

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,	
	2009	2008	2009	2008
Revenues:				
Product revenues	\$ 53,804	\$ 71,917	\$ 121,748	\$ 151,904
Licensing revenues	412	539	787	1,106
Total revenues	54,216	72,456	122,535	153,010
Cost of goods sold	27,862	37,690	61,799	76,069
Gross profit	26,354	34,766	60,736	76,941
Selling, general and administrative expenses	25,850	27,903	53,884	55,680
Operating income	504	6,863	6,852	21,261
Other income:				
Interest income, net	69	254	101	723
Foreign currency gain	651	180	769	23
Total other income	720	434	870	746
Income before provision for income taxes	1,224	7,297	7,722	22,007
Provision for income taxes	352	2,451	2,631	7,821
Net income	\$ 872	\$ 4,846	\$ 5,091	\$ 14,186
Net income per share:				
Basic	\$ 0.04	\$ 0.20	\$ 0.21	\$ 0.58
Diluted	\$ 0.04	\$ 0.20	\$ 0.21	\$ 0.58
Weighted average shares outstanding:				
Basic	24,350,071	24,333,482	24,348,972	24,329,771
Diluted	24,361,971	24,387,605	24,359,564	24,359,323

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,244	\$ 79,613
Short-term investments	44,933	—
Accounts receivable — net of allowances	48,487	60,914
Inventories	30,160	27,086
Prepaid expenses and other current assets	3,509	2,596
Income taxes receivable	4,037	3,309
Deferred income taxes	<u>5,275</u>	<u>4,947</u>
Total current assets	<u>187,645</u>	<u>178,465</u>
Property and equipment — net	25,852	26,716
Investments in unconsolidated investees	330	330
Deferred income taxes	4,026	4,028
Intangible assets — net	10,575	10,578
Goodwill	629	665
Other assets	<u>762</u>	<u>841</u>
Total assets	<u>\$229,819</u>	<u>\$221,623</u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 17,875	\$ 15,291
Accrued expenses and other current liabilities	12,213	12,027
Current portion of capital lease obligations	<u>62</u>	<u>71</u>
Total current liabilities	<u>30,150</u>	<u>27,389</u>
Long-term capital lease obligations	1	23
Other long-term liabilities	347	414
Income taxes payable – non-current	96	94
Deferred income taxes		
Stockholders' equity:		
Common stock	24	24
Additional paid-in capital	91,103	90,456
Retained earnings	107,026	101,935
Accumulated other comprehensive income	<u>1,072</u>	<u>1,288</u>
Total stockholders' equity	<u>199,225</u>	<u>193,703</u>
Total liabilities and stockholders' equity	<u>\$ 229,819</u>	<u>\$ 221,623</u>

VOLCOM, INC. AND SUBSIDIARIES

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

	Six Months Ended	
	June 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 5,091	\$ 14,186
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,496	3,449
Provision for doubtful accounts	2,527	816
Excess tax benefits related to exercise of stock options	—	(28)
Loss on disposal of property and equipment	3	27
Stock-based compensation	672	494
Deferred income taxes	(318)	(175)
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	6,638	1,443
Inventories	(2,922)	(11,614)
Prepaid expenses and other current assets	(936)	(946)
Income taxes receivable/payable	(724)	(971)
Other assets	68	63
Accounts payable	2,715	1,910
Accrued expenses	42	(2,709)
Other long-term liabilities	(63)	(150)
Net cash provided by operating activities	16,289	5,795
Cash flows from investing activities:		
Purchase of property and equipment	(1,717)	(3,248)
Business acquisitions, net of cash acquired	(824)	(26,864)
Purchase of intangible assets	—	(306)
Purchase of short-term investments	(44,933)	(286)
Sale of short-term investments	—	286
Purchase of additional shares in cost method investee	—	(32)
Proceeds from sale of property and equipment	2	—
Net cash used in investing activities	(47,472)	(30,450)
Cash flows from financing activities:		
Principal payments capital lease obligations	(37)	(77)
Proceeds from government grants	—	473
Proceeds from exercise of stock options	—	219
Excess tax benefits related to exercise of stock options	—	28
Net cash (used in) provided by financing activities	(37)	643
Effect of exchange rate changes on cash	2,851	1,639
Net decrease in cash and cash equivalents	(28,369)	(22,373)
Cash and cash equivalents — Beginning of period	79,613	92,962
Cash and cash equivalents — End of period	\$ 51,244	\$ 70,589

VOLCOM, INC. AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION (UNAUDITED)
(in thousands)

	Three Months Ended		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	2009	2008	2009	2008
Total revenues:				
United States	\$ 43,650	\$ 60,175	\$ 86,070	\$ 109,400
Europe.....	5,886	5,910	27,564	31,063
Electric	4,680	6,371	8,901	12,547
Consolidated	<u>\$ 54,216</u>	<u>\$ 72,456</u>	<u>\$ 122,535</u>	<u>\$ 153,010</u>
Gross profit:				
United States	\$ 21,249	\$ 27,747	\$ 41,523	\$ 51,654
Europe.....	2,634	3,401	14,442	18,070
Electric	2,471	3,618	4,771	7,217
Consolidated	<u>\$ 26,354</u>	<u>\$ 34,766</u>	<u>\$ 60,736</u>	<u>\$ 76,941</u>
Operating income:				
United States	\$ 3,313	\$ 9,199	\$ 4,784	\$ 14,178
Europe.....	(2,215)	(2,247)	3,577	6,792
Electric	(594)	(89)	(1,509)	291
Consolidated	<u>\$ 504</u>	<u>\$ 6,863</u>	<u>\$ 6,852</u>	<u>\$ 21,261</u>