

VOLCOM, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Revenues:				
Product revenues	\$ 69,082	\$ 68,352	\$ 332,110	\$ 265,193
Licensing revenues	543	717	2,194	3,420
Total revenues	69,625	69,069	334,304	268,613
Cost of goods sold	38,682	39,093	171,208	138,570
Gross profit	30,943	29,976	163,096	130,043
Operating expenses:				
Selling, general and administrative expenses	26,478	19,282	112,464	79,411
Asset impairments	16,230	—	16,230	—
Total operating expenses	42,708	19,282	128,694	79,411
Operating (loss) income	(11,765)	10,694	34,402	50,632
Other income:				
Interest income, net	15	830	901	3,973
Foreign currency (loss) gain	(1,760)	123	(1,807)	401
Total other (loss) income	(1,745)	953	(906)	4,374
(Loss) income before provision for income taxes	(13,510)	11,647	33,496	55,006
Provision for income taxes	(4,761)	4,532	11,787	21,671
Net (loss) income	\$ (8,749)	\$ 7,115	\$ 21,709	\$ 33,335
Net (loss) income per share:				
Basic	\$ (0.36)	\$ 0.29	\$ 0.89	\$ 1.37
Diluted	\$ (0.36)	\$ 0.29	\$ 0.89	\$ 1.37
Weighted average shares outstanding:				
Basic	24,347,362	24,325,058	24,337,923	24,302,893
Diluted	24,347,362	24,413,164	24,357,652	24,419,802

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 79,613	\$ 92,962
Accounts receivable — net of allowances	60,914	58,270
Inventories	27,086	20,440
Prepaid expenses and other current assets	2,596	1,720
Income taxes receivable.....	3,309	326
Deferred income taxes	4,947	2,956
Total current assets	<u>178,465</u>	<u>176,674</u>
Property and equipment — net.....	26,716	24,427
Investments in unconsolidated investees	330	298
Deferred income taxes	4,028	268
Intangible assets — net.....	10,578	363
Goodwill.....	665	—
Other assets.....	841	464
Total assets	<u>\$221,623</u>	<u>\$ 202,494</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable.....	\$ 15,291	\$ 18,694
Accrued expenses and other current liabilities	12,027	10,561
Current portion of capital lease obligations.....	<u>71</u>	<u>72</u>
Total current liabilities.....	<u>27,389</u>	<u>29,327</u>
Long-term capital lease obligations.....	23	33
Other long-term liabilities	414	190
Income taxes payable – non-current.....	94	89
Stockholders' equity:		
Common stock.....	24	24
Additional paid-in capital	90,456	89,185
Retained earnings	101,935	80,226
Accumulated other comprehensive income	<u>1,288</u>	<u>3,420</u>
Total stockholders' equity	<u>193,703</u>	<u>172,855</u>
Total liabilities and stockholders' equity.....	<u>\$221,623</u>	<u>\$ 202,494</u>

VOLCOM, INC. AND SUBSIDIARIES

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

	Year Ended December 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 21,709	\$ 33,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,315	2,895
Provision for doubtful accounts	2,332	831
Excess tax benefits related to exercise of stock options	(34)	(444)
Loss on disposal of property and equipment	1	24
Asset impairment	16,230	161
Stock-based compensation	985	934
Deferred income taxes	(6,349)	(191)
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(3,114)	(23,736)
Inventories	(1,844)	(6,789)
Prepaid expenses and other current assets	(499)	(311)
Income taxes receivable/payable	(3,021)	(339)
Other assets	(306)	(242)
Accounts payable	(8,096)	9,396
Accrued expenses	(425)	3,791
Other long-term liabilities	(212)	(36)
Net cash provided by operating activities	24,672	19,279
Cash flows from investing activities:		
Purchase of property and equipment	(5,915)	(14,989)
Business acquisitions, net of cash acquired	(32,138)	—
Purchase of intangible assets	(589)	—
Purchase of short-term investments	(278)	—
Sale of short-term investments	278	—
Purchase of additional shares in cost method investee	(32)	—
Proceeds from sale of property and equipment	15	16
Net cash used in investing activities	(38,659)	(14,973)
Cash flows from financing activities:		
Principal payments capital lease obligations	(127)	(78)
Proceeds from government grants	455	229
Proceeds from exercise of stock options	273	1,028
Excess tax benefits related to exercise of stock options	34	444
Net cash provided by financing activities	635	1,623
Effect of exchange rate changes on cash	3	1,619
Net (decrease) increase in cash and cash equivalents...	(13,349)	7,548
Cash and cash equivalents — Beginning of period	92,962	85,414
Cash and cash equivalents — End of period	\$ 79,613	\$ 92,962

VOLCOM, INC. AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION (UNAUDITED)
(in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
Total revenues:				
United States	\$ 54,912	\$ 58,860	\$ 237,109	\$ 228,494
Europe	10,922	10,209	73,005	40,119
Electric	3,791	—	24,190	—
Consolidated	<u>\$ 69,625</u>	<u>\$ 69,069</u>	<u>\$ 334,304</u>	<u>\$ 268,613</u>
Gross profit:				
United States	\$ 23,737	\$ 26,140	\$ 109,028	\$ 110,412
Europe	5,355	3,836	40,582	19,631
Electric	1,851	—	13,486	—
Consolidated	<u>\$ 30,943</u>	<u>\$ 29,976</u>	<u>\$ 163,096</u>	<u>\$ 130,043</u>
Operating (loss) income:				
United States	\$ 4,758	\$ 11,141	\$ 33,019	\$ 45,790
Europe	240	(447)	17,470	4,842
Electric	(16,763)	—	(16,087)	—
Consolidated	<u>\$ (11,765)</u>	<u>\$ 10,694</u>	<u>\$ 34,402</u>	<u>\$ 50,632</u>

VOLCOM, INC. AND SUBSIDIARIES

GAAP TO NON-GAAP RECONCILIATION (UNAUDITED) (in thousands, except share and per share data)

	<u>Three Months Ended December 31, 2008</u>	<u>Year Ended December 31, 2008</u>
(Loss) income before provision for income taxes	\$ (13,510)	\$ 33,496
Asset impairments	16,230	16,230
Foreign currency loss on Canadian receivables.....	<u>1,387</u>	<u>1,503</u>
Adjusted income before provision for income taxes ..	4,107	51,229
Adjusted provision for income taxes	<u>791</u>	<u>17,339</u>
Adjusted net income.....	<u>\$ 3,316</u>	<u>\$ 33,890</u>
Adjusted net income per share:		
Basic.....	\$ 0.14	\$ 1.39
Diluted.....	\$ 0.14	\$ 1.39
Weighted average shares outstanding:		
Basic.....	24,347,362	24,337,923
Diluted.....	24,354,217	24,357,652
	<u>Three Months Ended December 31, 2008</u>	<u>Year Ended December 31, 2008</u>
(Loss) income before provision for income taxes	\$ (13,510)	\$ 33,496
Asset impairments	<u>16,230</u>	<u>16,230</u>
Adjusted income before provision for income taxes ..	2,720	49,726
Adjusted provision for income taxes	<u>207</u>	<u>16,754</u>
Adjusted net income.....	<u>\$ 2,513</u>	<u>\$ 32,972</u>
Adjusted net income per share:		
Basic.....	\$ 0.10	\$ 1.35
Diluted.....	\$ 0.10	\$ 1.35
Weighted average shares outstanding:		
Basic.....	24,347,362	24,337,923
Diluted.....	24,354,217	24,357,652

This press release contains non-GAAP financial measures, as defined in Regulation G promulgated by the Securities and Exchange Commission, with respect to the three and twelve month periods ended December 31, 2008. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the company or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Pursuant to the requirements of Regulation G, Volcom has provided reconciliations herein of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Specifically, the non-GAAP financial measures disclosed in this press release are "adjusted consolidated net income" and "adjusted consolidated net income per diluted share." Volcom believes its presentation of historical non-GAAP financial measures provides useful supplementary information to investors regarding its operational performance because it enhances an investor's overall understanding of the financial performance and prospects for the future of Volcom's core business activities by providing a basis for the comparison of results of core business activities between current and past periods. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.