

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2010

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14229

QUIKSILVER, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0199426
(I.R.S. Employer
Identification Number)

15202 Graham Street
Huntington Beach, California
92649

(Address of principal executive offices)
(Zip Code)

(714) 889-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** **No**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** **No**

The number of shares outstanding of Registrant's Common Stock,
par value \$0.01 per share, at
March 5, 2010 was 128,876,730

QUIKSILVER, INC.

FORM 10-Q INDEX

<u>PART I - FINANCIAL INFORMATION</u>	<u>Page No.</u>
Item 1. Financial Statements (Unaudited):	
Quiksilver, Inc. Condensed Consolidated Statements of Operations Three Months Ended January 31, 2010 and 2009	2
Quiksilver, Inc. Condensed Consolidated Statements of Comprehensive Loss Three Months Ended January 31, 2010 and 2009	2
Quiksilver, Inc. Condensed Consolidated Balance Sheets January 31, 2010 and October 31, 2009	3
Quiksilver, Inc. Condensed Consolidated Statements of Cash Flows Three Months Ended January 31, 2010 and 2009	4
Quiksilver, Inc. Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
Results of Operations	24
Three Months Ended January 31, 2010 Compared to Three Months Ended January 31, 2009	25
Financial Position, Capital Resources and Liquidity	26
Critical Accounting Policies	28
New Accounting Pronouncements	30
Forward-Looking Statements	30
Item 3. Quantitative and Qualitative Disclosures About Market Risk	30
Item 4. Controls and Procedures	31
<u>Part II - OTHER INFORMATION</u>	
Item 5. Exhibits	32
<u>SIGNATURES</u>	34

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

QUIKSILVER, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)**

	<u>Three months ended January 31,</u>	
	<u>2010</u>	<u>2009</u>
<i>In thousands, except per share amounts</i>		
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.	<u>\$ (5,354)</u>	<u>\$ (194,426)</u>
Basic and diluted EPS:		
Loss per share from continuing operations attributable to Quiksilver, Inc.	<u>\$ (0.04)</u>	<u>\$ (0.52)</u>
Income (loss) per share from discontinued operations attributable to Quiksilver, Inc.	<u>\$ 0.00</u>	<u>\$ (1.01)</u>
Net loss per share attributable to Quiksilver, Inc.	<u>\$ (0.04)</u>	<u>\$ (1.53)</u>
Weighted average common shares outstanding	<u>127,648</u>	<u>127,039</u>
Amounts attributable to Quiksilver, Inc.:		
Loss from continuing operations	\$ (5,430)	\$ (65,862)
Income (loss) from discontinued operations	76	(128,564)
Net loss	<u>\$ (5,354)</u>	<u>\$ (194,426)</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)**

	<u>Three months ended January 31,</u>	
	<u>2010</u>	<u>2009</u>
<i>In thousands</i>		
Net loss	\$ (4,508)	\$ (193,810)
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(23,327)	5,719
Reclassification adjustment for foreign currency translation included in current period loss from discontinued operations	—	(47,850)
Net unrealized income (loss) on derivative instruments, net of tax of \$8,024 (2010) and (\$168) (2009)	17,355	(892)
Comprehensive loss	(10,480)	(236,833)
Comprehensive loss attributable to non-controlling interest	(846)	(616)
Comprehensive loss attributable to Quiksilver, Inc.	<u>\$ (11,326)</u>	<u>\$ (237,449)</u>

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>In thousands, except share amounts</i>	January 31, 2010	October 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 149,561	\$ 99,516
Restricted cash	49,352	52,706
Trade accounts receivable, less allowances of \$48,156 (2010) and \$47,211 (2009)	322,959	430,884
Other receivables	28,832	25,615
Inventories	301,216	267,730
Deferred income taxes short-term	63,220	76,638
Prepaid expenses and other current assets	40,698	37,333
Current assets held for sale	<u>86</u>	<u>1,777</u>
Total current assets	955,924	992,199
Fixed assets, less accumulated depreciation and amortization of \$246,655 (2010) and \$248,557 (2009)	225,320	239,333
Intangible assets, net	141,995	142,954
Goodwill	324,431	333,758
Other assets	76,017	75,353
Deferred income taxes long-term	<u>58,586</u>	<u>69,011</u>
Total assets	<u>\$ 1,782,273</u>	<u>\$ 1,852,608</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 24,927	\$ 32,592
Accounts payable	203,232	162,373
Accrued liabilities	91,222	116,274
Current portion of long-term debt	93,314	95,231
Income taxes payable	14,202	23,574
Liabilities related to assets held for sale	<u>324</u>	<u>458</u>
Total current liabilities	427,221	430,502
Long-term debt, net of current portion	858,324	911,430
Other long-term liabilities	<u>40,573</u>	<u>46,643</u>
Total liabilities	<u>1,326,118</u>	<u>1,388,575</u>
Stockholders' equity:		
Preferred stock, \$.01 par value, authorized shares - 5,000,000; issued and outstanding shares - none	—	—
Common stock, \$.01 par value, authorized shares - 185,000,000; issued shares – 131,761,930 (2010) and 131,484,363 (2009)	1,318	1,315
Additional paid-in capital	370,878	368,285
Treasury stock, 2,885,200 shares	(6,778)	(6,778)
Accumulated deficit	(6,977)	(1,623)
Accumulated other comprehensive income	<u>89,424</u>	<u>95,396</u>
Total Quiksilver, Inc. stockholders' equity	447,865	456,595
Non-controlling interest	<u>8,290</u>	<u>7,438</u>
Total stockholders' equity	456,155	464,033
Total liabilities and stockholders' equity	<u>\$ 1,782,273</u>	<u>\$ 1,852,608</u>

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>In thousands</i>	Three months ended January 31,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (4,508)	\$ (193,810)
Adjustments to reconcile net loss to net cash provided by operating activities:		
(Income) loss from discontinued operations	(76)	128,564
Depreciation and amortization	13,570	13,303
Stock-based compensation and tax benefit on option exercises	2,132	2,707
Provision for doubtful accounts	3,238	2,945
Loss on disposal of fixed assets	65	185
Foreign currency gain	(1,372)	(322)
Non-cash interest expense	6,519	—
Deferred income taxes	3,893	45,659
Changes in operating assets and liabilities, net of the effects from business acquisitions:		
Trade accounts receivable	92,808	89,336
Other receivables	(15)	3,752
Inventories	(44,822)	(72,418)
Prepaid expenses and other current assets	(6,620)	(11,779)
Other assets	(57)	(1,276)
Accounts payable	48,475	21,497
Accrued liabilities and other long-term liabilities	(10,901)	(7,787)
Income taxes payable	(7,278)	6,056
Cash provided by operating activities of continuing operations	95,051	26,612
Cash provided by operating activities of discontinued operations ..	1,625	2,046
Net cash provided by operating activities	96,676	28,658
Cash flows from investing activities:		
Capital expenditures	(10,699)	(10,309)
Cash used in investing activities of continuing operations	(10,699)	(10,309)
Cash provided by investing activities of discontinued operations ..	—	21,848
Net cash (used in) provided by investing activities	(10,699)	11,539
Cash flows from financing activities:		
Borrowings on lines of credit	—	8,454
Payments on lines of credit	(7,999)	(6,981)
Borrowings on long-term debt	27,109	23,222
Payments on long-term debt	(56,367)	(66,868)
Payments of debt issuance costs	(1,823)	—
Stock option exercises, employee stock purchases and tax benefit on option exercises	464	495
Cash used in financing activities of continuing operations	(38,616)	(41,678)
Cash used in financing activities of discontinued operations	—	(11,136)
Net cash used in financing activities	(38,616)	(52,814)
Effect of exchange rate changes on cash	2,684	1,664
Net increase (decrease) in cash and cash equivalents	50,045	(10,953)
Cash and cash equivalents, beginning of period	99,516	53,042
Cash and cash equivalents, end of period	\$ 149,561	\$ 42,089
Supplementary cash flow information:		
Cash paid during the period for:		
Interest	\$ 8,547	\$ 6,981
Income taxes	\$ 6,603	\$ 5,521

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statement presentation.

Quiksilver, Inc. (the "Company"), in its opinion, has included all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results of operations for the three months ended January 31, 2010 and 2009. The condensed consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements and notes for the year ended October 31, 2009 included in the Company's Annual Report on Form 10-K. Interim results are not necessarily indicative of results for the full year due to seasonal and other factors.

In November 2008, the Company sold its Rossignol business, including the related brands of *Rossignol*, *Dynastar*, *Look* and *Lange*, and in December 2007, the Company sold its golf equipment business. As a result, the Company has classified its Rossignol wintersports and golf equipment businesses as discontinued operations for all periods presented.

The Company is highly leveraged; however, management believes that its cash flow from operations, together with its existing credit facilities and term loans will be adequate to fund the Company's capital requirements for at least the next twelve months. The Company also believes that its short-term uncommitted lines of credit in Asia/Pacific will continue to be made available. If these lines of credit are not made available, the Company could be adversely affected.

2. *New Accounting Pronouncements*

In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("ASC") Subtopic 105 "Generally Accepted Accounting Principles," which establishes the Accounting Standards Codification as the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the codification. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company updated its historical U.S. GAAP references to comply with the codification effective at the beginning of its fiscal quarter ending October 31, 2009. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows, since the codification is not intended to change U.S. GAAP.

In December 2007, the FASB issued authoritative guidance included in ASC Subtopic 805 "Business Combinations," which requires the Company to record fair value estimates of contingent consideration and certain other potential liabilities during the original purchase price allocation, expense acquisition costs as incurred and does not permit certain restructuring activities to be recorded as a component of purchase accounting. In April 2009, the FASB issued additional guidance that requires assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, only if fair value can be reasonably estimated and eliminates the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date. This guidance is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company adopted this guidance at the beginning of its fiscal year ending October 31, 2010 for all prospective business acquisitions. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In December 2007, the FASB issued authoritative guidance included in ASC Subtopic 810 "Consolidation," which requires noncontrolling interests in subsidiaries to be included in the equity section of the balance sheet. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this guidance at the beginning of its fiscal year ending October 31, 2010. In the year of adoption, presentation and disclosure requirements apply retrospectively to all periods presented. These presentation and disclosure requirements resulted in the reclassification of minority interest liability to stockholders' equity on the accompanying consolidated balance sheets and the movement of minority interest expense to a separate line after net loss on the accompanying consolidated statements of operations. Other than these presentation and disclosure changes, the adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued authoritative guidance included in ASC Subtopic 815 "Derivatives and Hedging," which requires enhanced disclosures to enable investors to better understand how and why derivatives are used and their effects on an entity's financial position, financial performance and cash flows. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this guidance at the beginning of its fiscal quarter ending April 30, 2009. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows. See note 8 for certain required disclosures related to this guidance.

In April 2009, the FASB issued authoritative guidance included in ASC Subtopic 825 "Financial Instruments," which enhances consistency in financial reporting by increasing the frequency of fair value disclosures. This guidance is effective for interim periods ending after June 15, 2009 and the Company adopted this guidance during the three months ending July 31, 2009. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows. See note 8 for certain required disclosures related to this guidance.

3. *Earnings per Share and Stock-Based Compensation*

The Company reports basic and diluted earnings per share ("EPS"). Basic EPS is based on the weighted average number of shares outstanding during the period, while diluted EPS additionally includes the dilutive effect of the Company's outstanding stock options, warrants and shares of restricted stock computed using the treasury stock method. For the three months ended January 31, 2010 and 2009, the weighted average common shares outstanding, assuming dilution, does not include 1,058,000 and 658,000, respectively, of dilutive stock options and shares of restricted stock, nor 1,811,000 and zero, respectively, of dilutive warrant shares as the effect is anti-dilutive. For the three months ended January 31, 2010 and 2009, additional option shares outstanding of 17,085,000 and 16,332,000, respectively, and additional warrant shares outstanding of 23,843,000 and zero, respectively, were excluded from the calculation of diluted EPS, as their effect would have been anti-dilutive.

The Company accounts for stock-based compensation under the fair value recognition provisions of ASC 718 "Stock Compensation." The Company uses the Black-Scholes option-pricing model to value compensation expense. Forfeitures are estimated at the date of grant based on historical rates and reduce the compensation expense recognized. The expected term of options granted is derived from historical data on employee exercises. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is based on the historical volatility of the Company's stock. For the three months ended January 31, 2010 and 2009, options were valued assuming a risk-free interest rate of 2.7% and 2.1%, respectively, volatility of 73.5% and 61.8%, respectively, zero dividend yield, and an expected life of 6.4 and 5.9 years, respectively. The weighted average fair value of options granted was \$1.59 and \$1.01 for the three months ended January 31, 2010 and 2009, respectively. The Company records

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

stock compensation expense using the graded vested method over the vesting period, which is generally three years. As of January 31, 2010, the Company had approximately \$5.9 million of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 2.3 years. Stock-based compensation expense was included as selling, general and administrative expense for the period.

Changes in shares under option for the three months ended January 31, 2010 are as follows:

<i>Dollar amounts in thousands, except per share amounts</i>	<u>Shares</u>	<u>Weighted Average Price</u>	<u>Weighted Average Life</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, October 31, 2009.....	15,909,101	\$ 7.32		
Granted	1,835,000	2.35		
Exercised	—	—		\$ —
Canceled	<u>(613,000)</u>	8.64		
Outstanding, January 31, 2010.....	<u>17,131,101</u>	\$ 6.74	6.0	\$ 621
Options exercisable, January 31, 2010	<u>10,655,020</u>	\$ 9.11	4.0	\$ 89

Changes in non-vested shares under option for the three months ended January 31, 2010 are as follows:

	<u>Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Non-vested, October 31, 2009.....	5,698,070	\$ 1.90
Granted	1,835,000	1.59
Vested	(853,655)	4.06
Canceled	<u>(203,334)</u>	3.00
Non-vested, January 31, 2010.....	<u>6,476,081</u>	\$ 1.49

In March 2006, the Company's shareholders approved the 2006 Restricted Stock Plan and in March 2007, the Company's shareholders approved an amendment to the 2000 Stock Incentive Plan whereby restricted stock and restricted stock units can be issued from such plan. Stock issued under these plans generally vests from three to five years.

Changes in restricted stock for the three months ended January 31, 2010 are as follows:

	<u>Shares</u>
Outstanding, October 31, 2009.....	1,022,003
Granted	—
Vested	(10,000)
Forfeited	—
Outstanding, January 31, 2010.....	<u>1,012,003</u>

Compensation expense for restricted stock is determined using the intrinsic value method and forfeitures are estimated at the date of grant based on historical rates and reduce the compensation expense recognized. As of January 31, 2010, there had been no acceleration of the amortization period. As of January 31, 2010, the Company had approximately \$0.9 million of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.7 years.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

4. Inventories

Inventories consist of the following:

<i>In thousands</i>	January 31, 2010	October 31, 2009
Raw materials	\$ 6,289	\$ 6,904
Work in-process	2,025	5,230
Finished goods	<u>292,902</u>	<u>255,596</u>
	<u>\$ 301,216</u>	<u>\$ 267,730</u>

5. Intangible Assets and Goodwill

A summary of intangible assets is as follows:

<i>In thousands</i>	January 31, 2010			October 31, 2009		
	Gross Amount	Amorti- zation	Net Book Value	Gross Amount	Amorti- zation	Net Book Value
Amortizable trademarks	\$ 19,163	\$ (6,991)	\$ 12,172	\$ 19,472	\$ (6,745)	\$ 12,727
Amortizable licenses	11,875	(8,511)	3,364	12,237	(8,464)	3,773
Other amortizable intangibles	8,293	(4,829)	3,464	8,318	(4,695)	3,623
Non-amortizable trademarks	<u>122,995</u>	<u>—</u>	<u>122,995</u>	<u>122,831</u>	<u>—</u>	<u>122,831</u>
	<u>\$162,326</u>	<u>\$(20,331)</u>	<u>\$ 141,995</u>	<u>\$162,858</u>	<u>\$(19,904)</u>	<u>\$ 142,954</u>

Certain trademarks and licenses will continue to be amortized by the Company using estimated useful lives of 10 to 25 years with no residual values. Intangible amortization expense for the three months ended January 31, 2010 and 2009 was \$0.6 million and \$0.8 million, respectively. Annual amortization expense is estimated to be approximately \$3.0 million in the fiscal years ending October 31, 2010 through 2013, and approximately \$1.9 million in the fiscal year ending October 31, 2014.

Goodwill related to the Company's operating segments is as follows:

<i>In thousands</i>	January 31, 2010	October 31, 2009
Americas	\$ 77,904	\$ 77,891
Europe	177,283	184,802
Asia/Pacific	<u>69,244</u>	<u>71,065</u>
	<u>\$ 324,431</u>	<u>\$ 333,758</u>

Goodwill decreased approximately \$9.3 million during the three months ended January 31, 2010, primarily as a result of the effect of changes in foreign currency exchange rates.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

6. *Accumulated Other Comprehensive Income*

The components of accumulated other comprehensive income include net income, changes in fair value of derivative instruments qualifying as cash flow hedges and foreign currency translation adjustments. The components of accumulated other comprehensive income, net of tax, are as follows:

<i>In thousands</i>	January 31, 2010	October 31, 2009
Foreign currency translation adjustment.....	\$ 88,624	\$ 111,951
Gain (loss) on cash flow hedges	800	(16,555)
	<u>\$ 89,424</u>	<u>\$ 95,396</u>

7. *Segment Information*

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance. The Company operates in the outdoor market of the sporting goods industry in which the Company designs, markets and distributes clothing, footwear, accessories and related products. The Company currently operates in three segments: the Americas, Europe and Asia/Pacific. The Americas segment includes revenues from the U.S., Canada and Latin America. The European segment includes revenues from Europe, the Middle East and Africa. The Asia/Pacific segment includes revenues primarily from Australia, Japan, New Zealand and Indonesia. Costs that support all three segments, including trademark protection, trademark maintenance and licensing functions, are part of corporate operations. Corporate operations also includes sourcing income and gross profit earned from the Company's licensees. The Company's largest customer accounted for approximately 3% of the Company's net revenues from continuing operations for the three months ended January 31, 2010 and 2009.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Information related to the Company's operating segments is as follows:

<i>In thousands</i>	Three months ended January 31,	
	<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.....	847	577
	<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.....	(162)	30
	<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	9,618	9,131
	<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.....	(9,780)	(9,101)
	<u>\$ 18,989</u>	<u>\$ 345</u>
Identifiable assets:		
Americas.....	\$ 556,186	\$ 630,736
Europe	889,137	847,966
Asia/Pacific.....	274,905	232,958
Corporate operations.....	62,045	48,158
	<u>\$1,782,273</u>	<u>\$1,759,818</u>

8. *Derivative Financial Instruments*

The Company is exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to certain sales, royalty income and product purchases of its international subsidiaries that are denominated in currencies other than their functional currencies. The Company is also exposed to foreign currency gains and losses resulting from domestic transactions that are not denominated in U.S. dollars, and to fluctuations in interest rates related to its variable rate debt. Furthermore, the Company is exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in the Company's consolidated financial statements due to the translation of the operating results and financial position of the Company's international subsidiaries. As part of its overall strategy to manage the level of exposure to the risk of fluctuations in foreign currency exchange rates, the Company uses various foreign currency exchange contracts and intercompany loans. In addition, interest rate caps are used to manage the Company's exposure to the risk of fluctuations in interest rates.

The Company accounts for all of its cash flow hedges under ASC 815, "Derivatives and Hedging," which requires companies to recognize all derivative instruments as either assets or

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

liabilities at fair value in the consolidated balance sheet. In accordance with ASC 815, the Company designates forward contracts as cash flow hedges of forecasted purchases of commodities.

Effective February 1, 2009, the Company adopted additional guidance, which provides an enhanced disclosure framework for derivative instruments. ASC 815 requires that the fair values of derivative instruments and their gains and losses be disclosed in a manner that provides adequate information about the impact these instruments can have on a company's financial position, results of operations and cash flows.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. As of January 31, 2010, the Company was hedging forecasted transactions expected to occur through October 2011. Assuming January 31, 2010 exchange rates remain constant, \$0.8 million of gains, net of tax, related to hedges of these transactions are expected to be reclassified into earnings over the next 21 months.

For the three months ended January 31, 2010, the effective portions of gains on derivative instruments in the consolidated statement of operations were as follows:

<i>In thousands</i>	<u>Three Months Ended January 31, 2010</u>	
	<u>Amount</u>	<u>Location</u>
Gain recognized in OCI on derivatives	\$ 17,974	Other comprehensive income
Gain reclassified from accumulated OCI into income....	\$ 5,498	Cost of goods sold
Gain reclassified from accumulated OCI into income....	\$ 53	Foreign currency gain
Gain recognized in income on derivatives	\$ 816	Foreign currency gain

On the date the Company enters into a derivative contract, management designates the derivative as a hedge of the identified exposure. The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for entering into various hedge transactions. In this documentation, the Company identifies the asset, liability, firm commitment, or forecasted transaction that has been designated as a hedged item and indicates how the hedging instrument is expected to hedge the risks related to the hedged item. The Company formally measures effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy. The Company would discontinue hedge accounting prospectively (i) if management determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item, (ii) when the derivative expires or is sold, terminated, or exercised, (iii) if it becomes probable that the forecasted transaction being hedged by the derivative will not occur, (iv) because a hedged firm commitment no longer meets the definition of a firm commitment, or (v) if management determines that designation of the derivative as a hedge instrument is no longer appropriate. As a result of the expiration, sale, termination, or exercise of derivative contracts, the Company reclassified into earnings net losses of \$3.2 million during the three months ended January 31, 2009.

The Company enters into forward exchange and other derivative contracts with major banks and is exposed to losses in the event of nonperformance by these banks. The Company anticipates, however, that these banks will be able to fully satisfy their obligations under the contracts. Accordingly, the Company does not obtain collateral or other security to support the contracts.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of January 31, 2010, the Company had the following outstanding derivative contracts that were entered into to hedge forecasted purchases and to hedge interest rate fluctuations:

<i>In thousands</i>	<u>Commodity</u>	<u>Notional Amount</u>	<u>Maturity</u>	<u>Fair Value</u>
United States dollars	Inventory	\$ 368,738	Feb 2010 – Oct 2011	\$ 2,161
Swiss francs.....	Accounts receivable	6,882	Feb 2010 – Oct 2010	(92)
British pounds.....	Accounts receivable	18,374	Feb 2010 – Jul 2010	(251)
Interest rate caps.....		<u>167,868</u>	Jul 2013	<u>(601)</u>
		<u>\$ 561,862</u>		<u>\$ 1,217</u>

E

Effective November 1, 2008, the Company adopted guidance included in ASC 820, "Fair Value Measurements and Disclosures," which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as U.S. Treasury securities.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Valuation is determined using model-based techniques with significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of third party pricing services, option pricing models, discounted cash flow models and similar techniques.

The following table reflects the fair values of assets and liabilities measured and recognized at fair value on a recurring basis on the consolidated balance sheet as of January 31, 2010:

<i>In thousands</i>	<u>January 31, 2010</u>			
	<u>Fair Value Measurements Using</u>			<u>Assets</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at Fair Value</u>
Derivative assets:				
Other receivables	\$ —	\$ 5,268	\$ —	\$ 5,268
Other assets	—	3,416	—	3,416
Derivative liabilities:				
Accrued liabilities.....	—	(7,467)	—	(7,467)
Other long-term liabilities.....	—	—	—	—
Total fair value.....	<u>\$ —</u>	<u>\$ 1,217</u>	<u>\$ —</u>	<u>\$ 1,217</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

9. *Litigation, Indemnities and Guarantees*

The Company is involved from time to time in legal claims involving trademark and intellectual property, licensing, employee relations and other matters incidental to its business. The Company believes the resolution of any such matter currently pending will not have a material adverse effect on its financial condition or results of operations.

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to the Company's customers and licensees in connection with the use, sale and/or license of Company products, (ii) indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, (iii) indemnities to vendors and service providers pertaining to claims based on the negligence or willful misconduct of the Company, and (iv) indemnities involving the accuracy of representations and warranties in certain contracts. The duration of these indemnities, commitments and guarantees varies and, in certain cases, may be indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. As of January 31, 2010, the Company had not recorded any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets.

10. *Condensed Consolidating Financial Information*

The Company has \$400 million in publicly registered senior notes. Obligations under the Company's senior notes are fully and unconditionally guaranteed by certain of its domestic subsidiaries. The Company is required to present condensed consolidating financial information for Quiksilver, Inc. and its domestic subsidiaries within the notes to the consolidated financial statements in accordance with the criteria established for parent companies in the SEC's Regulation S-X, Rule 3-10(f). The following condensed consolidating financial information presents the results of operations, financial position and cash flows of Quiksilver Inc., its guarantor subsidiaries, its non-guarantor subsidiaries and the eliminations necessary to arrive at the information for the Company on a consolidated basis as of January 31, 2010 and October 31, 2009 and for the three months ended January 31, 2010 and 2009. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. The Company has applied the estimated consolidated annual effective income tax rate to both the guarantor and non-guarantor subsidiaries, adjusting for any discrete items, for interim reporting purposes. In the Company's consolidated financial statements for the fiscal year ending October 31, 2010, management will apply the actual income tax rates to both the guarantor and non-guarantor subsidiaries. These interim tax rates may differ from the actual annual effective income tax rates for both the guarantor and non-guarantor subsidiaries.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Three Months Ended January 31, 2010

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues, net.....	\$ 94	\$ 149,793	\$ 291,967	\$ (9,117)	\$ 432,737
Cost of goods sold	<u>—</u>	<u>87,647</u>	<u>126,398</u>	<u>(3,457)</u>	<u>210,588</u>
Gross profit	94	62,146	165,569	(5,660)	222,149
Selling, general and administrative expense.....	<u>8,182</u>	<u>66,118</u>	<u>134,584</u>	<u>(5,724)</u>	<u>203,160</u>
Operating (loss) income	(8,088)	(3,972)	30,985	64	18,989
Interest expense	7,181	7,128	7,564	—	21,873
Foreign currency gain.....	(197)	(14)	(1,768)	—	(1,979)
Equity in earnings and other expense.....	<u>(7,610)</u>	<u>5</u>	<u>—</u>	<u>7,610</u>	<u>5</u>
(Loss) income before (benefit) provision for income taxes.....	(7,462)	(11,091)	25,189	(7,546)	(910)
(Benefit) provision for income taxes	<u>(2,108)</u>	<u>(1,593)</u>	<u>7,375</u>	<u>—</u>	<u>3,674</u>
(Loss) income from continuing operations	(5,354)	(9,498)	17,814	(7,546)	(4,584)
Income from discontinued operations	<u>—</u>	<u>—</u>	<u>76</u>	<u>—</u>	<u>76</u>
Net (loss) income	(5,354)	(9,498)	17,890	(7,546)	(4,508)
Less: net income attributable to non-controlling interest	<u>—</u>	<u>(846)</u>	<u>—</u>	<u>—</u>	<u>(846)</u>
Net (loss) income attributable to Quiksilver, Inc.....	<u>\$ (5,354)</u>	<u>\$ (10,344)</u>	<u>\$ 17,890</u>	<u>\$ (7,546)</u>	<u>\$ (5,354)</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Three Months Ended January 31, 2009

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues, net.....	\$ 77	\$ 181,210	\$ 271,545	\$ (9,554)	\$ 443,278
Cost of goods sold	—	114,496	125,624	(4,005)	236,115
Gross profit	77	66,714	145,921	(5,549)	207,163
Selling, general and administrative expense.....	11,953	83,865	116,395	(5,395)	206,818
Operating (loss) income	(11,876)	(17,151)	29,526	(154)	345
Interest expense	10,625	534	2,995	—	14,154
Foreign currency (gain) loss.....	(135)	(21)	1,586	—	1,430
Equity in earnings and other (income) expense.....	194,768	(400)	(174)	(194,768)	(574)
(Loss) income before (benefit) provision for income taxes.....	(217,134)	(17,264)	25,119	194,614	(14,665)
(Benefit) provision for income taxes	(2,823)	46,025	7,379	—	50,581
(Loss) income from continuing operations	(214,311)	(63,289)	17,740	194,614	(65,246)
Income (loss) from discontinued operations	19,885	(2,722)	(146,237)	510	(128,564)
Net loss	(194,426)	(66,011)	(128,497)	195,124	(193,810)
Less: net (income) loss attributable to non-controlling interest	—	(667)	51	—	(616)
Net (loss) income attributable to Quiksilver, Inc.....	\$ (194,426)	\$ (66,678)	\$ (128,446)	\$ 195,124	\$ (194,426)

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

At January 31, 2010

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 29	\$ 62,823	\$ 86,709	\$ —	\$ 149,561
Restricted cash	—	—	49,352	—	49,352
Trade accounts receivable, net	—	113,840	209,119	—	322,959
Other receivables	735	4,879	23,218	—	28,832
Inventories	—	93,169	208,690	(643)	301,216
Deferred income taxes	—	8,603	54,617	—	63,220
Prepaid expenses and other current assets	13,468	8,582	18,648	—	40,698
Current assets held for sale	—	—	86	—	86
Total current assets	<u>14,232</u>	<u>291,896</u>	<u>650,439</u>	<u>(643)</u>	<u>955,924</u>
Fixed assets, net	3,987	68,922	152,411	—	225,320
Intangible assets, net	2,940	50,171	88,884	—	141,995
Goodwill	—	118,111	206,320	—	324,431
Investment in subsidiaries	918,912	—	—	(918,912)	—
Other assets	7,186	17,667	51,164	—	76,017
Deferred income taxes long-term	—	(28,017)	86,603	—	58,586
Total assets	<u>\$ 947,257</u>	<u>\$ 518,750</u>	<u>\$ 1,235,821</u>	<u>\$ (919,555)</u>	<u>\$ 1,782,273</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Lines of credit	\$ —	\$ —	\$ 24,927	\$ —	\$ 24,927
Accounts payable	1,238	83,869	118,125	—	203,232
Accrued liabilities	13,634	22,602	54,986	—	91,222
Current portion of long-term debt	—	825	92,489	—	93,314
Income taxes payable	—	3,355	10,847	—	14,202
Intercompany balances	84,520	(117,789)	33,269	—	—
Current liabilities of assets held for sale	—	15	309	—	324
Total current liabilities	<u>99,392</u>	<u>(7,123)</u>	<u>334,952</u>	<u>—</u>	<u>427,221</u>
Long-term debt, net of current portion	400,000	113,493	344,831	—	858,324
Other long-term liabilities	—	36,624	3,949	—	40,573
Total liabilities	<u>499,392</u>	<u>142,994</u>	<u>683,732</u>	<u>—</u>	<u>1,326,118</u>
Stockholders'/invested equity	<u>447,865</u>	<u>375,756</u>	<u>552,089</u>	<u>(919,555)</u>	<u>456,155</u>
Total liabilities and stockholders' equity	<u>\$ 947,257</u>	<u>\$ 518,750</u>	<u>\$ 1,235,821</u>	<u>\$ (919,555)</u>	<u>\$ 1,782,273</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

At October 31, 2009

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 321	\$ 1,135	\$ 98,060	\$ —	\$ 99,516
Restricted cash	—	—	52,706	—	52,706
Trade accounts receivable, net	—	150,540	280,344	—	430,884
Other receivables	854	4,869	19,892	—	25,615
Inventories.....	—	86,501	182,006	(777)	267,730
Deferred income taxes	—	8,658	67,980	—	76,638
Prepaid expenses and other current assets	12,981	11,039	13,313	—	37,333
Current assets held for sale	—	—	1,777	—	1,777
Total current assets	14,156	262,742	716,078	(777)	992,199
Fixed assets, net.....	4,323	71,265	163,745	—	239,333
Intangible assets, net.....	2,886	50,426	89,642	—	142,954
Goodwill	—	118,111	215,647	—	333,758
Investment in subsidiaries.....	952,358	—	—	(952,358)	—
Other assets	7,522	18,947	48,884	—	75,353
Deferred income taxes long-term.....	—	(28,017)	97,028	—	69,011
Total assets.....	<u>\$ 981,245</u>	<u>\$ 493,474</u>	<u>\$ 1,331,024</u>	<u>\$ (953,135)</u>	<u>\$ 1,852,608</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Lines of credit.....	\$ —	\$ —	\$ 32,592	\$ —	\$ 32,592
Accounts payable	1,594	60,003	100,776	—	162,373
Accrued liabilities	7,357	27,084	81,833	—	116,274
Current portion of long-term debt	—	1,140	94,091	—	95,231
Income taxes payable	—	9,174	14,400	—	23,574
Intercompany balances	115,699	(129,624)	13,925	—	—
Current liabilities related to assets held for sale	—	15	443	—	458
Total current liabilities	124,650	(32,208)	338,060	—	430,502
Long-term debt, net of current portion.....	400,000	110,829	400,601	—	911,430
Other long-term liabilities	—	36,984	9,659	—	46,643
Total liabilities	524,650	115,605	748,320	—	1,388,575
Stockholders'/invested equity.....	456,595	377,869	582,704	(953,135)	464,033
Total liabilities and stockholders' equity	<u>\$ 981,245</u>	<u>\$ 493,474</u>	<u>\$ 1,331,024</u>	<u>\$ (953,135)</u>	<u>\$ 1,852,608</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Three Months Ended January 31, 2010

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	\$ (5,354)	\$ (9,498)	\$ 17,890	\$ (7,546)	\$ (4,508)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
(Income) loss from discontinued operations.....	—	—	(76)	—	(76)
Depreciation and amortization	366	5,688	7,516	—	13,570
Stock-based compensation.....	2,132	—	—	—	2,132
Provision for doubtful accounts	—	1,321	1,917	—	3,238
Equity in earnings	(7,610)	—	—	7,610	—
Non-cash interest expense	317	3,787	2,415	—	6,519
Deferred income taxes	—	—	3,893	—	3,893
Other adjustments to reconcile net (loss) income	(165)	9	(1,151)	—	(1,307)
Changes in operating assets and liabilities:					
Trade accounts receivable	—	35,378	57,430	—	92,808
Inventories.....	—	(6,662)	(38,096)	(64)	(44,822)
Other operating assets and liabilities.....	5,497	17,352	755	—	23,604
Cash (used in) provided by operating activities of continuing operations	(4,817)	47,375	52,493	—	95,051
Cash (used in) provided by operating activities of discontinued operations	—	—	1,625	—	1,625
Net cash (used in) provided by operating activities.....	(4,817)	47,375	54,118	—	96,676
Cash flows from investing activities:					
Capital expenditures	(118)	(3,330)	(7,251)	—	(10,699)
Cash used in investing activities of continuing operations.....	(118)	(3,330)	(7,251)	—	(10,699)
Cash used in investing activities of discontinued operations.....	—	—	—	—	—
Net cash used in investing activities	(118)	(3,330)	(7,251)	—	(10,699)
Cash flows from financing activities:					
Borrowings on lines of credit	—	—	—	—	—
Payments on lines of credit	—	—	(7,999)	—	(7,999)
Payments of debt issuance costs.....	—	—	(1,823)	—	(1,823)
Borrowings on long-term debt	—	22,735	4,374	—	27,109
Payments on long-term debt	—	(23,049)	(33,318)	—	(56,367)
Stock option exercises, employee stock purchases and tax benefit on option exercises	464	—	—	—	464
Intercompany	4,179	17,957	(22,136)	—	—
Cash provided by (used in) financing activities of continuing operations	4,643	17,643	(60,902)	—	(38,616)
Cash used in financing activities of discontinued operations.....	—	—	—	—	—
Net cash provided by (used in) financing activities.....	4,643	17,643	(60,902)	—	(38,616)
Effect of exchange rate changes on cash	—	—	2,684	—	2,684
Net (decrease) increase in cash and cash equivalents	(292)	61,688	(11,351)	—	50,045
Cash and cash equivalents, beginning of period.....	321	1,135	98,060	—	99,516
Cash and cash equivalents, end of period	<u>\$ 29</u>	<u>\$ 62,823</u>	<u>\$ 86,709</u>	<u>\$ —</u>	<u>\$ 149,561</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Three Months Ended January 31, 2009

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net loss	\$ (194,426)	\$ (66,011)	\$ (128,497)	\$ 195,124	\$ (193,810)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:					
(Income) loss from discontinued operations.....	(19,885)	2,722	146,237	(510)	128,564
Depreciation and amortization	353	6,451	6,499	—	13,303
Stock-based compensation.....	2,707	—	—	—	2,707
Provision for doubtful accounts	—	1,148	1,797	—	2,945
Equity in earnings	194,768	—	—	(194,768)	—
Deferred income taxes	—	47,940	(2,281)	—	45,659
Other adjustments to reconcile net loss	(136)	5	(6)	—	(137)
Changes in operating assets and liabilities:					
Trade accounts receivable	—	49,219	40,117	—	89,336
Inventories.....	—	(23,699)	(48,363)	(356)	(72,418)
Other operating assets and liabilities.....	(1,774)	21,096	(8,859)	—	10,463
Cash (used in) provided by operating activities of continuing operations	(18,393)	38,871	6,644	(510)	26,612
Cash (used in) provided by operating activities of discontinued operations	(19,885)	45,099	(23,678)	510	2,046
Net cash (used in) provided by operating activities.....	(38,278)	83,970	(17,034)	—	28,658
Cash flows from investing activities:					
Capital expenditures	(3,484)	(2,297)	(4,528)	—	(10,309)
Cash used in investing activities of continuing operations.....	(3,484)	(2,297)	(4,528)	—	(10,309)
Cash provided by investing activities of discontinued operations	—	—	21,848	—	21,848
Net cash (used in) provided by investing activities	(3,484)	(2,297)	17,320	—	11,539
Cash flows from financing activities:					
Borrowings on lines of credit	—	—	8,454	—	8,454
Payments on lines of credit	—	—	(6,981)	—	(6,981)
Borrowings on long-term debt	—	22,206	1,016	—	23,222
Payments on long-term debt	—	(43,286)	(23,582)	—	(66,868)
Stock option exercises, employee stock purchases and tax benefit on option exercises	495	—	—	—	495
Intercompany	41,272	(56,456)	15,184	—	—
Cash provided by (used in) financing activities of continuing operations	41,767	(77,536)	(5,909)	—	(41,678)
Cash used in financing activities of discontinued operations	—	—	(11,136)	—	(11,136)
Net cash provided by (used in) financing activities.....	41,767	(77,536)	(17,045)	—	(52,814)
Effect of exchange rate changes on cash	—	—	1,664	—	1,664
Net increase (decrease) in cash and cash equivalents	5	4,137	(15,095)	—	(10,953)
Cash and cash equivalents, beginning of period.....	18	2,666	50,358	—	53,042
Cash and cash equivalents, end of period	<u>\$ 23</u>	<u>\$ 6,803</u>	<u>\$ 35,263</u>	<u>\$ —</u>	<u>\$ 42,089</u>

11. *Discontinued Operations*

The Company completed the sale of its Rossignol business in November 2008 for a purchase price of approximately \$50.8 million, comprised of \$38.1 million in cash and \$12.7 million which was issued to the Company as a promissory note. The business sold includes the related brands of *Rossignol*, *Dynastar*, *Look* and *Lange*. The Company used the cash proceeds from the sale to pay for related transaction costs and reduce its indebtedness. The promissory note was canceled in October 2009 in connection with the completion of the final working capital adjustment.

The operating results of discontinued operations, which include both the Rossignol wintersports equipment and apparel businesses, included in the accompanying consolidated statements of operations were as follows:

	<u>Three Months Ended</u>	
	<u>January 31,</u>	
	<u>2010</u>	<u>2009</u>
<i>In thousands</i>		
Revenues, net.....	\$ (150)	\$ 14,613
Income (loss) before income taxes.....	76	(216,636)
Benefit for income taxes	—	(88,072)
Income (loss) from discontinued operations.....	<u>\$ 76</u>	<u>\$ (128,564)</u>

The loss from discontinued operations for the three months ended January 31, 2009 includes the loss on sale of Rossignol of approximately \$122.3 million, net of expected tax benefits.

The remaining assets and liabilities of the Company's discontinued businesses primarily relate to its discontinued *Rossignol* apparel business. These assets and liabilities are classified as held for sale on the accompanying consolidated balance sheets.

12. *Income Taxes*

On November 6, 2009, the Worker, Homeownership, and Business Assistance Act of 2009 (the "Act") was enacted into legislation. The Act allows corporate taxpayers with net operating losses ("NOLs") for fiscal years ending after 2007 and beginning before 2010 to elect to carry back such NOLs up to five years. This election may be made for only one fiscal year. The Company plans to implement the elective carryback provision with respect to its fiscal year ending October 31, 2010 and has recorded a benefit in its statement of operations for the quarter ended January 31, 2010 of \$2.0 million.

On January 31, 2010, the Company's liability for uncertain tax positions was approximately \$149.2 million resulting from unrecognized tax benefits, excluding interest and penalties. During the three months ended January 31, 2010, the Company increased its liability for uncertain tax positions, exclusive of interest and penalties, by \$107.0 million. The Company increased its liability by \$108.4 million for positions taken in the current period and by \$7.2 million for positions taken in prior periods. The Company also reduced its liability by \$8.6 million primarily due to a lapse in a statute of limitations. The nature of the net increase relates primarily to intercompany restructuring transactions between foreign affiliates.

During the quarter, the Company recorded a liability of \$107.8 million that, if resolved unfavorably, would result in the reduction of tax attributes rather than a cash obligation. On its accompanying consolidated balance sheet, the Company has presented the liability and the corresponding tax attributes on a net basis.

If the Company's positions are favorably sustained by the relevant taxing authority, approximately \$138.7 million (excluding interest and penalties) of uncertain tax position liabilities would favorably impact the Company's effective tax rate in future periods.

The Company includes interest and penalties related to unrecognized tax benefits in its provision for income taxes in the accompanying consolidated statements of operations. During the quarter ended January 31, 2010, the Company recorded an expense of approximately \$2.7 million relating to interest and penalties, and as of January 31, 2010, the Company had a liability for interest and penalties of \$14.9 million.

During the next 12 months, it is reasonably possible that the Company's liability for uncertain tax positions may change by a significant amount as a result of the resolution or payment of uncertain tax positions related to intercompany transactions between foreign affiliates and certain foreign withholding tax exposures. Conclusion of these matters could result in settlement for different amounts than the Company has accrued as uncertain tax benefits. If a position for which the Company concluded was more likely than not is subsequently not upheld, then the Company would need to accrue and ultimately pay an additional amount. Conversely, the Company could settle positions with the tax authorities for amounts lower than have been accrued or extinguish a position through payment. The Company believes the outcomes which are reasonably possible within the next 12 months range from an increase of the liability for unrecognized tax benefits of up to \$14 million to a reduction of the liability for unrecognized tax benefits of up to \$125 million, excluding penalties and interest.

The Company has completed a federal tax audit in the United States for its fiscal years ending 2004 and 2005 and remains subject to examination for years thereafter. The Company's significant foreign tax jurisdictions, including France, Australia, and Canada, are subject to normal and regular examination for various tax years generally beginning in fiscal year 2000. The Company is currently under examination in Australia, France and Canada for fiscal years ending through 2008.

13. *Restructuring Charges*

In connection with its cost reduction efforts, the Company formulated the Fiscal 2009 Cost Reduction Plan (the "Plan"). The Plan covers the global operations of the Company, but is primarily concentrated in the United States. During the three months ended January 31, 2010, the Company recorded \$3.1 million in severance charges in selling, general and administrative expense, which includes \$0.8 million in the Americas segment, \$0.3 million in the European segment and \$2.0 million in corporate operations. The Company continues to evaluate its cost structure and may incur future charges under the Plan.

Activity and liability balances recorded as part of the Plan are as follows:

<i>In thousands</i>	<u>Workforce</u>	<u>Facility & Other</u>	<u>Total</u>
Balance November 1, 2008	\$ —	\$ —	\$ —
Charged to expense	19,769	4,590	24,359
Cash payments	(9,768)	(639)	(10,407)
Adjustments to accrual	(178)	—	(178)
Foreign currency translation	<u>135</u>	<u>—</u>	<u>135</u>
Balance, October 31, 2009	9,958	3,951	13,909
Charged to expense	3,064	—	3,064
Cash payments	(3,946)	(672)	(4,618)
Adjustments to accrual	—	—	—
Foreign currency translation	<u>(19)</u>	<u>—</u>	<u>(19)</u>
Balance, January 31, 2010	<u>\$ 9,057</u>	<u>\$ 3,279</u>	<u>\$ 12,336</u>

14. *Debt*

A summary of lines of credit and long-term debt is as follows:

<i>In thousands</i>	January 31, 2010	October 31, 2009
European short-term credit arrangements	\$ —	\$ 14
Asia/Pacific short-term lines of credit	24,927	32,578
Americas credit facility	—	—
Americas long-term debt	111,993	109,329
European long-term debt	340,586	389,029
European credit facility	33,002	38,243
Senior notes	400,000	400,000
Deferred purchase price obligation	46,296	49,144
Capital lease obligations and other borrowings	19,761	20,916
	<u>\$ 976,565</u>	<u>\$ 1,039,253</u>

The Company's current credit facilities allow for total maximum cash borrowings and letters of credit of \$331.7 million. The Company's total maximum borrowings and actual availability fluctuate depending on the extent of assets comprising the Company's borrowing base under certain credit facilities. The Company had \$87.0 million of borrowings drawn on these credit facilities as of January 31, 2010, and letters of credit issued at that time totaled \$46.1 million. The amount of availability for borrowings under these facilities as of January 31, 2010 was \$147.5 million, of which \$140.4 million was committed. Of this \$140.4 million in committed capacity, \$140.2 million can also be used for letters of credit. In addition to the \$147.5 million of availability for borrowings, the Company also had \$51.1 million in additional capacity for letters of credit in Europe and Asia/Pacific as of January 31, 2010. Many of the Company's debt agreements contain customary default provisions and restrictive covenants. The Company is currently in compliance with such covenants.

The estimated fair values of the Company's lines of credit and long-term debt are as follows (in thousands):

	January 31, 2010	
	Carrying Amount	Fair Value
Lines of credit	\$ 24,927	\$ 24,927
Long-term debt	951,638	911,638
	<u>\$ 976,565</u>	<u>\$ 936,565</u>

The carrying value of the Company's trade accounts receivable and accounts payable approximates fair value due to their short-term nature.

PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context indicates otherwise, when we refer to "Quiksilver", "we", "us", "our", or the "Company" in this Form 10-Q, we are referring to Quiksilver, Inc. and its subsidiaries on a consolidated basis. You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and related notes thereto contained elsewhere in this report. The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our securities. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended October 31, 2009 and subsequent reports on Form 8-K, which discuss our business in greater detail. The section entitled "Risk Factors" set forth in Item 1A of our Annual Report on Form 10-K, and similar disclosures in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the information in this report and in our other filings with the SEC, before deciding to purchase, hold or sell our securities.

Over the past 39 years, Quiksilver has been established as a global company representing the casual, youth lifestyle associated with boardriding sports. We began operations in 1976 as a California company making boardshorts for surfers in the United States under a license agreement with the *Quiksilver* brand founders in Australia. Our product offering expanded in the 1980s as we grew our distribution channels. After going public in 1986 and purchasing the rights to the *Quiksilver* brand in the United States from our Australian licensor, we further expanded our product offerings and began to diversify. In 1991, we acquired the European licensee of *Quiksilver* and introduced *Roxy*, our surf brand for teenage girls. We also expanded demographically in the 1990s by adding products for boys, girls, toddlers and men, and we introduced our proprietary retail store concept which displays the heritage and products of *Quiksilver* and *Roxy*. In 2000, we acquired the international *Quiksilver* and *Roxy* trademarks, and in 2002, we acquired our licensees in Australia and Japan. In 2004, we acquired DC Shoes, Inc. to expand our presence in action sports-inspired footwear. In 2005, we acquired Skis Rossignol SA, a wintersports and golf equipment company. Our golf equipment operations were subsequently sold in December 2007 and our Rossignol wintersports business was sold in November 2008. Our Rossignol wintersports business, including both equipment and related apparel, is classified as discontinued operations and the assets and related liabilities of our remaining Rossignol apparel business are classified as held for sale in our consolidated financial statements. As a result of this disposition, the following information has been adjusted to exclude our Rossignol businesses.

We operate in the outdoor market of the sporting goods industry in which we design, produce and distribute branded apparel, footwear, accessories and related products. Our products are sold throughout the world, primarily in surf shops, skate shops, snow shops and specialty stores. We currently operate in three segments: the Americas, Europe and Asia/Pacific. Our former wintersports equipment segment has been classified as discontinued operations. The Americas segment includes revenues from the U.S., Canada and Latin America. Our European segment includes revenues from Europe, the Middle East and Africa. Our Asia/Pacific segment includes revenues primarily from Australia, Japan, New Zealand and Indonesia. Royalties earned from various licensees in other international territories are categorized in corporate operations along with revenues from sourcing services for our licensees.

We operate in markets that are highly competitive, and our ability to evaluate and respond to changing consumer demands and tastes is critical to our success. If we are unable to remain competitive and maintain our consumer loyalty, our business will be negatively affected. We believe that our historical success is due to the development of an experienced team of designers, artists, sponsored athletes, technicians, researchers, merchandisers, pattern makers and contractors. Our team and the heritage and current strength of our brands has helped us remain competitive in our markets. Our success in the future will depend, in part, on our ability to continue to design products that are desirable in the

marketplace and competitive in the areas of quality, brand image, technical specifications, distribution methods, price, customer service and intellectual property protection.

Results of Operations

The table below shows certain components in our statements of operations and other data as a percentage of revenues:

<i>Statements of Operations data</i>	<u>Three Months Ended January 31,</u>	
	<u>2010</u>	<u>2009</u>
Revenues, net	100.0%	100.0%
Gross profit	51.3	46.7
Selling, general and administrative expense	46.9	46.7
Operating income	4.4	0.1
Interest expense	5.1	3.2
Foreign currency and other (income) expense	<u>(0.5)</u>	<u>0.2</u>
Loss before provision for income taxes	(0.2)%	(3.3)%
 <i>Other data</i>		
Adjusted EBITDA ⁽¹⁾	8.3%	3.4%

⁽¹⁾ Adjusted EBITDA is defined as income or loss 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. The following is a reconciliation of loss from continuing operations to Adjusted EBITDA:

	<u>Three Months Ended January 31,</u>	
	<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	<u>\$ 35,819</u>	<u>\$ 14,883</u>

Three Months Ended January 31, 2010 Compared to Three Months Ended January 31, 2009

Our total net revenues for the three months ended January 31, 2010 decreased 2% to \$432.7 million from \$443.3 million in the comparable period of the prior year. In constant currency, net revenues decreased 11% compared to the prior year. Our net revenues in each of the Americas, Europe and Asia/Pacific segments include apparel, footwear, accessories and related product lines for our *Quiksilver*, *Roxy*, *DC* and other brands, which include *Hawk*, *Raisins*, *Leilani*, *Radio Fiji*, *Lib Technologies*, *Gnu* and *Bent Metal*.

In order to better understand growth rates in our foreign operating segments, we make reference to constant currency. Constant currency improves visibility into actual growth rates as it adjusts for the effect of changing foreign currency exchange rates from period to period. Constant currency is calculated by taking the ending foreign currency exchange rate (for balance sheet items) or the average foreign currency exchange rate (for income statement items) 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, 2010 and 2009:

Historical currency (as reported)	Americas	Europe	Asia/Pacific	Corporate	Total
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%)

Revenues in the Americas decreased 8% to \$187.0 million for the three months ended January 31, 2010 from \$203.4 million in the comparable period of the prior year, while European revenues decreased 2% to \$177.9 million from \$181.7 million and Asia/Pacific revenues increased 16% to \$67.1 million from \$57.6 million for those same periods. The decrease in the Americas came primarily from the *Roxy* and *Quiksilver* brand revenues across all product categories, partially offset by growth in *DC* brand revenues. The decrease in Americas' revenues was attributable to general economic conditions affecting both our retail and wholesale channels, with particular softness in the junior's market. The increase in *DC* brand revenues was partially related to the timing of shipments. Europe's net revenues decreased 12% in constant currency. The currency adjusted revenue decrease in Europe was primarily the result of a decline in our *Roxy* and *Quiksilver* brand revenues, partially offset by some growth in *DC* brand revenues. The decrease in *Roxy* and *Quiksilver* brand revenues was generally across all product categories and was attributable to general economic conditions affecting both our retail and wholesale channels, with particular softness in the junior's market. *DC* experienced growth in its apparel sales during the period. Asia/Pacific's net revenues decreased 15% in constant currency. The currency adjusted decrease in Asia/Pacific came primarily from the *Roxy* brand and, to a lesser extent, from the *Quiksilver* and *DC* brands across all major product categories. Our Asia/Pacific segment experienced the same global economic conditions as our larger segments.

Our consolidated gross profit margin for the three months ended January 31, 2010 increased to 51.3% from 46.7% in the comparable period of the prior year. The gross profit in the Americas segment increased to 43.3% from 37.2%, our European segment gross profit margin increased to 58.6% from 55.5%, and our Asia/Pacific segment gross profit margin increased to 55.2% from 53.3% for those same periods. The increase in the Americas segment gross profit margin was primarily caused by less

discounting in our wholesale business and, to a lesser extent, in our company-owned retail stores, less clearance business and improved sourcing. Our European segment gross profit margin increased primarily as a result of improved sourcing and, to a lesser extent, improved margins on clearance business and a greater mix of retail versus wholesale sales. In our Asia/Pacific segment, the gross profit margin increase was primarily due to improved retail and wholesale margins in Japan as compared to the prior year.

Our selling, general and administrative expense ("SG&A") for the three months ended January 31, 2010 decreased 2% to \$203.2 million from \$206.8 million in the comparable period of the prior year. In the Americas segment, SG&A expenses decreased 17% to \$76.4 million from \$92.0 million in the comparable period of the prior year, while our European segment SG&A increased 9% to \$85.8 million from \$78.8 million, and our Asia/Pacific segment SG&A increased 17% to \$31.4 million from \$26.9 million for those same periods. As a percentage of revenues, our consolidated SG&A increased to 46.9% for the three months ended January 31, 2010 from 46.7% for the three months ended January 31, 2009. In the Americas, SG&A as a percentage of revenues decreased to 40.8% compared to 45.2% the year before. In Europe, SG&A as a percentage of revenues increased to 48.2% from 43.3% and in Asia/Pacific, SG&A as a percentage of revenues increased to 46.8% from 46.7% for those same periods. The decrease in SG&A as a percentage of revenues in our Americas segment was primarily due our fiscal 2009 cost cutting measures and, to a lesser extent, lower volume related expenses. Expense reductions were partially offset by approximately \$0.8 million in severance related charges in connection with staff reductions in the first quarter of fiscal 2010. The increase in SG&A as a percentage of revenues in our European segment was primarily caused by lower revenues and the costs of operating additional retail stores. Europe's SG&A decreased 2% in constant currency. In our Asia/Pacific segment, the increase in SG&A as a percentage of revenues is primarily related to lower revenues. Asia/Pacific's SG&A decreased 14% in constant currency.

Interest expense for the three months ended January 31, 2010 increased to \$21.9 million from \$14.2 million in the comparable period of the prior year primarily as a result of higher interest rates associated with our new debt structure, although \$6.5 million of the \$21.9 million was non-cash interest expense.

Our foreign currency gain amounted to \$2.0 million for the three months ended January 31, 2010 compared to a loss of \$1.4 million in the comparable period of the prior year. This gain resulted primarily from the foreign currency exchange effect of certain non-U.S. dollar denominated liabilities and the settlement of certain foreign currency exchange contracts.

Our income tax expense for the three months ended January 31, 2010 was \$3.7 million compared to \$50.6 million in the comparable period of the prior year. Despite having a consolidated loss for the three months ended January 31, 2010, we recorded profit in certain foreign jurisdictions resulting in income tax expense in those jurisdictions. Income tax expense in the comparable period of the prior year was unfavorably impacted by a non-cash valuation allowance recorded against our deferred tax assets in the United States.

Our loss from continuing operations for the three months ended January 31, 2010 decreased to \$5.4 million or \$0.04 per share on a diluted basis, compared to \$65.9 million or \$0.52 per share on a diluted basis in the comparable period of the prior year. Adjusted EBITDA increased to \$35.8 million from \$14.9 million for those same periods.

Financial Position, Capital Resources and Liquidity

We generally finance our working capital needs and capital investments with operating cash flows and bank revolving lines of credit. Multiple banks in the United States, Europe and Australia make these lines of credit available to us. Term loans are also used to supplement these lines of credit and are typically used to finance long-term assets. In fiscal 2005, we issued \$400 million of senior notes to fund a portion of the Rossignol purchase price and to refinance certain existing indebtedness, and in July 2009, we closed a \$153.1 million five year senior secured term loan to provide additional liquidity to our business. As of January 31, 2010, we had a total of approximately \$977 million of indebtedness. For the three months ended January 31, 2010, we recorded approximately \$21.9 million of net interest expense.

We are highly leveraged; however, we believe that our cash flows from operations, together with our existing credit facilities and term loans will be adequate to fund our capital requirements for at least the next twelve months. We also believe that our short-term uncommitted lines of credit in Asia/Pacific will continue to be made available. If these lines of credit are not made available, we could be adversely affected.

Cash Flows

Operating activities from continuing operations provided cash of \$95.1 million in the three months ended January 31, 2010 compared to \$26.6 million in the three months ended January 31, 2009. This \$68.5 million increase in cash provided was primarily due to decreases in our net loss and other non-cash charges of \$24.3 million and reductions in working capital of \$44.2 million.

Capital expenditures from continuing operations totaled \$10.7 million for the three months ended January 31, 2010, compared to \$10.3 million in the comparable period of the prior year. These investments include company-owned stores and ongoing investments in computer, warehouse and manufacturing equipment. We had no acquisitions during the three month period ended January 31, 2010.

During the three months ended January 31, 2010, net cash used in financing activities from continuing operations totaled \$38.6 million, compared to \$41.7 million in the comparable period of the prior year. Cash used primarily related to the repayment of debt.

The net increase in cash and cash equivalents for the three months ended January 31, 2010 was \$50.0 million compared to a decrease of \$11.0 million in the comparable period of the prior year. Cash and cash equivalents totaled \$149.6 million at January 31, 2010 compared to \$99.5 million at October 31, 2009, while working capital was \$528.7 million at January 31, 2010 compared to \$561.7 million at October 31, 2009.

Trade Accounts Receivable and Inventories

Our trade accounts receivable decreased 25% to \$323.0 million at January 31, 2010 from \$430.9 million at October 31, 2009. Accounts receivable in our Americas segment decreased 22% to \$155.0 million at January 31, 2010 from \$198.5 million at October 31, 2009, European segment accounts receivable decreased 23% to \$130.8 million from \$170.4 million and Asia/Pacific segment accounts receivable decreased 40% to \$37.2 million from \$62.0 million. Compared to January 31, 2009, accounts receivable decreased 22% in the Americas segment, decreased 7% in our European segment and increased 5% in our Asia/Pacific segment. Adjusting for the effects of foreign currency exchange rates, consolidated trade accounts receivable decreased 19% compared to January 31, 2009. Included in accounts receivable at January 31, 2010 are approximately \$17.6 million of value added tax and goods and services tax related to foreign accounts receivable. Such taxes are not reported as net revenues and as such, must be deducted from accounts receivable to more accurately compute days sales outstanding. Overall average days sales outstanding decreased by approximately 8 days at January 31, 2010 compared to January 31, 2009.

Consolidated inventories increased 13% to \$301.2 million at January 31, 2010 from \$267.7 million at October 31, 2009. Inventories in the Americas segment increased 7% to \$117.5 million from \$109.8 million at October 31, 2009, European segment inventories increased 29% to \$122.7 million from \$95.5 million and Asia/Pacific segment inventories decreased 2% to \$61.0 million from \$62.4 million. Compared to January 31, 2009, inventories decreased 39% in the Americas segment, decreased 8% in our European segment and increased 16% in our Asia/Pacific segment. Adjusting for the effects of foreign currency exchange rates, our consolidated inventories decreased 27% compared to January 31, 2009. Consolidated average annual inventory turnover was approximately 3.4 at January 31, 2010 compared to approximately 3.2 at January 31, 2009.

Commitments

There have been no material changes in our contractual obligations since October 31, 2009.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. To prepare these financial statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates also affect our reported revenues and expenses. Judgments must also be made about the disclosure of contingent liabilities. Actual results could be significantly different from these estimates. We believe that the following discussion addresses the accounting policies that are necessary to understand and evaluate our reported financial results.

Revenue Recognition

Revenues are recognized when the risk of ownership and title passes to our customers. Generally, we extend credit to our customers and do not require collateral. None of our sales agreements with any of our customers provide for any rights of return. However, we do approve returns on a case-by-case basis at our sole discretion to protect our brands and our image. We provide allowances for estimated returns when revenues are recorded, and related losses have historically been within our expectations. If returns are higher than our estimates, our results of operations would be adversely affected.

Accounts Receivable

It is not uncommon for some of our customers to have financial difficulties from time to time. This is normal given the wide variety of our account base, which includes small surf shops, medium-sized retail chains, and some large department store chains. Throughout the year, we perform credit evaluations of our customers, and we adjust credit limits based on payment history and the customer's current creditworthiness. We continuously monitor our collections and maintain a reserve for estimated credit losses based on our historical experience and any specific customer collection issues that have been identified. Historically, our losses have been consistent with our estimates, but there can be no assurance that we will continue to experience the same credit loss rates that we have experienced in the past. Unforeseen, material financial difficulties of our customers could have an adverse impact on our results of operations.

Inventories

We value inventories at the cost to purchase and/or manufacture the product or the current estimated market value of the inventory, whichever is lower. We regularly review our inventory quantities on hand, and adjust inventory values for excess and obsolete inventory based primarily on estimated forecasts of product demand and market value. Demand for our products could fluctuate significantly. The demand for our products could be negatively affected by many factors, including the following:

- weakening economic conditions;
- terrorist acts or threats;
- unanticipated changes in consumer preferences;
- reduced customer confidence; and
- unseasonable weather.

Some of these factors could also interrupt the production and/or importation of our products or otherwise increase the cost of our products. As a result, our operations and financial performance could be negatively affected. Additionally, our estimates of product demand and/or market value could be inaccurate, which could result in an understated or overstated provision required for excess and obsolete inventory.

Long-Lived Assets

We acquire tangible and intangible assets in the normal course of our business. We evaluate the recoverability of the carrying amount of these long-lived assets (including fixed assets, trademarks, licenses and other amortizable intangibles) whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the carrying value exceeds the undiscounted future cash flows estimated to result from the use and eventual disposition of the asset. Impairments are recognized in operating earnings. We continually use judgment

when applying these impairment rules to determine the timing of the impairment tests, the undiscounted cash flows used to assess impairments, and the fair value of a potentially impaired asset. The reasonableness of our judgment could significantly affect the carrying value of our long-lived assets.

Goodwill

We evaluate the recoverability of goodwill at least annually based on a two-step impairment test. The first step compares the fair value of each reporting unit with its carrying amount including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of any impairment loss. Fair value is computed based on estimated future cash flows discounted at a rate that approximates our cost of capital. Such estimates are subject to change, and we may be required to recognize impairment losses in the future.

Stock-Based Compensation Expense

We recognize compensation expense for all stock-based payments net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest using the graded vested method over the requisite service period of the award. For option valuation, we determine the fair value using the Black-Scholes option-pricing model which requires the input of certain assumptions, including the expected life of the stock-based payment awards, stock price volatility and interest rates.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is established for the expected future consequences of temporary differences in the financial reporting and tax bases of assets and liabilities. We consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the value of our deferred tax assets. If we determine that it is more likely than not that these assets will not be realized, we would reduce the value of these assets to their expected realizable value, thereby decreasing net income. Evaluating the value of these assets is necessarily based on our judgment. If we subsequently determined that the deferred tax assets, which had been written down would, in our judgment, be realized in the future, the value of the deferred tax assets would be increased, thereby increasing net income in the period when that determination was made.

On November 1, 2007, we adopted the authoritative guidance included in ASC 740, "Income Taxes." This guidance clarifies the accounting for uncertainty in income taxes recognized in the financial statements. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the tax position. We recognize accrued interest and penalties related to unrecognized tax benefits as a component of our provision for income taxes. The application of ASC 740 can create significant variability in our tax rate from period to period upon changes in or adjustments to our uncertain tax positions.

Foreign Currency Translation

A significant portion of our revenues are generated in Europe, where we operate with the euro as our functional currency, and a smaller portion of our revenues are generated in Asia/Pacific, where we operate with the Australian dollar and Japanese yen as our functional currencies. Our European revenues in the United Kingdom are denominated in British pounds, and substantial portions of our European and Asia/Pacific product is sourced in U.S. dollars, both of which result in exposure to gains and losses that could occur from fluctuations in foreign currency exchange rates. Our assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Revenues and expenses are translated using the average exchange rate for the period. Gains and losses from translation of foreign subsidiary financial statements into U.S. dollars are included in accumulated other comprehensive income or loss.

As part of our overall strategy to manage our level of exposure to the risk of fluctuations in foreign currency exchange rates, we enter into various foreign currency exchange contracts generally in the form

of forward contracts. For all contracts that qualify as cash flow hedges, we record the changes in the fair value of the derivatives in other comprehensive income or loss.

New Accounting Pronouncements

See Note 2 – New Accounting Pronouncements for a discussion of pronouncements that may affect our future financial reporting.

Forward-Looking Statements

All statements included in this report, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to, statements regarding the trends and uncertainties in our financial condition, liquidity and results of operations. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us and speak only as of the date of this report. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "likely," "should," "would," "could," "potential," "continue," "ongoing," and similar expressions, and variations or negatives of these words. In addition, any statements that refer to expectations, projections, guidance, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statement as a result of various factors, including, but not limited to, the following:

- continuing deterioration of global economic conditions and credit and capital markets;
- our ability to remain compliant with our debt covenants;
- our ability to achieve the financial results that we anticipate;
- payments due on contractual commitments and other debt obligations;
- future expenditures for capital projects;
- our ability to continue to maintain our brand image and reputation;
- foreign currency exchange rate fluctuations; and
- changes in political, social and economic conditions and local regulations, particularly in Europe and Asia.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking information contained herein will, in fact, transpire.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of risks, including foreign currency exchange rate fluctuations and changes in interest rates that affect interest expense.

Foreign Currency and Derivatives

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into U.S. dollars using the average exchange rate during the reporting period. Changes in foreign currency exchange rates affect our reported results and distort comparisons from period to period. By way of example, when the U.S. dollar strengthens compared to the euro, there is a negative effect on our reported results for Quiksilver Europe because it takes more profits in euros to generate the same amount of profits in stronger U.S. dollars. In addition, the statements of operations of Quiksilver Asia/Pacific are translated from Australian dollars and Japanese

yen into U.S. dollars, and there is a negative effect on our reported results for Quiksilver Asia/Pacific when the U.S. dollar is stronger in comparison to the Australian dollar or Japanese yen.

European revenues decreased 12% in euros during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. As measured in U.S. dollars and reported in our consolidated statements of operations, European revenues decreased 2% as a result of a stronger euro versus the U.S. dollar in comparison to the prior year.

Asia/Pacific revenues decreased 15% in Australian dollars during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. As measured in U.S. dollars and reported in our consolidated statements of operations, Asia/Pacific revenues increased 16% as a result of a stronger Australian dollar versus the U.S. dollar in comparison to the prior year.

Our other foreign currency and interest rate risks are discussed in our Annual Report on Form 10-K for the year ended October 31, 2009 in Item 7A.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2010, the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of January 31, 2010.

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended January 31, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 5. Exhibits

- 2.1 Stock Purchase Agreement between the Roger Cleveland Golf Company, Inc., Rossignol Ski Company, Incorporated, Quiksilver, Inc. and SRI Sports Limited dated October 30, 2007 (incorporated by reference to Exhibit 2.3 of the Company's Annual Report on Form 10-K for the year ended October 31, 2007).
- 2.2 Amendment No. 1 to the Stock Purchase Agreement between the Roger Cleveland Golf Company, Inc., Rossignol Ski Company, Incorporated, Quiksilver, Inc. and SRI Sports Limited dated December 7, 2007 (incorporated by reference to Exhibit 2.4 of the Company's Annual Report on Form 10-K for the year ended October 31, 2007).
- 2.3 Offer Letter dated August 25, 2008, by and among Quiksilver, Inc., Pilot S.A.S., Meribel S.A.S., Quiksilver Americas, Inc. and Chartreuse et Mont Blanc LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on August 27, 2008).
- 2.4 Amended and Restated Offer Letter dated October 31, 2008, by and among Quiksilver, Inc., Pilot S.A.S., Meribel S.A.S., Quiksilver Americas, Inc. and Chartreuse et Mont Blanc LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 31, 2008).
- 2.5 Stock Purchase Agreement dated November 12, 2008, by and among Quiksilver, Inc., Pilot S.A.S., Meribel S.A.S., Quiksilver Americas, Inc., Chartreuse et Mont Blanc LLC, Chartreuse et Mont Blanc SAS, Chartreuse et Mont Blanc Global Holdings S.C.A., Macquarie Asset Finance Limited and Mavilia SAS (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on November 18, 2008).
- 2.6 Amendment No. 1 to Stock Purchase Agreement dated October 29, 2009, by and among Quiksilver, Inc., Pilot S.A.S., Meribel S.A.S., Quiksilver Americas, Inc., Chartreuse et Mont Blanc LLC, Chartreuse et Mont Blanc SAS, Chartreuse et Mont Blanc Global Holdings S.C.A., Macquarie Asset Finance Limited and Mavilia SAS (incorporate by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on October 30, 2009).
- 3.1 Restated Certificate of Incorporation of Quiksilver, Inc., as amended (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended October 31, 2004).
- 3.2 Certificate of Amendment of Restated Certificate of Incorporation of Quiksilver, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2005).
- 3.3 Certificate of Designation of the Series A Convertible Preferred Stock of Quiksilver, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on August 4, 2009).
- 3.4 Amended and Restated Bylaws of Quiksilver, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on December 7, 2007).
- 4.1 Indenture for the 6 7/8% Senior Notes due 2015 dated July 22, 2005, among Quiksilver, Inc., the subsidiary guarantors set forth therein and Wilmington Trust Company, as trustee, including the form of Global Note attached thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed July 25, 2005).

- 10.1 Amendment to Employment Agreement between Craig Stevenson and Quiksilver, Inc. dated December 16, 2009 (incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10-K for the year ended October 31, 2009). (1)
- 10.2 Amendments to executive officer base salaries effective as of November 1, 2009 (incorporated by reference to Exhibit 10.47 of the Company's Annual Report on Form 10-K for the year ended October 31, 2009). (1)
- 10.3 Amendment to Credit Agreement dated January 11, 2010 by and between Quiksilver, Inc., Quiksilver Americas, Inc., as borrower, Rhône Group L.L.C., as administrative agent, and Romolo Holdings C.V., Triton SPV L.P., Triton Onshore SPV L.P., Triton Offshore SPV L.P. and Triton Coinvestment SPV L.P., as the lenders party thereto (incorporated by reference to Exhibit 10.53 of the Company's Annual Report on Form 10-K for the year ended October 31, 2009).
- 10.4 Amendment to Euro Credit Agreement dated January 11, 2010 by and between Quiksilver, Inc., Mountain & Wave S.a.r.l., as borrower, Rhône Group L.L.C., as administrative agent, and Romolo Holdings C.V., Triton SPV L.P., Triton Onshore SPV L.P., Triton Offshore SPV L.P. and Triton Coinvestment SPV L.P., as the lenders party thereto (incorporated by reference to Exhibit 10.54 of the Company's Annual Report on Form 10-K for the year ended October 31, 2009).
- 31.1 Rule 13a-14(a)/15d-14(a) Certifications – Principal Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certifications – Principal Financial Officer
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

(1) Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUIKSILVER, INC., a Delaware corporation

March 12, 2010

/s/ Brad L. Holman

Brad L. Holman
Senior Vice President and Corporate Controller
(Principal Accounting Officer)

§ 302 CERTIFICATION

I, Robert B. McKnight, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Quiksilver, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2010

/s/ Robert B. McKnight, Jr.
Robert B. McKnight, Jr.
Chief Executive Officer (Principal Executive Officer)

§ 302 CERTIFICATION

I, Joseph Scirocco, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Quiksilver, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2010

/s/ Joseph Scirocco
Joseph Scirocco
Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2003**

In connection with the Quarterly Report of Quiksilver, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert B. McKnight, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2003, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert B. McKnight, Jr.
Robert B. McKnight, Jr.
Chief Executive Officer
March 12, 2010

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2003**

In connection with the Quarterly Report of Quiksilver, Inc. (the "Company") on Form 10-Q for the period ending January 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Scirocco, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2003, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Joseph Scirocco
Joseph Scirocco
Chief Financial Officer
March 12, 2010