Consortium of A\$135 million at A\$0.41 per share (a 46% premium to the Rights Issue price), subject to shareholder approval. The Placement will result in the issuance of 329,268,294 shares to the C/O Consortium.

Billabong has also agreed that subject to the Placement proceeding there will be a non-underwritten, renounceable rights offering, available only to shareholders other than the C/O Consortium as of the record date, of A\$50 million at A\$0.28 per share (a significant discount to the Placement price). The Rights issue will result in the issuance of up to 178,571,429 shares to eligible shareholders. The C/O Consortium will not have any entitlement under the Rights Issue in respect of the Placement shares.

If the C/O Consortium exercises the options and the Placement is approved by Billabong shareholders, the C/O Consortium's potential future ownership in Billabong will be between 33.9% and 40.8%, depending on existing shareholder take up of the Rights Issue.

The C/O Consortium has agreed that any shares issued on exercise of the options and the shares issued under the Placement will be subject to escrow for the period commencing on the date of issue of such shares and ending on the date that is 24 months from today's date.

The Equity Funding Deed includes exclusivity obligations which are summarised in Annexure B.

Management and Board changes

Billabong announces today that it has appointed Mr. Neil Fiske as Chief Executive Officer and Managing Director of Billabong. 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 outdoorsman 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. A summary of the key terms of Neil's employment is provided at Annexure C.

In order to adequately reflect the C/O Consortium's significant investment in the Company, the C/O Consortium will be permitted to nominate representatives to the Board of Billabong. Initially there will be three representatives, Jason Mazingo, Matt Wilson and a third Director to be appointed in due course, each of whom will be appointed as an additional director by the Board on funding of the New Term Debt and will then stand for election at the 2013 annual general meeting of the Company. In due course, if the Board of Directors is reduced to seven in total, including the CEO, the number of C/O Consortium representatives on the Board will be reduced to two.

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 \$9 billion. He joined DLJ in 1998. Jason was 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.

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 \$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.

In order to accommodate the above rebalancing of the Board, Sally Pitkin and Tony Froggatt will each retire from the Board. This will occur on funding of the New Term Debt.

As previously advised Tony Froggatt had indicated his intention to stand down from the Board at the Company's 2013 annual general meeting. Tony has brought this forward and Sally Pitkin has also indicated her preparedness to stand down in order to accommodate the additional C/O Consortium representatives.

"The Board would like to thank Tony for his contribution to the Company since he joined the Board in February 2008 and his commitment to the Company's direction during the challenging events of the past 12 to 18 months," said Dr. Pollard.

"Sally Pitkin joined the Board in February 2012. Her understanding of complex transactions and the related legal frameworks has been of great value around the Board table, as has her leadership of the Human Resource and Remuneration Committee."

Altamont Capital Partners currently has two nominees on the Board, being Jesse Rogers and Keoni Schwartz. Under the terms of the Option Deed previously entered into with the Altamont Consortium, one of the Altamont Capital Partners nominees on the Board is required to resign on repayment of the Altamont Consortium Bridge Facility. The Option Deed previously entered into with the Altamont Consortium allows Altamont Capital Partners to retain one nominee on the Board while it continues to hold its options or shares issued upon exercise of the options.

Altamont Consortium agreements

As a result of the C/O Consortium investment announced today, Billabong will repay the Altamont Consortium Bridge Facility in full from the first drawing of the New Term Debt.

On 16 July 2013, Billabong announced that it had entered into a commitment letter under which the Altamont Consortium agreed to enter into a long term financing with Billabong, subject to agreement on final documentation. On 21 August 2013, the Company announced that it had entered into a revised commitment letter and certain other ancillary transaction documents (together, the "Revised Transaction Documents") with the Altamont Consortium.

Under the Revised Transaction Documents, Billabong has a right to enter into an alternative financing if it determines that it is necessary to do so in order to satisfy what the Board considers to be its statutory or fiduciary duties. The Board has exercised this right in entering into the C/O Consortium long term financing announced today. As a result, a break fee of A\$6 million (the "Break Fee") will be payable to the Altamont Consortium.

The Altamont Consortium continues to hold the 42,259,790 options that it has been issued. Those options expire on 16 July 2020.

Furthermore, the Company confirms that Scott Olivet has decided that he would not proceed as CEO-elect under an alternative funding arrangement not involving the Altamont Consortium.



Coastal Requisition

The Board of Billabong refers to its announcement on 2 September 2013, that it had received a notice under section 249D of the *Corporations Act 2001* from Coastal Capital International, Ltd. requesting that the directors convene a general meeting of shareholders to consider various resolutions.

In conjunction with their requisition of a general meeting, Coastal also requested that all material decisions regarding the Altamont Consortium proposal and the C/O Consortium proposal be postponed until after a shareholder vote on the matters contained in their requisition.

The Board of Billabong decided that the immediate need for certainty was critical for the business and therefore it was in the best interests of shareholders and all of the Company's stakeholders to conclude a long term financing as soon as possible.

Billabong is seeking to have the resolutions which are subject of the Coastal Capital International, Ltd. request put to the 2013 annual general meeting, rather than have a separate meeting.

Next steps

Billabong intends to propose resolutions at this year's annual general meeting to be held in November to approve the Placement, and to approve the issue of Billabong shares on exercise of the options, to the C/O Consortium and to approve the issue to Neil Fiske of equity securities under his employment contract. Further details will be provided as soon as possible, including an information booklet containing an independent expert report.

It is the intention of all the continuing non-conflicted directors (Ian Pollard, Howard Mowlem, Gordon Merchant, and Colette Paull) to recommend that shareholders vote in favour of the resolutions which require shareholder approval and to vote their own shareholdings in favour of them.

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

At the same time as preparing the materials for the shareholder meeting, Billabong will be working with GE Capital to agree upon binding documentation for the Revolving Facility as soon as possible.

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

About Centerbridge Partners L.P.

Centerbridge Partners, L.P. is a private investment firm headquartered in New York City with approximately \$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.

About Oaktree Capital Management, L.P.

Oaktree is a leader among global investment managers specialising in alternative investments, with \$76.4 billion in assets under management as of June 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.

MARIA MANNING
COMPANY SECRETARY



ANNEXURE A: KEY TERMS OF FINANCING FACILITIES

New Term Debt and Options

Commitment size	■ US\$360 million (A\$386 million)
Applicable interest rate	■ 11.9% (5.9% cash / up to 6.0% PIK)
Maturity date	■ 6 years after closing date
Prepayment premiums	■ No prepayment premium for US\$172 million (A\$185 million) of New Term Debt if prepaid directly from proceeds of the Placement or Rights Issue or mandatory prepayments from excess cash flow ■ Fixed interest rate instrument with make-whole premium on a prepayment prior to the first anniversary of the closing date ⁴ . Thereafter prepayments are subject to a prepayment premium of 11.0%, 6.0% and 3.0% for any prepayment prior to the second, third and fourth anniversary after the closing date respectively ■ No mandatory prepayment event upon a change of control but Billabong required to offer to prepay the loans at a 1% prepayment premium on change of control
Options	■ 29,581,852
Options strike price	■ A\$0.50
Options maturity	■ 7 years from grant

Placement

Issuance size	■ A\$135 million
Issuance price	■ A\$0.41 per share
Issuance shares	■ 329,268,294

Rights Issue

Terms	■ Non-underwritten, renounceable
Issuance size	■ Up to A\$50 million
Issuance price	■ A\$0.28 per share
Issuance shares	■ Up to 178,571,429

Asset-Based Revolver

Commitment size	■ US\$140 million (A\$150 million)
Applicable interest rate	■ Base rate plus 2.00% margin
Accounts Receivable Advance Rate	■ up to 85%
Inventory Advance Rate	■ up to 90%
Maturity	■ 5 years

⁴ If the Term Loans are prepaid or repaid for any reason (including, without limitation, as a result of an acceleration of the Term Loans following an event of default or a bankruptcy or insolvency of the Borrower) within 1 year after the closing date, such repayment will be subject to a "make whole" premium equal to 11.9% plus interest that would have accrued on the Term Loan through to the 1st anniversary date (discounted at a rate equal to the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year).



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

Options, Placement and Rights Issue dilution mechanics

	Ownership prior to Placement		Ownership after Placement		Ownership after Placement and Rights Issue (assuming 100% take up)	
	# shares (m)	% diluted ownership	# shares (m)	% diluted ownership	# shares (m)	% diluted ownership
Current shares on issue	478.9	87.0%	478.9	54.4%	478.9	45.2%
Rights Issue					178.6	16.9%
Existing shareholders	478.9	87.0%	478.9	54.4%	657.5	62.1%
C/O Consortium options	29.6	5.4%	29.6	3.4%	29.6	2.8%
C/O Consortium Placement			329.3	37.4%	329.3	31.1%
C/O Consortium	29.6	5.4%	358.9	40.8%	358.9	33.9%
Altamont Consortium options	42.3	7.7%	42.3	4.8%	42.3	4.0%
Diluted shares outstanding	550.8	100.0%	880.1	100.0%	1,058.6	100.0%

Note: Totals do not add due to rounding.

ANNEXURE B: EQUITY FUNDING DEED

Until the earlier of completion of the Placement or valid termination of the Equity Funding Deed (for example, where shareholder approval is not obtained), the Company will not, and will ensure that its representatives (including advisers) do not, directly or indirectly

- (i) solicit or initiate any discussions regarding any competing proposal; or
- (ii) engage in any discussions with any third party regarding any competing proposal unless the Board determines, acting in good faith and in order to satisfy what the Board (excluding any conflicted directors) considers to be its fiduciary or statutory duties, that the competing proposal is, or could reasonably be expected to lead to, a superior proposal.



ANNEXURE C: KEY TERMS OF NEIL FISKE'S EMPLOYMENT

<i>Employing entity</i>	Billabong International Limited
<i>Commencement</i>	21 September 2013
<i>Tenure</i>	Ongoing (i.e. no fixed term)
<i>Directorships</i>	Billabong International Limited and related bodies corporate within and outside Australia as requested by the Board of Billabong International Limited from time to time
<i>Total Fixed Remuneration (TFR)</i>	A\$1.0 million per annum (inclusive of superannuation)
<i>Short Term Incentive (STI)</i>	<p>Mr Fiske will be eligible to receive a short term incentive equivalent to up to 100% of TFR subject to the satisfaction of performance against agreed financial metrics, and up to 200% of TFR for superior performance.</p> <p>25% of any short term incentive must be deferred into equity and held on the terms provided under the STI Plan, including restrictions on trading for two (2) years.</p>
<i>Long Term Incentive (LTI)</i>	Mr Fiske will be entitled to performance rights equivalent to 125% of TFR per annum, subject to performance testing in line with the company's Executive Performance Share Plan and subject to shareholder approval.
<i>Sign-on</i>	<p>In recognition of some of the income forgone or costs incurred by Mr Fiske on departing his current employment, he will be paid a sign-on bonus comprised of:</p> <ul style="list-style-type: none">• A\$250,000 cash (less tax); and• up to a further A\$250,000 which he will use to subscribe for shares (subject to shareholder approval) in the Company at the same price as the rights issue to shareholders. The amount of such a bonus will be capped at the amount Mr Fiske has separately invested in the Company's shares from his own funds. All such shares will be the subject of a 2-year holding lock.
<i>Termination Provisions</i>	In addition to accrued entitlements, on termination Mr Fiske will receive benefits as follows:
<i>Resignation</i>	Mr Fiske may terminate his employment at any time by giving the Company six (6) months written notice. The Company may elect to make a payment in lieu of some or all of the notice period calculated on the basis of TFR at the time of termination.
<i>Termination by Billabong</i>	The Company may terminate Mr Fiske's employment at any time by giving Mr Fiske twelve (12) months' written notice. The Company may elect to make a payment in lieu of some or all of the notice period calculated on the basis of TFR at the time of termination.
<i>Termination Without Notice</i>	The Company may terminate Mr Fiske's contract with immediate effect for cause (for example, for serious misconduct, negligence, breach of duty or agreement).