



**Billabong
International
Limited**

ABN 17 084 923 946



1 Billabong Place
Burleigh Heads
QLD 4220 Australia

P O Box 283
Burleigh Heads
QLD 4220 Australia

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

www.billabongbiz.com

ASX ANNOUNCEMENT

ANNOUNCEMENT OF SALE OF SURFSTITCH AND SWELL

GOLD COAST, 21 August 2014: Billabong International Limited ("Billabong" or the "Company") today announces the outcome of the strategic review of its multi-brand ecommerce businesses SurfStitch.com in Australia and Europe ("SurfStitch"), and Swell.com in North America ("Swell").

As announced on 6 February 2014, the review considered a range of options for both SurfStitch and Swell, as Billabong moves to a direct to consumer omni-channel model across its global operations.

The Company announces today that it has entered into binding documentation to sell its 51% stake in SurfStitch and its 100% ownership of Swell to a consortium of investors including SurfStitch founders Justin Cameron and Lex Pedersen ("SurfStitch Consortium") ("Transactions").

The Transactions are inter-conditional and are subject to conditions precedent which are typical for transactions of this type. The Transactions are also conditional on the completion of the funding process being undertaken by the SurfStitch Consortium, with this condition to be satisfied by end of day Monday, 25 August 2014. Completion is expected to occur in mid-September 2014.

Upon completion, Billabong will receive more than A\$35 million as a result of the Transactions, comprising sale proceeds, loan repayments and other consideration. Billabong will also enter into agreements for the continued wholesale supply of products to SurfStitch and Swell.

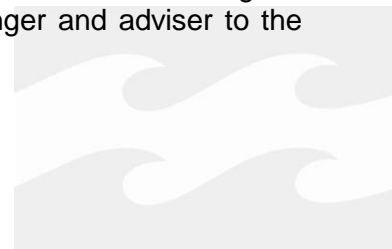
The sale will allow the Company to narrow its strategic focus and to invest in building its mono-brand ecommerce and omni-channel businesses.

The Company expects the Transactions to be earnings accretive to Billabong in terms of both EBITDA and net earnings, although the extent of the improvement is contingent upon the future sales to SurfStitch under the new supply arrangements.

"The transactions align with the seven point turnaround strategy announced at our AGM last December," said Billabong CEO Neil Fiske. "In recent months we have begun the process of taking over the branded websites previously outsourced to SurfStitch. With these agreements we can accelerate our investment in the online presence and digital marketing of brands such as Billabong, RVCA and Element, which will engage our core consumers and in turn benefit the wider business. We believe there is an enormous untapped opportunity here for the Company. I'm pleased that through these agreements we will also continue the constructive relationship we've had with SurfStitch as they enter an exciting new era for their business."

SurfStitch co-founder Justin Cameron said, "This is the next natural step for our global market-leading ecommerce operations. Today's agreements will allow both parties to pursue their strategic vision. We've valued the close relationship with Billabong and, like Neil, we're glad it's one that will continue."

International investment banking firm Guggenheim Securities advised Billabong on the review and sale process. JP Morgan is the funding arranger and adviser to the SurfStitch Consortium.





Media or investor related queries should be directed to Chris Fogarty on mobile +61 420 928 824.

TRACEY WOOD
COMPANY SECRETARY