

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues:				
Product revenues	\$ 71,917	\$ 56,901	\$ 151,904	\$ 106,326
Licensing revenues	539	780	1,106	2,173
Total revenues	<u>72,456</u>	<u>57,681</u>	<u>153,010</u>	<u>108,499</u>
Cost of goods sold.....	<u>37,690</u>	<u>29,888</u>	<u>76,069</u>	<u>54,299</u>
Gross profit.....	34,766	27,793	76,941	54,200
Selling, general and administrative expenses	<u>27,903</u>	<u>18,944</u>	<u>55,680</u>	<u>37,289</u>
Operating income	6,863	8,849	21,261	16,911
Other income:				
Interest income, net	254	1,057	723	2,139
Dividend income from cost method investee	—	—	—	—
Foreign currency gain	180	493	23	531
Total other income	<u>434</u>	<u>1,550</u>	<u>746</u>	<u>2,670</u>
Income before provision for income taxes	7,297	10,399	22,007	19,581
Provision for income taxes.....	<u>2,451</u>	<u>4,179</u>	<u>7,821</u>	<u>7,879</u>
Net income	<u>\$ 4,846</u>	<u>\$ 6,220</u>	<u>\$ 14,186</u>	<u>\$ 11,702</u>
Net income per share:				
Basic.....	\$ 0.20	\$ 0.25	\$ 0.58	\$ 0.48
Diluted.....	\$ 0.20	\$ 0.25	\$ 0.58	\$ 0.48
Weighted average shares outstanding:				
Basic.....	24,333,482	24,297,839	24,329,771	24,285,874
Diluted.....	24,387,605	24,436,998	24,359,323	24,406,187

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,589	\$ 92,962
Accounts receivable — net of allowances	60,920	58,270
Inventories	36,878	20,440
Prepaid expenses and other current assets	2,870	1,720
Income taxes receivable	1,217	326
Deferred income taxes	<u>3,127</u>	<u>2,956</u>
Total current assets	<u>175,601</u>	<u>176,674</u>
Property and equipment — net	27,150	24,427
Investments in unconsolidated investees	330	298
Deferred income taxes	—	268
Intangible assets — net	23,311	363
Goodwill	2,565	—
Other assets	<u>433</u>	<u>464</u>
Total assets	<u>\$229,390</u>	<u>\$ 202,494</u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 26,308	\$ 18,694
Accrued expenses and other current liabilities	10,323	10,561
Income taxes payable	—	—
Current portion of capital lease obligations	<u>84</u>	<u>72</u>
Total current liabilities	<u>36,715</u>	<u>29,327</u>
Long-term capital lease obligations	79	33
Other long-term liabilities	537	190
Income taxes payable – non-current	93	89
Deferred income taxes	1,114	—
Stockholders' equity:		
Common stock	24	24
Additional paid-in capital	89,928	89,185
Retained earnings	94,412	80,226
Accumulated other comprehensive income	<u>6,488</u>	<u>3,420</u>
Total stockholders' equity	<u>190,852</u>	<u>172,855</u>
Total liabilities and stockholders' equity	<u>\$ 229,390</u>	<u>\$ 202,494</u>

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income.....	\$ 14,186	\$ 11,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,449	1,206
Provision for doubtful accounts.....	816	437
Excess tax benefits related to exercise of stock options.....	(28)	(293)
Loss on disposal of property and equipment.....	27	16
Stock-based compensation.....	494	441
Deferred income taxes.....	(175)	(155)
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable.....	1,443	(7,488)
Inventories.....	(11,614)	(6,122)
Prepaid expenses and other current assets.....	(946)	(386)
Income taxes receivable/payable.....	(971)	(148)
Other assets.....	63	(27)
Accounts payable.....	1,910	8,133
Accrued expenses.....	(2,709)	641
Other long-term liabilities.....	(150)	(15)
Net cash provided by operating activities.....	5,795	7,942
Cash flows from investing activities:		
Purchase of property and equipment.....	(3,248)	(9,735)
Business acquisitions, net of cash acquired.....	(26,864)	—
Purchase of intangible assets.....	(306)	—
Purchase of short-term investments.....	(286)	—
Sale of short-term investments.....	286	—
Purchase of additional shares in cost method investee....	(32)	—
Proceeds from sale of property and equipment.....	—	15
Net cash used in investing activities.....	(30,450)	(9,720)
Cash flows from financing activities:		
Principal payments capital lease obligations.....	(77)	(39)
Proceeds from government grants.....	473	112
Proceeds from exercise of stock options.....	219	722
Excess tax benefits related to exercise of stock options...	28	293
Net cash provided by financing activities.....	643	1,088
Effect of exchange rate changes on cash.....	1,639	209
Net increase in cash and cash equivalents.....	(22,373)	(481)
Cash and cash equivalents — Beginning of period.....	92,962	85,414
Cash and cash equivalents — End of period.....	\$ 70,589	\$ 84,933