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Quiksilver, Inc. Reports Fiscal 2010 First Quarter Financial Results

- **Net Revenues of \$433 million versus \$443 million in prior year**
- **Pro-Forma Loss from Continuing Operations of \$0.02 per share versus Pro-Forma Loss of \$0.07 per share in prior year**
- **Loss from Continuing Operations of \$0.04 per share versus Loss of \$0.52 per share in prior year**

Huntington Beach, California, March 11, 2010--Quiksilver, Inc. (NYSE:ZQK) today announced operating results for the first quarter ended January 31, 2010. Consolidated net revenues from continuing operations for the first quarter of fiscal 2010 decreased 2% to \$432.7 million from \$443.3 million in the first quarter of fiscal 2009. The pro-forma consolidated loss from continuing operations for the first quarter of fiscal 2010 was \$2.5 million, or \$0.02 per share, compared to \$9.0 million, or \$0.07 per share, for the first quarter of fiscal 2009. The pro-forma loss for the first quarter of fiscal 2010 excludes a \$3.0 million severance charge, primarily in the Americas. Including this charge, the loss from continuing operations was \$5.4 million, or \$0.04 per share, compared to \$65.9 million, or \$0.52 per share, for the first quarter of fiscal 2009. A reconciliation of GAAP results to pro-forma results is included in the accompanying tables. Net revenues and the loss from continuing operations for all periods exclude the results of the Rossignol wintersports business, which was sold in November 2008 and is reported as discontinued operations.

Robert B. McKnight, Jr., Chairman of the Board, Chief Executive Officer and President of Quiksilver, Inc., commented, "We're pleased to deliver first quarter financial results that exceed our prior expectations. We have taken bold steps over the past several quarters to improve our operations and with continuing hopes for economic stabilization and improvement, we are poised to benefit from any upturn in discretionary consumer spending. While we recognize that U.S. retail trends in general are improving, it appears that the pace of global recovery will not be uniform. That being said, we are well-positioned to deliver improved financial performance in the future."

Net revenues in the Americas decreased 8% during the first quarter of fiscal 2010 to \$187.0 million from \$203.4 million in the first quarter of fiscal 2009. As measured in U.S. dollars and reported in the financial statements, European net revenues decreased 2% during the first quarter of fiscal 2010 to \$177.9 million from \$181.7 million in the first quarter of fiscal 2009. In constant currency, European segment net revenues decreased 12% compared to the prior year. As measured in U.S. dollars and reported in the financial statements, Asia/Pacific net revenues increased 16% to \$67.1 million in the first quarter of fiscal 2010 from \$57.6 million in the first quarter of fiscal 2009. In constant currency, Asia/Pacific segment net revenues decreased 15% compared to the prior year. Please refer to the accompanying tables in order to better understand the impact of foreign currency on revenue trends in our Europe and Asia/Pacific segments.

Consolidated inventories decreased 21% to \$301.2 million at January 31, 2010 from \$380.5 million at January 31, 2009. Consolidated trade accounts receivable decreased 13% to \$323.0 million at January 31, 2010 from \$373.4 million at January 31, 2009.

Addressing its outlook for continuing operations, the Company stated that based on current trends, second quarter revenues are expected to be down in the high single-digits on a percentage basis compared to the same quarter a year ago and that it expects to generate earnings per share on a diluted basis in the low-single-digit range. The Company indicated



that longer term visibility into revenues and earnings remains somewhat limited at the present time.

The Company had approximately \$148 million of availability under its credit lines in addition to approximately \$150 million of unrestricted cash at the end of the first quarter.

About Quiksilver:

Quiksilver, Inc. (NYSE:ZQK) is the world's leading outdoor sports lifestyle company, which designs, produces and distributes a diversified mix of branded apparel, footwear, accessories, snowboards and related products. The Company's apparel and footwear brands represent a casual lifestyle for young-minded people that connect with its boardriding culture and heritage.

The reputation of Quiksilver's brands is based on outdoor action sports. The Company's Quiksilver, Roxy, DC, Lib Tech and Hawk brands are synonymous with the heritage and culture of surfing, skateboarding and snowboarding, and its beach and water oriented swimwear brands include Raisins, Radio Fiji and Leilani.

The Company's products are sold in over 90 countries in a wide range of distribution, including surf shops, skate shops, snow shops, its proprietary Boardriders Club shops and other company-owned retail stores, other specialty stores and select department stores. Quiksilver's corporate and Americas' headquarters are in Huntington Beach, California, while its European headquarters are in St. Jean de Luz, France, and its Asia/Pacific headquarters are in Torquay, Australia.

Forward looking statements:

This press release contains forward-looking statements including but not limited to statements regarding the Company's revenue guidance, diluted earnings per share guidance and other future activities. These forward-looking statements are subject to risks and uncertainties, and actual results may differ materially. Please refer to Quiksilver's SEC filings for more information on the risk factors that could cause actual results to differ materially from expectations, specifically the sections titled "Risk Factors" and "Forward-Looking Statements" in Quiksilver's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

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NOTE: For further information about Quiksilver, Inc., you are invited to take a look at our world at www.quiksilver.com, www.roxy.com, www.dcshoes.com, www.lib-tech.com and www.hawkclothing.com.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| <i>In thousands, except per share amounts</i> | Three Months Ended January 31, | |
|--|--------------------------------|--------------|
| | 2010 | 2009 |
| Revenues, net | \$ 432,737 | \$ 443,278 |
| Cost of goods sold | 210,588 | 236,115 |
| Gross profit | 222,149 | 207,163 |
| Selling, general and administrative expense | 203,160 | 206,818 |
| Operating income | 18,989 | 345 |
| Interest expense | 21,873 | 14,154 |
| Foreign currency (gain) loss | (1,979) | 1,430 |
| Other expense (income) | 5 | (574) |
| Loss before provision for income taxes | (910) | (14,665) |
| Provision for income taxes | 3,674 | 50,581 |
| Loss from continuing operations | (4,584) | (65,246) |
| Income (loss) from discontinued operations | 76 | (128,564) |
| Net loss | (4,508) | (193,810) |
| Less: net income attributable to non-controlling interest | (846) | (616) |
| Net loss attributable to Quiksilver, Inc. | \$ (5,354) | \$ (194,426) |
| Basic and diluted EPS: | | |
| Loss per share from continuing operations attributable to Quiksilver, Inc. | \$ (0.04) | \$ (0.52) |
| Income (loss) per share from discontinued operations attributable to Quiksilver Inc. | \$ 0.00 | \$ (1.01) |
| Net loss per share attributable to Quiksilver, Inc. | \$ (0.04) | \$ (1.53) |
| Weighted average common shares outstanding | 127,648 | 127,039 |
| Amounts attributable to Quiksilver, Inc.: | | |
| Loss from continuing operations | \$ (5,430) | \$ (65,862) |
| Income (loss) from discontinued operations | 76 | (128,564) |
| Net loss | \$ (5,354) | \$ (194,426) |

CONSOLIDATED BALANCE SHEETS (Unaudited)

| <i>In thousands</i> | January 31, <u>2010</u> | January 31, <u>2009</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 149,561 | \$ 42,089 |
| Restricted cash | 49,352 | — |
| Trade accounts receivable, less allowance for doubtful accounts of \$48,156 (2010) and \$30,899 (2009) | 322,959 | 373,357 |
| Other receivables | 28,832 | 65,650 |
| Inventories | 301,216 | 380,502 |
| Deferred income taxes – short-term | 63,220 | 88,284 |
| Prepaid expenses and other current assets | 40,698 | 37,337 |
| Current assets held for sale | <u>86</u> | <u>18,043</u> |
| Total current assets | 955,924 | 1,005,262 |
| Restricted cash | — | 45,824 |
| Fixed assets, net | 225,320 | 229,152 |
| Intangibles, net | 141,995 | 143,683 |
| Goodwill | 324,431 | 295,406 |
| Other assets | 76,017 | 39,844 |
| Deferred income taxes – long-term | <u>58,586</u> | <u>647</u> |
| Total assets | <u>\$ 1,782,273</u> | <u>\$ 1,759,818</u> |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Lines of credit | \$ 24,927 | \$ 237,299 |
| Accounts payable | 203,232 | 252,557 |
| Accrued liabilities | 91,222 | 84,730 |
| Current portion of long-term debt | 93,314 | 33,051 |
| Income taxes payable | 14,202 | 3,763 |
| Current liabilities of assets held for sale | <u>324</u> | <u>3,925</u> |
| Total current liabilities | 427,221 | 615,325 |
| Long-term debt | 858,324 | 742,976 |
| Other long-term liabilities | <u>40,573</u> | <u>30,689</u> |
| Total liabilities | 1,326,118 | 1,388,990 |
| Stockholders' equity: | | |
| Common stock | 1,318 | 1,310 |
| Additional paid-in capital | 370,878 | 337,870 |
| Treasury stock | (6,778) | (6,778) |
| Accumulated deficit | (6,977) | (4,007) |
| Accumulated other comprehensive income | <u>89,424</u> | <u>37,487</u> |
| Total Quiksilver, Inc. stockholders' equity | 447,865 | 365,882 |
| Non-controlling interest | <u>8,290</u> | <u>4,946</u> |
| Total stockholders' equity | <u>456,155</u> | <u>370,828</u> |
| Total liabilities & stockholders' equity | <u>\$ 1,782,273</u> | <u>\$ 1,759,818</u> |

Information related to operating segments is as follows (unaudited):

| | <u>Three Months Ended January 31,</u> | |
|--------------------------|---------------------------------------|-------------------|
| <i>In thousands</i> | <u>2010</u> | <u>2009</u> |
| Revenues, net: | | |
| Americas | \$ 186,961 | \$ 203,413 |
| Europe | 177,877 | 181,698 |
| Asia/Pacific | 67,052 | 57,590 |
| Corporate operations | <u>847</u> | <u>577</u> |
| | <u>\$ 432,737</u> | <u>\$ 443,278</u> |
| Gross Profit: | | |
| Americas | \$ 81,015 | \$ 75,666 |
| Europe | 104,253 | 100,766 |
| Asia/Pacific | 37,043 | 30,701 |
| Corporate operations | <u>(162)</u> | <u>30</u> |
| | <u>\$ 222,149</u> | <u>\$ 207,163</u> |
| SG&A Expense: | | |
| Americas | \$ 76,361 | \$ 92,006 |
| Europe | 85,804 | 78,765 |
| Asia/Pacific | 31,377 | 26,916 |
| Corporate operations | <u>9,618</u> | <u>9,131</u> |
| | <u>\$ 203,160</u> | <u>\$ 206,818</u> |
| Operating Income (Loss): | | |
| Americas | \$ 4,654 | \$ (16,340) |
| Europe | 18,449 | 22,001 |
| Asia/Pacific | 5,666 | 3,785 |
| Corporate operations | <u>(9,780)</u> | <u>(9,101)</u> |
| | <u>\$ 18,989</u> | <u>\$ 345</u> |

GAAP TO PRO-FORMA RECONCILIATION (UNAUDITED)

| | Three Months Ended January 31, | |
|---|---|--------------------|
| | <u>2010</u> | <u>2009</u> |
| Loss from continuing operations | \$ (5,430) | \$ (65,862) |
| Severance charges, net of tax of \$87 (2010) | 2,977 | 6,103 |
| Effect of U.S. tax valuation allowance | — | 50,778 |
| Pro-forma loss from continuing operations | <u>\$ (2,453)</u> | <u>\$ (8,981)</u> |
| Pro-forma loss per share from continuing operations | <u>\$ (0.02)</u> | <u>\$ (0.07)</u> |
| Pro-forma loss per share from continuing operations, assuming dilution | <u>\$ (0.02)</u> | <u>\$ (0.07)</u> |
| Weighted average common shares outstanding | <u>127,648</u> | <u>127,039</u> |
| Weighted average common shares outstanding, assuming dilution | <u>127,648</u> | <u>127,039</u> |

ADJUSTED EBITDA and PRO-FORMA ADJUSTED EBITDA RECONCILIATION

| | Three Months Ended January 31, | |
|---|---|--------------------|
| | <u>2010</u> | <u>2009</u> |
| Loss from continuing operations | \$ (5,430) | \$ (65,862) |
| Provision for income taxes | 3,674 | 50,581 |
| Interest expense | 21,873 | 14,154 |
| Depreciation and amortization | 13,570 | 13,303 |
| Non-cash stock-based compensation expense | <u>2,132</u> | <u>2,707</u> |
| Adjusted EBITDA | \$ 35,819 | \$ 14,883 |
| Severance charges | <u>3,064</u> | <u>6,103</u> |
| Pro-forma Adjusted EBITDA | <u>\$ 38,883</u> | <u>\$ 20,986</u> |

Definition of Adjusted EBITDA:

Adjusted EBITDA is defined as income from continuing operations before (i) interest expense, (ii) income tax expense, (iii) depreciation and amortization, (iv) non-cash stock-based compensation expense and (v) asset impairments. Adjusted EBITDA is not defined under generally accepted accounting principles ("GAAP"), and it may not be comparable to similarly titled measures reported by other companies. We use Adjusted EBITDA, along with other GAAP measures, as a measure of profitability because Adjusted EBITDA helps us to compare our performance on a consistent basis by removing from our operating results the impact of our capital structure, the effect of operating in different tax jurisdictions, the impact of our asset base, which can differ depending on the book value of assets, the accounting methods used to compute depreciation and amortization, the existence or timing of asset impairments and the effect of non-cash stock-based compensation expense. We believe EBITDA is useful to investors as it is a widely used measure of performance and the adjustments we make to EBITDA provide further clarity on our profitability. We remove the effect of non-cash stock-based compensation from our earnings which can vary based on share price, share price volatility and expected life of the equity instruments we grant. In addition, this stock-based compensation expense does not result in cash payments by us. We remove the effect of asset impairments from Adjusted EBITDA for the same reason that we remove depreciation and amortization as it is part of the impact of our asset base. Adjusted EBITDA has limitations as a profitability measure in that it does not include the interest expense on our debts, our provisions for income taxes, the effect of our expenditures for capital assets and certain intangible assets, the effect of non-cash stock-based compensation expense and the effect of asset impairments.

**SUPPLEMENTAL EXCHANGE RATE INFORMATION
(UNAUDITED)**

In order to better understand growth rates in our foreign operating segments, we make reference to constant currency. Constant currency reporting generally improves visibility into actual growth rates as it adjusts for the effect of changing foreign currency exchange rates from period to period. For income statement items, constant currency is calculated by taking the average foreign currency exchange rate used in translation for the current period and applying that same rate to the prior period. Our European segment is translated into constant currency using euros and our Asia/Pacific segment is translated into constant currency using Australian dollars, as these are the primary functional currencies of each reporting segment. As such, this methodology does not account for movements in individual currencies within an operating segment (for example, non-euro currencies within our European segment). A constant currency translation methodology that accounts for movements in each individual currency could yield a different result compared to using only euros and Australian dollars. The following table presents revenues by segment in both historical currency and constant currency for the three months ended January 31, 2009 and 2010:

| Historical currency (as reported) | <u>Americas</u> | <u>Europe</u> | <u>Asia/Pacific</u> | <u>Corporate</u> | <u>Total</u> |
|---|-----------------|---------------|---------------------|------------------|--------------|
| January 31, 2009 | 203,413 | 181,698 | 57,590 | 577 | 443,278 |
| January 31, 2010 | 186,961 | 177,877 | 67,052 | 847 | 432,737 |
| Percentage (decrease) increase | (8%) | (2%) | 16% | | (2%) |
| Constant currency (current year exchange rates) | | | | | |
| January 31, 2009 | 203,413 | 201,230 | 78,431 | 577 | 483,651 |
| January 31, 2010 | 186,961 | 177,877 | 67,052 | 847 | 432,737 |
| Percentage decrease | (8%) | (12%) | (15%) | | (11%) |