

VOLCOM, INC. AND SUBSIDIARIES

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Product revenues	\$ 93,356	\$ 111,124	\$ 215,103	\$ 263,027
Licensing revenues.....	<u>560</u>	<u>545</u>	<u>1,348</u>	<u>1,651</u>
Total revenues	93,916	111,669	216,451	264,678
Cost of goods sold.....	<u>45,433</u>	<u>56,458</u>	<u>107,232</u>	<u>132,527</u>
Gross profit.....	48,483	55,211	109,219	132,151
Selling, general and administrative expenses.....	<u>28,825</u>	<u>30,305</u>	<u>82,710</u>	<u>85,985</u>
Operating income.....	19,658	24,906	26,509	46,166
Other income:				
Interest income, net.....	127	162	229	886
Foreign currency gain (loss)	<u>222</u>	<u>(70)</u>	<u>991</u>	<u>(47)</u>
Total other income	<u>349</u>	<u>92</u>	<u>1,220</u>	<u>839</u>
Income before provision for income taxes.....	20,007	24,998	27,729	47,005
Provision for income taxes.....	<u>6,750</u>	<u>8,726</u>	<u>9,381</u>	<u>16,547</u>
Net income	<u>\$ 13,257</u>	<u>\$ 16,272</u>	<u>\$ 18,348</u>	<u>\$ 30,458</u>
Net income per share:				
Basic.....	\$ 0.54	\$ 0.67	\$ 0.75	\$ 1.25
Diluted.....	\$ 0.54	\$ 0.67	\$ 0.75	\$ 1.25
Weighted average shares outstanding:				
Basic.....	24,354,208	24,344,584	24,350,725	24,334,743
Diluted.....	24,367,464	24,357,539	24,361,034	24,358,762

VOLCOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands)

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,329	\$ 79,613
Short-term investments	39,989	—
Accounts receivable — net of allowances	69,752	60,914
Inventories	22,425	27,086
Prepaid expenses and other current assets	3,021	2,596
Income taxes receivable	---	3,309
Deferred income taxes	<u>5,908</u>	<u>4,947</u>
Total current assets	<u>200,424</u>	<u>178,465</u>
Property and equipment — net	26,525	26,716
Investments in unconsolidated investees	330	330
Deferred income taxes	4,024	4,028
Intangible assets — net	10,520	10,578
Goodwill	668	665
Other assets	<u>820</u>	<u>841</u>
Total assets	<u>\$243,311</u>	<u>\$221,623</u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,835	\$ 15,291
Accrued expenses and other current liabilities	13,436	12,027
Income taxes payable	3,479	---
Current portion of capital lease obligations	<u>35</u>	<u>71</u>
Total current liabilities	<u>26,785</u>	<u>27,389</u>
Long-term capital lease obligations	---	23
Other long-term liabilities	327	414
Income taxes payable – non-current	70	94
Stockholders' equity:		
Common stock	24	24
Additional paid-in capital	91,641	90,456
Retained earnings	120,283	101,935
Accumulated other comprehensive income	<u>4,181</u>	<u>1,288</u>
Total stockholders' equity	<u>216,129</u>	<u>193,703</u>
Total liabilities and stockholders' equity	<u>\$ 243,311</u>	<u>\$ 221,623</u>

VOLCOM, INC. AND SUBSIDIARIES

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

	Nine Months Ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 18,348	\$ 30,458
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,034	5,280
Provision for doubtful accounts	2,434	1,056
Excess tax benefits related to exercise of stock options	—	(34)
Loss on disposal of property and equipment	3	18
Stock-based compensation	1,246	739
Deferred income taxes	(963)	(137)
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(13,574)	(21,375)
Inventories	5,032	(1,054)
Prepaid expenses and other current assets	(407)	(534)
Income taxes receivable/payable	6,683	3,112
Other assets	31	55
Accounts payable	(5,445)	(4,476)
Accrued expenses	1,040	887
Other long-term liabilities	(96)	(184)
Net cash provided by operating activities	19,366	13,811
Cash flows from investing activities:		
Purchase of property and equipment	(3,406)	(4,498)
Business acquisitions, net of cash acquired	(897)	(28,892)
Purchase of intangible assets	—	(305)
Purchase of short-term investments	(64,933)	(284)
Sale of short-term investments	24,944	284
Purchase of additional shares in cost method investee	—	(32)
Proceeds from sale of property and equipment	6	—
Net cash used in investing activities	(44,286)	(33,727)
Cash flows from financing activities:		
Principal payments capital lease obligations	(65)	(108)
Proceeds from government grants	—	470
Proceeds from exercise of stock options	—	273
Excess tax benefits related to exercise of stock options	—	34
Net cash (used in) provided by financing activities	(65)	669
Effect of exchange rate changes on cash	4,701	(391)
Net decrease in cash and cash equivalents	(20,284)	(19,638)
Cash and cash equivalents — Beginning of period	79,613	92,962
Cash and cash equivalents — End of period	\$ 59,329	\$ 73,324

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OPERATING SEGMENT INFORMATION (UNAUDITED)
(in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Total revenues:				
United States	\$ 56,769	\$ 72,797	\$ 142,839	\$ 182,197
Europe	30,250	31,020	57,814	62,083
Electric	6,897	7,852	15,798	20,398
Consolidated	<u>\$ 93,916</u>	<u>\$ 111,669</u>	<u>\$ 216,451</u>	<u>\$ 264,678</u>
Gross profit:				
United States	\$ 28,350	\$ 33,637	\$ 69,874	\$ 85,290
Europe	16,016	17,156	30,457	35,226
Electric	4,117	4,418	8,888	11,635
Consolidated	<u>\$ 48,483</u>	<u>\$ 55,211</u>	<u>\$ 109,219</u>	<u>\$ 132,151</u>
Operating income (loss):				
United States	\$ 9,017	\$ 14,083	\$ 13,801	\$ 28,261
Europe	9,730	10,439	13,306	17,230
Electric	911	384	(598)	675
Consolidated	<u>\$ 19,658</u>	<u>\$ 24,906</u>	<u>\$ 26,509</u>	<u>\$ 46,166</u>