

VOLCOM, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Product revenues	\$ 111,124	\$ 90,515	\$ 263,027	\$ 196,841
Licensing revenues	545	530	1,651	2,703
Total revenues	111,669	91,045	264,678	199,544
Cost of goods sold	56,458	45,178	132,527	99,477
Gross profit	55,211	45,867	132,151	100,067
Selling, general and administrative expenses	30,305	22,840	85,985	60,129
Operating income	24,906	23,027	46,166	39,938
Other income:				
Interest income, net	162	1,004	886	3,143
Dividend income from cost method investee	—	—	—	—
Foreign currency (loss) gain	(70)	(253)	(47)	278
Total other income	92	751	839	3,421
Income before provision for income taxes	24,998	23,778	47,005	43,359
Provision for income taxes	8,726	9,260	16,547	17,139
Net income	<u>\$ 16,272</u>	<u>\$ 14,518</u>	<u>\$ 30,458</u>	<u>\$ 26,220</u>
Net income per share:				
Basic	\$ 0.67	\$ 0.60	\$ 1.25	\$ 1.08
Diluted	\$ 0.67	\$ 0.59	\$ 1.25	\$ 1.07
Weighted average shares outstanding:				
Basic	24,344,584	24,314,352	24,334,743	24,295,432
Diluted	24,357,539	24,453,255	24,358,762	24,421,943

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,324	\$ 92,962
Accounts receivable — net of allowances	81,336	58,270
Inventories	25,816	20,440
Prepaid expenses and other current assets	2,417	1,720
Income taxes receivable	—	326
Deferred income taxes	<u>3,095</u>	<u>2,956</u>
Total current assets	<u>185,988</u>	<u>176,674</u>
Property and equipment — net	26,357	24,427
Investments in unconsolidated investees	330	298
Deferred income taxes	—	268
Intangible assets — net	22,740	363
Goodwill	4,250	—
Other assets	<u>451</u>	<u>464</u>
Total assets	<u>\$240,116</u>	<u>\$ 202,494</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,207	\$ 18,694
Accrued expenses and other current liabilities	12,802	10,561
Income taxes payable	3,512	—
Current portion of capital lease obligations	<u>78</u>	<u>72</u>
Total current liabilities	<u>35,599</u>	<u>29,327</u>
Long-term capital lease obligations	45	33
Other long-term liabilities	458	190
Income taxes payable – non-current	93	89
Deferred income taxes	1,113	—
Stockholders' equity:		
Common stock	24	24
Additional paid-in capital	90,210	89,185
Retained earnings	110,684	80,226
Accumulated other comprehensive income	<u>1,890</u>	<u>3,420</u>
Total stockholders' equity	<u>202,808</u>	<u>172,855</u>
Total liabilities and stockholders' equity	<u>\$ 240,116</u>	<u>\$ 202,494</u>

VOLCOM, INC. AND SUBSIDIARIES

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

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income.....	\$ 30,458	\$ 26,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	5,280	1,941
Provision for doubtful accounts.....	1,056	738
Excess tax benefits related to exercise of stock options.....	(34)	(415)
Loss on disposal of property and equipment.....	18	22
Stock-based compensation.....	739	688
Deferred income taxes.....	(137)	(161)
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable.....	(21,375)	(32,346)
Inventories.....	(1,054)	(3,271)
Prepaid expenses and other current assets.....	(534)	(120)
Income taxes receivable/payable.....	3,112	2,689
Other assets.....	55	(22)
Accounts payable.....	(4,476)	4,534
Accrued expenses.....	887	3,254
Other long-term liabilities.....	(184)	(24)
Net cash provided by operating activities.....	13,811	3,727
Cash flows from investing activities:		
Purchase of property and equipment.....	(4,498)	(12,525)
Business acquisitions, net of cash acquired.....	(28,892)	—
Purchase of intangible assets.....	(305)	—
Purchase of short-term investments.....	(284)	—
Sale of short-term investments.....	284	—
Purchase of additional shares in cost method investee....	(32)	—
Proceeds from sale of property and equipment.....	—	16
Net cash used in investing activities.....	(33,727)	(12,509)
Cash flows from financing activities:		
Principal payments capital lease obligations.....	(108)	(58)
Proceeds from government grants.....	470	225
Proceeds from exercise of stock options.....	273	971
Excess tax benefits related to exercise of stock options...	34	415
Net cash provided by financing activities.....	669	1,553
Effect of exchange rate changes on cash.....	(391)	2,682
Net increase in cash and cash equivalents.....	(19,638)	(4,547)
Cash and cash equivalents — Beginning of period.....	92,962	85,414
Cash and cash equivalents — End of period.....	\$ 73,324	\$ 80,867

VOLCOM, INC. AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION (UNAUDITED)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Total revenues:				
United States	\$ 72,797	\$ 65,215	\$ 182,197	\$ 169,634
Europe	31,020	25,830	62,083	29,910
Electric	7,852	—	20,398	—
Consolidated	<u>\$ 111,669</u>	<u>\$ 91,045</u>	<u>\$ 264,678</u>	<u>\$ 199,544</u>
Gross profit:				
United States	\$ 33,637	\$ 31,298	\$ 85,291	\$ 84,272
Europe	17,156	14,569	35,226	15,795
Electric	4,418	—	11,635	—
Consolidated	<u>\$ 55,211</u>	<u>\$ 45,867</u>	<u>\$ 132,152</u>	<u>\$ 100,067</u>
Operating income:				
United States	\$ 14,082	\$ 13,509	\$ 28,261	\$ 34,649
Europe	10,439	9,518	17,230	5,289
Electric	384	—	675	—
Consolidated	<u>\$ 24,905</u>	<u>\$ 23,027</u>	<u>\$ 46,166</u>	<u>\$ 39,938</u>