

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 April 30, 2008

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 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:

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
June 2, 2008 was 126,591,300

QUIKSILVER, INC.

FORM 10-Q INDEX

PART I - FINANCIAL INFORMATION

Page No.

Item 1. Financial Statements (Unaudited):

Quiksilver, Inc. Condensed Consolidated Statements of Operations Three Months Ended April 30, 2008 and 2007	2
Quiksilver, Inc. Condensed Consolidated Statements of Comprehensive (Loss) Income Three Months Ended April 30, 2008 and 2007	2
Quiksilver, Inc. Condensed Consolidated Statements of Operations Six Months Ended April 30, 2008 and 2007	3
Quiksilver, Inc. Condensed Consolidated Statements of Comprehensive (Loss) Income Six Months Ended April 30, 2008 and 2007	3
Quiksilver, Inc. Condensed Consolidated Balance Sheets April 30, 2008 and October 31, 2007	4
Quiksilver, Inc. Condensed Consolidated Statements of Cash Flows Six Months Ended April 30, 2008 and 2007	5
Quiksilver, Inc. Notes to Condensed Consolidated Financial Statements	6

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

Results of Operations	25
Three Months Ended April 30, 2008 Compared to Three Months Ended April 30, 2007.....	26
Six Months Ended April 30, 2008 Compared to Six Months Ended April 30, 2007.....	27
Financial Position, Capital Resources and Liquidity	28
Critical Accounting Policies.....	30
New Accounting Pronouncements	32
Forward-Looking Statements.....	32

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	33
---	----

Item 4. Controls and Procedures	33
---------------------------------------	----

Part II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	35
--	----

Item 4. Submission of Matters to a Vote of Security Holders.....	35
--	----

Item 5. Other Information.....	35
--------------------------------	----

Item 6. Exhibits	36
------------------------	----

<u>SIGNATURES</u>	38
-------------------------	----

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

QUIKSILVER, INC.

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

	Three months ended April 30,	
	<u>2008</u>	<u>2007</u>
<i>In thousands, except per share amounts</i>		
Revenues, net	\$ 596,280	\$ 520,359
Cost of goods sold.....	<u>295,938</u>	<u>270,977</u>
Gross profit	300,342	249,382
Selling, general and administrative expense.....	230,800	194,826
Asset impairment.....	<u>350</u>	<u>—</u>
Operating income.....	69,192	54,556
Interest expense	12,996	11,671
Foreign currency loss	1,384	1,066
Minority interest and other income	<u>(471)</u>	<u>(74)</u>
Income before provision for income taxes	55,283	41,893
Provision for income taxes	<u>16,558</u>	<u>9,474</u>
Income from continuing operations	38,725	32,419
Loss from discontinued operations, net of tax.....	<u>(244,949)</u>	<u>(37,219)</u>
Net loss.....	<u>\$ (206,224)</u>	<u>\$ (4,800)</u>
Income per share from continuing operations.....	<u>\$ 0.31</u>	<u>\$ 0.26</u>
Loss per share from discontinued operations	<u>\$ (1.95)</u>	<u>\$ (0.30)</u>
Net loss per share	<u>\$ (1.64)</u>	<u>\$ (0.04)</u>
Income per share from continuing operations, assuming dilution.....	<u>\$ 0.30</u>	<u>\$ 0.25</u>
Loss per share from discontinued operations, assuming dilution	<u>\$ (1.88)</u>	<u>\$ (0.29)</u>
Net loss per share, assuming dilution	<u>\$ (1.59)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding.....	<u>125,741</u>	<u>123,596</u>
Weighted average common shares outstanding, assuming dilution	<u>130,052</u>	<u>128,771</u>

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

	Three months ended April 30,	
	<u>2008</u>	<u>2007</u>
<i>In thousands</i>		
Net loss.....	\$ (206,224)	\$ (4,800)
Other comprehensive income (loss):		
Foreign currency translation adjustment	36,970	48,293
Net unrealized loss on derivative instruments, net of tax of \$(3,048) (2008) and \$(4,971) (2007).....	<u>(7,499)</u>	<u>(10,175)</u>
Comprehensive (loss) income.....	<u>\$ (176,753)</u>	<u>\$ 33,318</u>

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

<i>In thousands, except per share amounts</i>	Six months ended April 30,	
	2008	2007
Revenues, net	\$ 1,092,861	\$ 931,213
Cost of goods sold.....	548,995	486,751
Gross profit	543,866	444,462
Selling, general and administrative expense.....	452,210	371,364
Asset impairment.....	350	—
Operating income.....	91,306	73,098
Interest expense	24,044	23,539
Foreign currency loss	768	1,422
Minority interest and other income	(397)	(41)
Income before provision for income taxes	66,891	48,178
Provision for income taxes	20,596	11,087
Income from continuing operations	46,295	37,091
Loss from discontinued operations, net of tax.....	(274,459)	(39,416)
Net loss.....	<u>\$ (228,164)</u>	<u>\$ (2,325)</u>
Income per share from continuing operations.....	<u>\$ 0.37</u>	<u>\$ 0.30</u>
Loss per share from discontinued operations	<u>\$ (2.19)</u>	<u>\$ (0.32)</u>
Net loss per share	<u>\$ (1.82)</u>	<u>\$ (0.02)</u>
Income per share from continuing operations, assuming dilution.....	<u>\$ 0.36</u>	<u>\$ 0.29</u>
Loss per share from discontinued operations, assuming dilution	<u>\$ (2.12)</u>	<u>\$ (0.31)</u>
Net loss per share, assuming dilution	<u>\$ (1.76)</u>	<u>\$ (0.02)</u>
Weighted average common shares outstanding.....	<u>125,133</u>	<u>123,323</u>
Weighted average common shares outstanding, assuming dilution.....	<u>129,606</u>	<u>128,851</u>

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

<i>In thousands</i>	Six months ended April 30,	
	2008	2007
Net loss.....	\$ (228,164)	\$ (2,325)
Other comprehensive income (loss):		
Foreign currency translation adjustment	37,480	56,824
Net unrealized loss on derivative instruments, net of tax of \$(973) (2008) and \$(5,510) (2007).....	(3,035)	(11,291)
Comprehensive (loss) income.....	<u>\$ (193,719)</u>	<u>\$ 43,208</u>

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

<i>In thousands, except share amounts</i>	April 30, 2008	October 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,334	\$ 74,348
Trade accounts receivable, less allowances of \$24,226 (2008) and \$21,100 (2007)	473,032	478,049
Other receivables	32,931	37,328
Inventories	304,059	296,167
Deferred income taxes	102,735	43,776
Prepaid expenses and other current assets	29,204	20,722
Current assets held for sale	<u>290,236</u>	<u>562,872</u>
Total current assets	1,323,531	1,513,262
Fixed assets, less accumulated depreciation and amortization of \$219,847 (2008) and \$189,292 (2007)	256,395	221,367
Intangible assets, net	144,013	142,420
Goodwill	416,337	398,899
Other assets	45,056	42,232
Deferred taxes long-term	13,711	20,536
Non-current assets held for sale	—	<u>323,348</u>
Total assets	<u>\$ 2,199,043</u>	<u>\$ 2,662,064</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 245,877	\$ 124,634
Accounts payable	191,106	192,923
Accrued liabilities	116,892	157,084
Current portion of long-term debt	35,740	33,903
Income taxes payable	14,833	8,850
Liabilities related to assets held for sale	<u>212,303</u>	<u>364,011</u>
Total current liabilities	816,751	881,405
Long-term debt, net of current portion	656,607	698,909
Other long-term liabilities	33,783	11,313
Non-current liabilities related to assets held for sale	<u>6,953</u>	<u>183,824</u>
Total liabilities	<u>1,514,094</u>	<u>1,775,451</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 - 129,476,500 (2008) and 128,340,538 (2007)	1,295	1,283
Additional paid-in capital	319,350	306,051
Treasury stock, 2,885,200 shares	(6,778)	(6,778)
Retained earnings	188,520	437,940
Accumulated other comprehensive income	<u>182,562</u>	<u>148,117</u>
Total stockholders' equity	<u>684,949</u>	<u>886,613</u>
Total liabilities and stockholders' equity	<u>\$ 2,199,043</u>	<u>\$ 2,662,064</u>

See notes to condensed consolidated financial statements.

QUIKSILVER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>In thousands</i>	Six months ended April 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (228,164)	\$ (2,325)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from discontinued operations	274,459	39,416
Depreciation and amortization	28,093	21,787
Stock-based compensation and tax benefit on option exercises	4,621	8,725
Provision for doubtful accounts	4,858	4,253
Gain on disposal of fixed assets	(710)	(54)
Foreign currency loss	337	847
Asset impairments	350	—
Minority interest and equity in earnings	698	384
Changes in operating assets and liabilities, net of the effect from business acquisitions:		
Trade accounts receivable	15,133	(12,771)
Other receivables	5,382	(598)
Inventories	5,278	(9,909)
Prepaid expenses and other current assets	(5,721)	(4,115)
Other assets	317	2,947
Accounts payable	(11,411)	(11,321)
Accrued liabilities and other long-term liabilities	(17,738)	(5,972)
Income taxes payable	5,171	13,552
Cash provided by operating activities of continuing operations	80,953	44,846
Cash provided by operating activities of discontinued operations	69,313	71,269
Net cash provided by operating activities	<u>150,266</u>	<u>116,115</u>
Cash flows from investing activities:		
Proceeds from the sale of properties and equipment	2,230	5,754
Capital expenditures	(45,380)	(35,788)
Business acquisitions, net of cash acquired	(29,984)	(34,071)
Cash used in investing activities of continuing operations	(73,134)	(64,105)
Cash provided by (used in) investing activities of discontinued operations	106,528	(13,106)
Net cash provided by (used in) investing activities	<u>33,394</u>	<u>(77,211)</u>
Cash flows from financing activities:		
Borrowings on lines of credit	124,148	40,483
Payments on lines of credit	(15,226)	(7,007)
Borrowings on long-term debt	118,012	80,930
Payments on long-term debt	(176,948)	(48,026)
Stock option exercises, employee stock purchases and tax benefit on option exercises	6,269	7,000
Cash provided by financing activities of continuing operations	56,255	73,380
Cash used in financing activities of discontinued operations	(220,069)	(81,759)
Net cash used in financing activities	<u>(163,814)</u>	<u>(8,379)</u>
Effect of exchange rate changes on cash	(2,860)	(2,904)
Net increase in cash and cash equivalents	16,986	27,621
Cash and cash equivalents, beginning of period	74,348	36,834
Cash and cash equivalents, end of period	<u>\$ 91,334</u>	<u>\$ 64,455</u>
Supplementary cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 24,507	\$ 21,934
Income taxes	\$ 18,690	\$ (4,483)

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 recurring accruals, necessary for a fair presentation of the results of operations for the three and six months ended April 30, 2008 and 2007. 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, 2007 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.

The Company has an active program to sell its Rossignol business, including the related brands of Rossignol, Dynastar, Look, Lange and Kerma, and is expected to complete this transaction within one year. As such, during the three months ended April 30, 2008, the Company classified its Rossignol business, including both wintersports equipment and apparel, as discontinued operations. The Rossignol business assets and related liabilities are classified as held for sale, and the operations are classified as discontinued, for all periods presented.

In October 2007, the Company entered into an agreement to sell its golf equipment business. This transaction was completed in December 2007. As a result of this disposition of the golf equipment business, all financial information has been adjusted to exclude these operations and the golf equipment business has been classified as discontinued operations for all periods presented.

2. *New Accounting Pronouncements*

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation clarifies the application of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the Company's financial statements and also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 on November 1, 2007. See Note 13 for a description of the impact of this standard on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company expects to adopt this standard at the beginning of its fiscal year ending October 31, 2009. The adoption of this accounting pronouncement is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS No. 159"), which permits companies to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company expects to adopt this standard at the beginning of the Company's fiscal year ending October 31, 2009. The Company has not

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

determined the effect that the adoption of SFAS No. 159 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," ("SFAS No. 141(R)"), 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 previously allowed under Emerging Issues Task Force Issue No. 95-3 to be recorded as a component of purchase accounting. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company will adopt this standard at the beginning of the Company's fiscal year ending October 31, 2010 for all prospective business acquisitions. The Company has not determined the effect that the adoption of SFAS No. 141(R) will have on its consolidated financial statements but the impact will be limited to any future acquisitions beginning in fiscal 2010 except for certain tax treatment of previous acquisitions.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51," ("SFAS No. 160"), which requires noncontrolling interests in subsidiaries to be included in the equity section of the balance sheet. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this standard at the beginning of the Company's fiscal year ending October 31, 2010. The Company has not determined the effect that the adoption of SFAS No. 160 will have on its consolidated financial statements.

3. *Stock-Based Compensation*

The Company accounts for stock-based compensation under the fair value recognition provisions of SFAS No. 123(R) "Share-Based Payment". 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 six months ended April 30, 2008 and 2007, options were valued assuming a risk-free interest rate of 3.0% and 4.8%, respectively, volatility of 40.7% and 43.1%, respectively, zero dividend yield, and an expected life of 5.7 and 5.6 years, respectively. The weighted average fair value of options granted was \$3.85 and \$7.19 for the six months ended April 30, 2008 and 2007, respectively. The Company records stock compensation expense using the graded vested method over the vesting period, which is generally three years. As of April 30, 2008, the Company had approximately \$12.8 million of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 2.0 years. Compensation expense was included as selling, general and administrative expense for the period.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Changes in shares under option for the six months ended April 30, 2008 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, 2007	17,311,049	\$ 9.30		
Granted	1,245,000	9.03		
Exercised	(1,033,404)	3.38		\$ 5,966
Canceled	<u>(138,504)</u>	13.06		
Outstanding, April 30, 2008	<u>17,384,141</u>	\$ 9.61	5.7	\$ 34,483
Options exercisable, April 30, 2008	<u>13,528,361</u>	\$ 8.74	5.0	\$ 33,607

Changes in non-vested shares under option for the six months ended April 30, 2008 are as follows:

	<u>Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Non-vested, October 31, 2007	4,915,536	\$ 6.71
Granted	1,245,000	3.85
Vested	(2,260,921)	6.43
Canceled	<u>(43,835)</u>	6.20
Non-vested, April 30, 2008	<u>3,855,780</u>	\$ 5.96

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 vest from three to five years and may have certain performance based acceleration features which allow for earlier vesting.

Changes in restricted stock for the six months ended April 30, 2008 are as follows:

	<u>Shares</u>
Outstanding, October 31, 2007	842,000
Granted	330,000
Vested	(9,996)
Forfeited	<u>(343,334)</u>
Outstanding, April 30, 2008	<u>818,670</u>

Compensation expense 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. The Company monitors the probability of meeting the restricted stock performance criteria and will adjust the amortization period as appropriate. As of April 30, 2008, there had been no acceleration of the amortization period. As of April 30, 2008, the Company had approximately \$6.3 million of unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.8 years.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

4. Inventories

Inventories consist of the following:

<i>In thousands</i>	April 30, 2008	October 31, 2007
Raw materials	\$ 11,500	\$ 34,544
Work in-process	6,770	5,164
Finished goods	<u>285,789</u>	<u>256,459</u>
	<u>\$ 304,059</u>	<u>\$ 296,167</u>

5. Intangible Assets and Goodwill

A summary of intangible assets is as follows:

<i>In thousands</i>	April 30, 2008			October 31, 2007		
	Gross Amount	Amorti- zation	Net Book Value	Gross Amount	Amorti- zation	Net Book Value
Amortizable trademarks.....	\$ 18,168	\$ (5,179)	\$ 12,989	\$ 15,220	\$ (4,350)	\$ 10,870
Amortizable licenses.....	12,562	(6,805)	5,757	12,354	(6,074)	6,280
Other amortizable intangibles....	6,496	(3,789)	2,707	6,482	(3,556)	2,926
Non-amortizable trademarks	<u>122,560</u>	<u>—</u>	<u>122,560</u>	<u>122,344</u>	<u>—</u>	<u>122,344</u>
	<u>\$ 159,786</u>	<u>\$(15,773)</u>	<u>\$ 144,013</u>	<u>\$ 156,400</u>	<u>\$(13,980)</u>	<u>\$ 142,420</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 six months ended April 30, 2008 and 2007 was \$1.4 million and \$1.3 million, respectively. Annual amortization expense is estimated to be approximately \$2.8 million in the fiscal years ending October 31, 2008 and 2009 and approximately \$2.7 million in the fiscal years ending October 31, 2010 through 2012.

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

<i>In thousands</i>	April 30, 2008	October 31, 2007
Americas	\$ 73,916	\$ 73,709
Europe	193,163	179,012
Asia/Pacific	<u>149,258</u>	<u>146,178</u>
	<u>\$ 416,337</u>	<u>\$ 398,899</u>

Goodwill increased \$17.4 million during the six months ended April 30, 2008. This increase was primarily related to 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, the fair value of interest rate swaps and foreign currency translation adjustments. The components of accumulated other comprehensive income, net of income taxes, are as follows:

<i>In thousands</i>	April 30, <u>2008</u>	October 31, <u>2007</u>
Foreign currency translation adjustment	\$ 209,403	\$ 171,923
Loss on cash flow hedges and interest rate swaps.....	<u>(26,841)</u>	<u>(23,806)</u>
	<u>\$ 182,562</u>	<u>\$ 148,117</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, produces 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 primarily from the U.S. and Canada. The European segment includes revenues primarily from Western Europe. The Asia/Pacific segment includes revenues primarily from Australia, Japan, New Zealand and Indonesia. All prior segment information has been adjusted to reflect our current operating segment presentation and the removal of the wintersports equipment segment, which is included in discontinued operations. 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 4% of the Company's net revenues from continuing operations for the six months ended April 30, 2008 and 2007.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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 swaps are used to manage the Company's exposure to the risk of fluctuations in interest rates.

Derivatives that do not qualify for hedge accounting but are used by management to mitigate exposure to currency risks are marked to fair value with corresponding gains or losses recorded in earnings. A loss of \$2.8 million was recognized related to these types of contracts during the six months ended April 30, 2008, all of which are classified in discontinued operations. For all qualifying cash flow hedges, the changes in the fair value of the derivatives are recorded in other comprehensive income. As of April 30, 2008, the Company was hedging forecasted transactions expected to occur through August 2010. Assuming exchange rates at April 30, 2008 remain constant, \$26.8 million of losses, net of tax, related to hedges of these transactions are expected to be reclassified into earnings over the next 28 months.

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. During the six months ended April 30, 2008, the Company reclassified into earnings a net loss of \$9.8 million resulting from the expiration, sale, termination, or exercise of derivative contracts.

The Company enters into forward exchange and other derivative contracts with major banks and is exposed to credit 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)

A summary of derivative contracts at April 30, 2008 is as follows:

<i>In thousands</i>	<u>Notional Amount</u>	<u>Maturity</u>	<u>Fair Value</u>
United States dollar	\$ 410,998	May 2008 – Aug 2010	\$ (43,538)
Canadian dollar	11,556	May 2008 – Dec 2008	(621)
Japanese yen	5,767	Dec 2008	(266)
Euro interest rate swap....	<u>16,388</u>	Aug 2008 – Sep 2009	<u>6</u>
	<u>\$ 444,709</u>		<u>\$ (44,419)</u>

9. *Business Acquisitions*

In September 2007, the Company acquired the minority interest of Roger Cleveland Golf Company, Inc. ("Cleveland Golf"), the Company's U.S. golf equipment operations. The Company had previously acquired 63.63% of Cleveland Golf as part of the acquisition of Rossignol in July 2005. The purchase price for the remaining minority interest of Cleveland Golf, excluding transaction costs, included a cash payment of \$17.5 million at closing. The Company accounted for this transaction as a step acquisition and recorded 36.37% of fair value adjustments related to the acquisition of the remaining portion of Cleveland Golf. The Company also agreed to terminate all consulting arrangements with the former minority interest holders of Cleveland Golf and recorded an expense of approximately \$3.6 million in contract termination costs. In October 2007, the Company entered into an agreement to sell its golf equipment business (Note 12). In connection with the sale of Cleveland Golf in December 2007, the Company paid an additional \$8.5 million to the former minority interest holders of Cleveland Golf as required by the terms of the minority interest stock purchase agreement.

The Company paid cash of approximately \$30.0 million during the six months ended April 30, 2008. Of the cash paid, \$19.2 million related to payments to the former owners of DC related to the achievement of certain sales and earnings targets and \$10.8 million related to certain other store acquisitions.

10. *Litigation, Indemnities and Guarantees*

The Company has been named in a class action lawsuit that alleges willful violation of the federal Fair and Accurate Credit Transaction Act based upon certain of the Company's retail stores' alleged electronic printing of receipts on which appeared more than the last five digits of customers' credit or debit card number and/or the expiration date of such customers' credit or debit card. The Company is currently unable to assess the extent of damages, if any, that could be awarded to the plaintiff class if it were to prevail. The Company intends to vigorously defend itself against the claims asserted. No provision has been made in the Company's financial statements for the six months ended April 30, 2008.

The Company is also 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,

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets.

11. *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 April 30, 2008 and October 31, 2007 and for the six months ended April 30, 2008 and 2007. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Due to the seasonality of the Company's quarterly operations, management has applied the estimated consolidated annual effective income tax rate to both the guarantor and non-guarantor subsidiaries for interim reporting purposes. In the Company's consolidated financial statements for the fiscal year ending October 31, 2008, management will apply the actual income tax rate 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 INCOME Six Months Ended April 30, 2008

<i>In thousands</i>	Quiksilver, Inc.	Wholly-owned Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimination	Consolidated
Revenues, net.....	\$ 18	\$ 428,601	\$ 688,144	\$ (23,902)	\$1,092,861
Cost of goods sold	<u>—</u>	<u>246,393</u>	<u>310,710</u>	<u>(8,108)</u>	<u>548,995</u>
Gross profit	18	182,208	377,434	(15,794)	543,866
Selling, general and administrative expense	24,949	173,951	270,604	(17,294)	452,210
Asset impairment	<u>—</u>	<u>350</u>	<u>—</u>	<u>—</u>	<u>350</u>
Operating (loss) income.....	(24,931)	7,907	106,830	1,500	91,306
Interest expense	23,609	125	310	—	24,044
Foreign currency loss (gain).....	588	(8)	188	—	768
Minority interest and other income	<u>—</u>	<u>(224)</u>	<u>(173)</u>	<u>—</u>	<u>(397)</u>
(Loss) income before (benefit) provision for income taxes.....	(49,128)	8,014	106,505	1,500	66,891
(Benefit) provision for income taxes.....	<u>(15,127)</u>	<u>2,468</u>	<u>33,255</u>	<u>—</u>	<u>20,596</u>
(Loss) income from continuing operations	(34,001)	5,546	73,250	1,500	46,295
Loss from discontinued operations	<u>(812)</u>	<u>(27,396)</u>	<u>(244,730)</u>	<u>(1,521)</u>	<u>(274,459)</u>
Net loss.....	<u>\$ (34,813)</u>	<u>\$ (21,850)</u>	<u>\$ (171,480)</u>	<u>\$ (21)</u>	<u>\$ (228,164)</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF INCOME Six Months Ended April 30, 2007

<i>In thousands</i>	Quiksilver, Inc.	Wholly-owned Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimination	Consolidated
Revenues, net.....	\$ 21	\$ 392,574	\$ 560,636	\$ (22,018)	\$ 931,213
Cost of goods sold	<u>—</u>	<u>230,189</u>	<u>265,030</u>	<u>(8,468)</u>	<u>486,751</u>
Gross profit	21	162,385	295,606	(13,550)	444,462
Selling, general and administrative expense	24,472	144,804	215,443	(13,355)	371,364
Asset impairment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operating (loss) income.....	(24,451)	17,581	80,163	(195)	73,098
Interest expense	20,967	1,675	897	—	23,539
Foreign currency loss.....	1,006	201	215	—	1,422
Minority interest and other income	<u>—</u>	<u>(9)</u>	<u>(32)</u>	<u>—</u>	<u>(41)</u>
(Loss) income before (benefit) provision for income taxes.....	(46,424)	15,714	79,083	(195)	48,178
(Benefit) provision for income taxes.....	<u>(10,682)</u>	<u>3,616</u>	<u>18,153</u>	<u>—</u>	<u>11,087</u>
(Loss) income from continuing operations	(35,742)	12,098	60,930	(195)	37,091
Income (loss) from discontinued operations	<u>7,097</u>	<u>(15,124)</u>	<u>(30,994)</u>	<u>(395)</u>	<u>(39,416)</u>
Net (loss) income	<u>\$ (28,645)</u>	<u>\$ (3,026)</u>	<u>\$ 29,936</u>	<u>\$ (590)</u>	<u>\$ (2,325)</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

At April 30, 2008

<i>In thousands</i>	Quiksilver, Inc.	Wholly-owned Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimination	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ (769)	\$ 4,778	\$ 87,325	\$ —	\$ 91,334
Trade accounts receivable, net	—	175,106	297,926	—	473,032
Other receivables	1,474	15,895	15,562	—	32,931
Inventories	—	134,646	170,541	(1,128)	304,059
Deferred income taxes	—	35,663	67,072	—	102,735
Prepaid expenses and other current assets	2,491	10,361	16,352	—	29,204
Current assets held for sale	—	32,659	257,577	—	290,236
Total current assets	3,196	409,108	912,355	(1,128)	1,323,531
Fixed assets, net	5,644	99,521	151,230	—	256,395
Intangible assets, net	3,493	48,440	92,080	—	144,013
Goodwill	—	116,972	299,365	—	416,337
Other assets	10,341	6,154	28,561	—	45,056
Deferred taxes long-term	—	8,301	5,410	—	13,711
Investment in subsidiaries	505,058	—	—	(505,058)	—
Total assets	<u>\$ 527,732</u>	<u>\$ 688,496</u>	<u>\$ 1,489,001</u>	<u>\$ (506,186)</u>	<u>\$ 2,199,043</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Lines of credit	\$ —	\$ —	\$ 245,877	\$ —	\$ 245,877
Accounts payable	1,495	76,190	113,421	—	191,106
Accrued liabilities	16,111	13,668	87,113	—	116,892
Current portion of long-term debt ..	—	813	34,927	—	35,740
Income taxes payable	—	2,484	12,349	—	14,833
Intercompany balances	173,792	(19,483)	(154,309)	—	—
Current liabilities of assets held for sale	—	8,532	203,771	—	212,303
Total current liabilities	191,398	82,204	543,149	—	816,751
Long-term debt, net of current portion	400,000	96,533	160,074	—	656,607
Other long-term liabilities	—	33,004	779	—	33,783
Non-current liabilities of assets held for sale	—	—	6,953	—	6,953
Total liabilities	591,398	211,741	710,955	—	1,514,094
Stockholders'/invested equity	(63,666)	476,755	778,046	(506,186)	684,949
Total liabilities and stockholders' equity	<u>\$ 527,732</u>	<u>\$ 688,496</u>	<u>\$ 1,489,001</u>	<u>\$ (506,186)</u>	<u>\$ 2,199,043</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

At October 31, 2007

<i>In thousands</i>	Quiksilver, Inc.	Wholly- owned Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 12	\$ 13,254	\$ 61,082	\$ —	\$ 74,348
Trade accounts receivable, net	—	199,606	278,443	—	478,049
Other receivables	775	13,035	23,518	—	37,328
Inventories	—	129,568	167,895	(1,296)	296,167
Deferred income taxes	—	17,192	26,584	—	43,776
Prepaid expenses and other current assets	1,596	7,358	11,768	—	20,722
Current assets held for sale	—	126,823	437,070	(1,021)	562,872
Total current assets	<u>2,383</u>	<u>506,836</u>	<u>1,006,360</u>	<u>(2,317)</u>	<u>1,513,262</u>
Fixed assets, net	6,959	97,856	116,552	—	221,367
Intangible assets, net	2,626	47,282	92,512	—	142,420
Goodwill	—	116,627	282,272	—	398,899
Other assets	10,120	5,941	26,171	—	42,232
Deferred taxes long-term	—	7,352	13,184	—	20,536
Investment in subsidiaries	569,492	—	—	(569,492)	—
Non-current assets held for sale	—	75,652	247,696	—	323,348
Total assets	<u>\$ 591,580</u>	<u>\$ 857,546</u>	<u>\$ 1,784,747</u>	<u>\$ (571,809)</u>	<u>\$ 2,662,064</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Lines of credit	\$ —	\$ —	\$ 124,634	\$ —	\$ 124,634
Accounts payable	2,086	73,773	117,064	—	192,923
Accrued liabilities	20,287	38,503	98,294	—	157,084
Current portion of long-term debt ...	—	—	33,903	—	33,903
Income taxes payable	—	5,769	3,081	—	8,850
Intercompany balances	178,353	(82,412)	(95,941)	—	—
Current liabilities of assets held for sale	—	111,845	252,166	—	364,011
Total current liabilities	<u>200,726</u>	<u>147,478</u>	<u>533,201</u>	<u>—</u>	<u>881,405</u>
Long-term debt	400,000	129,700	169,209	—	698,909
Other long-term liabilities	—	10,268	1,045	—	11,313
Non-current liabilities of assets held for sale	—	60,444	123,380	—	183,824
Total liabilities	<u>600,726</u>	<u>347,890</u>	<u>826,835</u>	<u>—</u>	<u>1,775,451</u>
Stockholders'/invested equity	<u>(9,146)</u>	<u>509,656</u>	<u>957,912</u>	<u>(571,809)</u>	<u>886,613</u>
Total liabilities and stockholders' equity	<u>\$ 591,580</u>	<u>\$ 857,546</u>	<u>\$ 1,784,747</u>	<u>\$ (571,809)</u>	<u>\$ 2,662,064</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS Six Months Ended April 30, 2008

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash flows from operating activities:				
Net loss.....	\$ (34,813)	\$ (21,850)	\$ (171,501)	\$ (228,164)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Loss from discontinued operations	812	27,396	246,251	274,459
Depreciation and amortization	1,280	11,983	14,830	28,093
Stock-based compensation.....	4,621	—	—	4,621
Provision for doubtful accounts.....	—	2,575	2,283	4,858
Asset impairments	—	350	—	350
Other adjustments to reconcile net loss.....	(169)	(88)	582	325
Changes in operating assets and liabilities:				
Trade accounts receivables.....	—	21,925	(6,792)	15,133
Inventories.....	—	(5,078)	10,356	5,278
Other operating assets and liabilities	(2,486)	(21,901)	387	(24,000)
Cash (used in) provided by operating activities of continuing operations	(30,755)	15,312	96,396	80,953
Cash provided by (used in) operating activities of discontinued operations.....	1,808	(13,238)	80,743	69,313
Net cash (used in) provided by operating activities	(28,947)	2,074	177,139	150,266
Cash flows from investing activities:				
Proceeds from the sale of properties and equipment.....	1,930	147	153	2,230
Capital expenditures	(1,460)	(17,477)	(26,443)	(45,380)
Business acquisitions, net of cash acquired.....	—	(20,296)	(9,688)	(29,984)
Cash provided by (used in) investing activities of continuing operations	470	(37,626)	(35,978)	(73,134)
Cash provided by investing activities of discontinued operations.....	—	95,142	11,386	106,528
Net cash (used in) investing activities	470	57,516	(24,592)	33,394
Cash flows from financing activities:				
Borrowings on lines of credit.....	—	—	124,148	124,148
Payments on lines of credit.....	—	—	(15,226)	(15,226)
Borrowings on long-term debt.....	—	114,500	3,512	118,012
Payments on long-term debt.....	—	(148,700)	(28,248)	(176,948)
Stock option exercises, employee stock purchases and tax benefit on option exercises	6,269	—	—	6,269
Intercompany	21,427	1,134	(22,561)	—
Cash provided by (used in) financing activities of continuing operations	27,696	(33,066)	61,625	56,255
Cash (used in) financing activities of discontinued operations.....	—	(35,000)	(185,069)	(220,069)
Net cash provided by (used in) financing activities.....	27,696	(68,066)	(123,444)	(163,814)
Effect of exchange rate changes on cash.....	—	—	(2,860)	(2,860)
Net (decrease) increase in cash and cash equivalents.....	(781)	(8,476)	26,243	16,986
Cash and cash equivalents, beginning of period	12	13,254	61,082	74,348
Cash and cash equivalents, end of period.....	\$ (769)	\$ 4,778	\$ 87,325	\$ 91,334

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS Six Months Ended April 30, 2007

<i>In thousands</i>	Quiksilver, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash flows from operating activities:				
Net (loss) income	\$ (28,645)	\$ (3,026)	\$ 29,346	\$ (2,325)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Loss (income) from discontinued operations	(7,097)	15,124	31,389	39,416
Depreciation and amortization	261	8,852	12,674	21,787
Stock-based compensation	8,725	—	—	8,725
Provision for doubtful accounts	—	1,620	2,633	4,253
Other adjustments to reconcile net (loss) income	390	(147)	934	1,177
Changes in operating assets and liabilities:				
Trade accounts receivables	—	(3,299)	(9,472)	(12,771)
Inventories	—	(7,699)	(2,210)	(9,909)
Other operating assets and liabilities	(89)	(33,693)	28,275	(5,507)
Cash (used in) provided by operating activities of continuing operations	(26,455)	(22,268)	93,569	44,846
Cash provided by (used in) operating activities of discontinued operations	8,327	(13,620)	76,562	71,269
Net cash (used in) provided by operating activities	(18,128)	(35,888)	170,131	116,115
Cash flows from investing activities:				
Proceeds from the sale of properties and equipment	—	4,463	1,291	5,754
Capital expenditures	(770)	(15,916)	(19,102)	(35,788)
Business acquisitions, net of cash acquired	(580)	(20,138)	(13,353)	(34,071)
Cash used in investing activities of continuing operations	(1,350)	(31,591)	(31,164)	(64,105)
Cash used in investing activities of discontinued operations	—	(1,590)	(11,516)	(13,106)
Net cash used in investing activities	(1,350)	(33,181)	(42,680)	(77,211)
Cash flows from financing activities:				
Borrowings on lines of credit	—	—	40,483	40,483
Payments on lines of credit	—	—	(7,007)	(7,007)
Borrowings on long-term debt	—	73,500	7,430	80,930
Payments on long-term debt	—	(29,515)	(18,511)	(48,026)
Stock option exercises, employee stock purchases and tax benefit on option exercises	7,000	—	—	7,000
Intercompany	11,884	22,317	(34,201)	—
Cash provided by (used in) financing activities of continuing operations	18,884	66,302	(11,806)	73,380
Cash provided by (used in) financing activities of discontinued operations	—	2,336	(84,095)	(81,759)
Net cash provided by (used in) financing activities	18,884	68,638	(95,901)	(8,379)
Effect of exchange rate changes on cash	5	17	(2,926)	(2,904)
Net (decrease) increase in cash and cash equivalents	(589)	(414)	28,624	27,621
Cash and cash equivalents, beginning of period	8	3,392	33,434	36,834
Cash and cash equivalents, end of period	<u>\$ (581)</u>	<u>\$ 2,978</u>	<u>\$ 62,058</u>	<u>\$ 64,455</u>

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

12. *Discontinued Operations*

The Company has an active program to sell its Rossignol business, including the related brands of Rossignol, Dynastar, Look, Lange and Kerma, and is expected to complete this transaction within one year. As such, during the three months ended April 30, 2008, the Company classified its Rossignol business, including both wintersports equipment and apparel, as discontinued operations for all periods presented. This sale process caused the Company to reassess the carrying value of Rossignol under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The fair value of the Rossignol business was estimated using a combination of current market indications of value, a discounted cash flow and a market-based multiple approach. As a result, the Company recorded an impairment of Rossignol's long-term assets of approximately \$240.2 million, before taxes, during the three months ended April 30, 2008. This impairment included approximately \$129.7 million in fixed assets, \$88.2 million in trademark and other intangible assets, \$18.3 million in goodwill and \$4.0 million in other long-term assets. The actual value realized from the sale of Rossignol could be materially different than the Company's current estimate, causing further losses or gains upon sale of the asset group.

In October 2007, the Company entered into an agreement to sell its golf equipment business which includes Roger Cleveland Golf Company, Inc. and certain other related international subsidiaries for approximately \$132.5 million. Majority ownership in this business was originally acquired in fiscal 2005 as part of the Rossignol acquisition. In September 2007, the Company acquired the remaining 36.37% minority interest in Roger Cleveland Golf Company, Inc. (Note 9). The golf equipment business assets are classified as held for sale and the operations of the golf equipment business are classified as discontinued operations for all periods presented. The Company closed this transaction during December 2007. The Company used the net proceeds from this sale to repay indebtedness.

The operating results of discontinued operations for both wintersports and golf equipment included in the accompanying consolidated statements of operations are as follows:

<i>In thousands</i>	<u>Three Months Ended</u>	
	<u>April 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues, net.....	\$ 40,509	\$ 83,440
Loss before income taxes.....	(299,691)	(48,917)
Benefit for income taxes	<u>(54,742)</u>	<u>(11,698)</u>
Loss from discontinued operations.....	<u>\$ (244,949)</u>	<u>\$ (37,219)</u>

	<u>Six Months Ended</u>	
	<u>April 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues, net.....	\$ 157,161	\$ 225,110
Loss before income taxes.....	(334,885)	(51,876)
Benefit for income taxes	<u>(60,426)</u>	<u>(12,460)</u>
Loss from discontinued operations.....	<u>\$ (274,459)</u>	<u>\$ (39,416)</u>

Asset impairments of \$240.2 million are included in loss before income taxes for the three and six months ended April 30, 2008. The net tax benefit related to the asset impairment and the Company's classification of Rossignol and Cleveland as discontinued operations is approximately \$41.9 million and \$39.9 million during the three and six month periods, respectively, and is included as a component of the benefit for income taxes.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The components of assets and liabilities held for sale are as follows:

<i>In thousands</i>	<u>April 30,</u> <u>2008</u>
Current assets:	
Receivables, net	\$ 106,679
Inventories	144,493
Other current assets	<u>39,064</u>
	<u>\$ 290,236</u>
Current liabilities:	
Lines of credit and current debt	\$ 93,313
Accounts payable	66,145
Other current liabilities	<u>52,845</u>
	<u>\$ 212,303</u>
Non-current liabilities:	
Other non-current liabilities	<u>\$ 6,953</u>

During the three months ended April 30, 2008 the Company reclassified a 50 million euro term loan of Rossignol to short term as it is expected to be out of compliance with certain profitability covenants to be measured on October 31, 2008. The Company expects to repay this term loan with the proceeds from a Rossignol sale transaction, or refinance this obligation.

13. *Income Taxes*

On November 1, 2007, the Company adopted FIN 48. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The Company first is required to determine whether an uncertain tax position may be recognized when it is "more likely than not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. A tax position that meets the more-likely-than-not threshold is then measured to determine the amount of benefit to recognize in the financial statements. If a tax position does not meet the more-likely-than-not threshold, no benefit can be recognized.

As a result of the adoption of FIN 48, the Company recognized a \$21.3 million reduction in retained earnings as of November 1, 2007. This adjustment consisted of an increase in the Company's liability for unrecognized tax benefits of \$30.4 million partially offset by an increase to the Company's deferred tax assets of \$2.0 million and an increase in the Company's taxes receivable of \$7.1 million. The total balance of unrecognized tax benefits, including interest and penalties, was \$37.4 million as of November 1, 2007. The total amount of unrecognized tax benefits that, if recognized, would have had an impact on the effective tax rate was \$20.4 million before interest and penalties as of November 1, 2007.

The Company includes interest and penalties related to unrecognized tax benefits in its provision for income taxes in the accompanying condensed consolidated statements of operations. Accrued interest and penalties are included in income taxes payable in the condensed consolidated balance sheets. As of November 1, 2007, the Company had accrued \$7.8 million in interest and penalties related to uncertain tax positions.

QUIKSILVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

The Company has evaluated its tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months. During the next 12 months, it is reasonably possible that the Company's liability for uncertain tax positions may decrease by a significant amount as a result of the resolution or payment of uncertain tax positions relating to intercompany transactions between foreign affiliates and certain foreign withholding tax exposures. The liability would decrease as a result of filing amended returns and paying the liabilities, resolving the uncertainties in connection with a current tax examination, or the lapse of a statute of limitation for such examination. The range of the decrease in the FIN 48 tax liability which is reasonably possible in the next 12 months is not expected to exceed \$10.8 million before interest and penalties. As of April 30, 2008, the amount of unrecognized tax benefits had not materially changed from the date of adoption of FIN 48.

Conclusion of the above matters could result in settlements for different amounts than the Company has accrued as uncertain tax benefits. If a position for which the Company concluded it was more likely than not that the tax position would be sustained is subsequently not upheld, 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 those which have been accrued or extinguish a position through payment.

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, 2007 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 discussions 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.

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, *Boardriders Clubs*, 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 July 2005, we acquired Skis Rossignol, S.A., a wintersports and golf equipment manufacturer. Today our products are sold throughout the world, primarily in surf shops, skate shops, snow shops and specialty stores.

Over the past 37 years, *Quiksilver* has been established as a leading global brand representing the casual, youth lifestyle associated with boardriding sports. With our acquisition of Rossignol, we added a collection of leading ski and golf equipment brands to our company.

In October 2007, we entered into an agreement to sell our golf equipment business for a transaction value of approximately \$132.5 million. This transaction was completed in December 2007. As a result of this disposition, the following financial information has been adjusted to exclude our golf equipment operations. The golf equipment business has also been classified as a discontinued operation in our consolidated financial statements for all periods presented.

We have an active program to sell our Rossignol business, including the related brands of Rossignol, Dynastar, Look, Lange and Kerma, and we expect to complete this transaction within one year. As such, during the three months ended April 30, 2008, we classified the Rossignol business, including both wintersports equipment and apparel, as discontinued operations. The Rossignol business assets and related liabilities are classified as held for sale, and the operations are classified as discontinued, for all periods presented. The loss from discontinued operations for Rossignol and Cleveland was approximately \$244.9 million and \$274.5 million, respectively, for the three and six months ended April 30, 2008. These losses include an impairment charge to Rossignol's long-term assets of approximately \$240.2 million, before taxes. The actual value realized from a sale of Rossignol could be materially different than our current estimate, causing further losses or gains upon sale of the asset group.

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. 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 primarily from the U.S.

and Canada. The European segment includes revenues primarily from Western Europe. The 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 to our licensees. All prior segment information has been adjusted to reflect our current operating segment presentation.

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, engineers, 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 on our ability to continue to design products that are acceptable to 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>Statement of Operations data</i>	Three Months Ended April 30,		Six Months Ended April 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues, net.....	100.0%	100.0%	100.0%	100.0%
Gross profit.....	50.4	47.9	49.8	47.7
Selling, general and administrative expense	38.7	37.4	41.4	39.9
Asset impairment	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating income.....	11.6	10.5	8.4	7.8
Interest expense	2.2	2.2	2.2	2.5
Foreign currency, minority interest and other expense	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
Income before provision for income taxes	9.3	8.1	6.1	5.2
<i>Other data</i>				
Adjusted EBITDA ⁽¹⁾	<u>14.5%</u>	<u>13.3%</u>	<u>11.5%</u>	<u>11.0%</u>

⁽¹⁾ Adjusted EBITDA is defined as income from continuing operations before (i) interest expense, (ii) income tax expense, (iii) depreciation and amortization, (iv) non-cash stock-based compensation expense and (v) asset impairments. Adjusted EBITDA is not defined under generally accepted accounting principles ("GAAP"), and it may not be comparable to similarly titled measures reported by other companies. We use Adjusted EBITDA, along with other GAAP measures, as a measure of profitability because Adjusted EBITDA helps us to compare our performance on a consistent basis by removing from our operating results the impact of our capital structure, the effect of operating in different tax jurisdictions, the impact of our asset base, which can differ depending on the book value of assets, the accounting methods used to compute depreciation and amortization, the existence or timing of asset impairments and the effect of non-cash stock-based compensation expense. We believe EBITDA is useful to investors as it is a widely used measure of performance and the adjustments we make to EBITDA provide further clarity on our profitability. We remove the effect of non-cash stock-based compensation from our earnings which can vary based on share price, share price volatility and expected life of the equity instruments we grant. In addition, this stock-based compensation expense does not result in cash payments by us. We remove the effect of asset impairments from Adjusted EBITDA for the same reason that we remove depreciation and amortization as it is part of the impact of our asset base. Adjusted EBITDA has limitations as a profitability measure in that it does not include the interest expense on our debts, our provisions for income taxes, the effect of our expenditures for capital assets and certain intangible assets, the effect of

non-cash stock-based compensation expense and the effect of asset impairments. The following is a reconciliation of income from continuing operations to Adjusted EBITDA:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2008	2007	2008	2007
Income from continuing operations.....	\$ 38,725	\$ 32,419	\$ 46,295	\$ 37,091
Provision for income taxes.....	16,558	9,474	20,596	11,087
Interest expense	12,996	11,671	24,044	23,539
Depreciation and amortization	14,563	11,267	28,093	21,787
Non-cash stock-based compensation expense	3,055	4,175	6,551	8,725
Non-cash asset impairments	350	-	350	-
Adjusted EBITDA.....	<u>\$ 86,247</u>	<u>\$ 69,006</u>	<u>\$ 125,929</u>	<u>\$ 102,229</u>

Three Months Ended April 30, 2008 Compared to Three Months Ended April 30, 2007

Our total net revenues for the three months ended April 30, 2008 increased 15% to \$596.3 million from \$520.4 million in the comparable period of the prior year. The effect of foreign currency exchange rates accounted for approximately \$43.7 million of the increase in total net revenues. Our net revenues in each of the Americas, Europe and Asia/Pacific segments include apparel, footwear and accessories product lines for our *Quiksilver*, *Roxy* and *DC* brands, and other brands which include *Hawk*, *Raisins*, *Leilani*, *Radio Fiji*, *Lib Technologies*, *Gnu* and *Bent Metal*.

Revenues in the Americas increased 5% to \$247.6 million for the three months ended April 30, 2008 from \$236.3 million in the comparable period of the prior year, while European revenues increased 23% to \$284.5 million from \$231.9 million and Asia/Pacific revenues increased 23% to \$62.5 million from \$51.0 million for those same periods. The increase in the Americas came from our *DC* brand in both footwear and apparel, which was partially offset by decreases in our *Quiksilver* and *Roxy* apparel product lines. Approximately \$36.0 million of Europe's revenue increase was attributable to the positive effects of foreign currency exchange rates. The currency adjusted increase in Europe was driven by our *DC* and *Quiksilver* brands offset by a slight decrease in our *Roxy* brand. *DC* brand revenue growth came primarily from footwear and, to a lesser extent, apparel. Increases in our *Quiksilver* brand came primarily from our apparel product lines. Approximately \$7.7 million of Asia/Pacific's revenue increase was attributable to the positive effects of foreign currency exchange rates. The currency adjusted increase in Asia/Pacific came primarily from our *DC* brand, which was partially offset by decreases in our *Quiksilver* and *Roxy* apparel product lines.

Our consolidated gross profit margin for the three months ended April 30, 2008 increased to 50.4% from 47.9% in the comparable period of the prior year. The gross profit in the Americas segment increased to 42.7% from 41.4%, while our European segment gross profit margin increased to 56.8% from 54.0%, and our Asia/Pacific segment gross profit margin increased to 50.7% from 49.7% for those same periods. The increase in the Americas segment's gross profit margin was due primarily to a higher percentage of sales through company owned retail stores where higher gross margins are generated, and improved sourcing. Our European segment's gross profit margin increased primarily as a result of the foreign exchange effect of sourcing goods in U.S. dollars and improved sourcing. In our Asia/Pacific segment, our gross profit margin increase was primarily due to improved margins in Japan compared to the prior year.

Our selling, general and administrative expense ("SG&A") for the three months ended April 30, 2008 increased 18% to \$230.8 million from \$194.8 million in the comparable period of the prior year. The effect of foreign currency exchange rates accounted for approximately \$15.9 million of the increase in total SG&A. In the Americas segment, these expenses increased 17% to \$89.7 million from \$76.7 million in the comparable period of the prior year, while our European segment SG&A increased 27% to \$98.1 million from \$77.4 million, and our Asia/Pacific segment SG&A increased 27% to \$32.2 million from \$25.4 million for those same periods. As a percentage of revenues, SG&A increased to 38.7% for the three months ended April 30, 2008 from 37.4% for the three months ended April 30, 2007. In the Americas,

SG&A as a percentage of revenues increased to 36.2% compared to 32.5% the year before. In Europe, SG&A as a percentage of revenues increased to 34.5% from 33.4% and in Asia/Pacific, SG&A as a percentage of revenues increased to 51.5% from 49.8% for those same periods. The increase in SG&A costs as a percentage of revenue in our Americas segment was primarily caused by the cost of opening and operating additional retail stores, increased distribution costs and marketing costs. The increase in SG&A costs as a percentage of revenue in our European segment was primarily caused by the cost of opening and operating additional retail stores and increased distribution costs. In our Asia/Pacific segment, the increase in SG&A costs as a percentage of revenue primarily related to the costs of a legal settlement on a retail store lease.

Interest expense for the three months ended April 30, 2008 increased to \$13.0 million from \$11.7 million in the comparable period of the prior year. This increase was primarily due to higher borrowing levels on our lines of credit to finance increased working capital needs and, to a lesser extent, higher interest rates on our variable-rate debt in Europe and the United States.

Our foreign currency loss amounted to \$1.4 million for the three months ended April 30, 2008 compared to \$1.1 million in the same period last year. This loss resulted primarily from the foreign exchange effect of certain non-U.S. dollar denominated liabilities.

Our effective income tax rate for the three months ended April 30, 2008 was 30.0% compared to 22.6% for the three months ended April 30, 2007. The income tax rate for the three months ended April 30, 2008 was unfavorably impacted by limitations on our interest deductibility and changes in accrual amounts for certain tax contingencies now accounted for under the newly adopted FIN 48.

Our income from continuing operations for the three months ended April 30, 2008 was \$38.7 million or \$0.30 per share on a diluted basis, compared to income from continuing operations of \$32.4 million, or \$0.25 per share on a diluted basis, in the same period of the prior year. Adjusted EBITDA increased 24.9% to \$86.2 million from \$69.0 million for those same periods.

Six Months Ended April 30, 2008 Compared to Six Months Ended April 30, 2007

Our total net revenues for the six months ended April 30, 2008 increased 17% to \$1,092.9 million from \$931.2 million in the comparable period of the prior year. The effect of foreign currency exchange rates accounted for approximately \$70.7 million of the increase in total net revenues.

Revenues in the Americas increased 11% to \$482.6 million for the six months ended April 30, 2008 from \$434.1 million in the comparable period of the prior year, while European revenues increased 23% to \$484.8 million from \$393.1 million and Asia/Pacific revenues increased 20% to \$122.9 million from \$102.1 million for those same periods. In the Americas, the increase in revenues came primarily from *DC* brand revenue and, to a lesser extent, *Quiksilver* brand revenues, slightly offset by a small decrease in *Roxy* brand revenues. Increases in *DC* brand revenues came primarily from growth in apparel and footwear product lines. Approximately \$56.1 million of Europe's revenue increase was attributable to the positive effects of foreign currency exchange rates. The currency adjusted increase in Europe came primarily from growth in our *DC* brand and, to a lesser extent, growth in our *Roxy* and *Quiksilver* brands. Increases in *DC* brand revenues came primarily from growth in footwear and apparel product lines while increases in *Roxy* came primarily from growth in the accessories product line and increases in *Quiksilver* came primarily from growth in the footwear product line. Approximately \$14.6 million of Asia/Pacific's revenue increase was attributable to the positive effects of foreign currency exchange rates. The currency adjusted increase in Asia/Pacific revenues came primarily from our *DC* brand, which was partially offset by slight decreases in our *Quiksilver* and *Roxy* brands.

Our consolidated gross profit margin for the six months ended April 30, 2008 increased to 49.8% from 47.7% in the comparable period of the prior year. The gross profit in the Americas segment increased to 43.0% from 42.0%, while our European segment gross profit margin increased to 56.0% from 53.8%, and our Asia/Pacific segment gross profit margin increased to 51.6% from 48.3% for those same periods. The increase in the Americas segment's gross profit margin was due primarily to a higher percentage of

sales through company owned retail stores where higher gross margins are generated, and improved sourcing. Our European segment's gross profit margin increased primarily as a result of the foreign exchange effect of sourcing goods in U.S. dollars and improved sourcing. In our Asia/Pacific segment, our gross profit margin increase was primarily due to improved margins in Japan compared to the prior year.

Our SG&A for the six months ended April 30, 2008 increased 22% to \$452.2 million from \$371.4 million in the comparable period of the prior year. The effect of foreign currency exchange rates accounted for approximately \$30.6 million of the increase in total SG&A. In the Americas segment, these expenses increased 22% to \$184.3 million from \$151.2 million in the comparable period of the prior year, while our European segment SG&A increased 29% to \$186.1 million from \$144.0 million, and our Asia/Pacific segment SG&A increased 23% to \$60.1 million from \$49.0 million for those same periods. As a percentage of revenues, SG&A increased to 41.4% for the six months ended April 30, 2008 from 39.9% for the six months ended April 30, 2007. In the Americas, SG&A as a percentage of revenues increased to 38.2% compared to 34.8% the year before. In Europe, SG&A as a percentage of revenues increased to 38.4% from 36.6% and in Asia/Pacific SG&A as a percentage of revenues increased to 48.9% from 48.0% for those same periods. The increase in SG&A costs as a percentage of revenue in our Americas segment was primarily caused by the cost of opening and operating additional retail stores, increased distribution costs and marketing costs. The increase in SG&A costs as a percentage of revenue in our European segment was primarily caused by the cost of opening and operating additional retail stores and increased distribution costs. In our Asia/Pacific segment, the increase in SG&A costs as a percentage of revenue primarily related to the costs of a legal settlement on a retail store lease and, to a lesser extent, the cost of opening and operating additional retail stores.

Interest expense for the six months ended April 30, 2008 increased to \$24.0 million from \$23.5 million in the comparable period of the prior year. This increase was primarily due to higher borrowing levels on our lines of credit to finance increased working capital needs and, to a lesser extent, higher interest rates on our variable-rate debt in Europe and the United States.

Our foreign currency loss amounted to \$0.8 million for the six months ended April 30, 2008 compared to \$1.4 million in the comparable period of the prior year. This current year loss resulted primarily from the foreign exchange effect of certain non-U.S. dollar denominated liabilities.

Our effective income tax rate for the six months ended April 30, 2008 was 30.8% compared to 23.0% for the six months ended April 30, 2007. The income tax rate for the six months ended April 30, 2008 was unfavorably impacted by limitations on our interest deductibility and changes in accrual amounts for certain tax contingencies now accounted for under the newly adopted FIN 48.

Our income from continuing operations for the six months ended April 30, 2008 was \$46.3 million, or \$0.36 per share on a diluted basis, compared to \$37.1 million, or \$0.29 per share on a diluted basis, in the same period of the prior year. Adjusted EBITDA increased 23.2% to \$125.9 million from \$102.2 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 purchase price for our acquisition of Rossignol and to refinance certain existing indebtedness.

The net increase in cash and cash equivalents for the six months ended April 30, 2008 was \$17.0 million compared to \$27.6 million in the comparable period of the prior year. Cash and cash equivalents totaled \$91.3 million at April 30, 2008 compared to \$74.3 million at October 31, 2007, while working capital was \$506.8 million at April 30, 2008 compared to \$631.9 million at October 31, 2007. We intend to use the net proceeds from a sale of our Rossignol business to repay related indebtedness. Any Rossignol

related debt in excess of the net proceeds of a sale will likely have to be refinanced. In that regard, we are currently evaluating potential financing alternatives and, depending upon the expected timing and sale price, we plan to seek some financing prior to closing a transaction. Potential sources of such funding could include our existing lenders (whether for short or longer term financing) or the broader capital markets. We believe that our cash flow from operations, together with our existing credit facilities or alternative sources of financing such as those referred to above, will be adequate to fund our capital requirements for at least the next twelve months. The availability and cost of new financing is subject to certain risks and could be adversely affected by credit market conditions.

For the six months ended April 30, 2008, we recorded approximately \$7.7 million of interest expense in our discontinued operations related to the financing of our Rossignol business. Any Rossignol related debt in excess of the sales proceeds of Rossignol will be retained by us subsequent to a Rossignol disposition. As such, our continuing operations debt levels and interest expense may be somewhat higher in the future, depending on the timing and net proceeds received from the sale of Rossignol.

During the three months ended April 30, 2008 we reclassified a 50 million euro term loan of Rossignol to short term as it is expected to be out of compliance with certain profitability covenants to be measured on October 31, 2008. We expect to repay this term loan with the proceeds from a Rossignol sale transaction, or refinance this obligation.

Cash Flows

We generated \$81.0 million of cash from operating activities of continuing operations in the six months ended April 30, 2008 compared to \$44.8 million for the same period of the prior year. This \$36.2 million increase in cash provided was due to improvements in working capital of \$24.6 million plus the effect of our net loss and other non-cash charges which amounted to \$11.6 million.

Capital expenditures of continuing operations totaled \$45.4 million for the six months ended April 30, 2008, compared to \$35.8 million in the comparable period of the prior year. These investments included company-owned retail stores and ongoing investments in computer and warehouse equipment. We also used \$30.0 million of cash for acquisitions for the six months ended April 30, 2008, of which \$19.2 million relates to a payment to the former owners of DC Shoes, Inc., and the remaining \$10.8 million relates primarily to certain store acquisitions.

During the six months ended April 30, 2008, net cash provided by financing activities of continuing operations totaled \$56.3 million, compared to \$73.4 million provided by financing activities of continuing operations in the comparable period of the prior year. Borrowings decreased as we generated increased cash from our operating activities.

Trade Accounts Receivable and Inventories

Our trade accounts receivable decreased 1% to \$473.0 million at April 30, 2008 from \$478.0 million at October 31, 2007. Accounts receivable in our Americas segment decreased 12% to \$199.9 million at April 30, 2008 from \$228.4 million at October 31, 2007, European segment accounts receivable increased 28% to \$228.8 million from \$178.1 million and Asia/Pacific segment accounts receivable decreased 38% to \$44.3 million from \$71.6 million. Compared to April 30, 2007, accounts receivable increased 12% in the Americas segment and 16% in our European segment, and decreased 4% in the Asia/Pacific segment. Changes in foreign currency exchange rates accounted for approximately \$23.0 million of the increase in accounts receivable compared to April 30, 2007. Adjusted for currency, the remaining increase in accounts receivable compared to April 30, 2007 across all three segments primarily relates to higher revenues and the timing of shipments. Included in accounts receivable at April 30, 2008 are approximately \$32.4 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 days sales outstanding decreased by approximately one day at April 30, 2008 compared to April 30, 2007.

Consolidated inventories increased 3% to \$304.1 million at April 30, 2008 from \$296.2 million at October 31, 2007. Inventories in the Americas segment increased 6% to \$149.7 million from \$141.4 million at October 31, 2007, European segment inventories increased 1% to \$99.5 million from \$98.9 million, and Asia/Pacific segment inventories decreased 2% to \$54.8 million from \$55.8 million for those same periods. Compared to April 30, 2007, inventories increased 7% in the Americas segment, increased 27% in our European segment, and decreased 3% in the Asia/Pacific segment. Changes in foreign currency exchange rates accounted for approximately \$18.3 million of the increase in inventories compared to April 30, 2007. Consolidated average annual inventory turnover was approximately 3.5 at April 30, 2008 which is consistent with the comparable period of the prior year.

Commitments

During the three months ending July 31, 2008, we expect to pay approximately \$7.8 million to purchase a controlling interest in our Brazilian joint venture, of which 50% will be paid in cash and 50% in shares of our common stock.

There have been no material changes in our contractual obligations since October 31, 2007, other than changes resulting from the adoption of FIN 48, as described in Note 13 to our condensed consolidated financial statements.

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 earnings 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. We also maintain credit insurance for a majority of our European wintersports equipment receivables (classified in discontinued operations) that protects against the risk of customer default. 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 profits.

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 in the retail market; 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 account for stock-based compensation expense using the fair value recognition provisions of SFAS 123(R), "Share-Based Payment". Under the fair value recognition provisions of SFAS 123(R), we recognize stock-based compensation 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.

Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the input of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility. We use the Black-Scholes option-pricing model to value compensation expense. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. See Note 3 to the condensed consolidated financial statements for a further discussion on stock-based compensation.

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.

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109. FIN 48 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 FIN 48 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 some 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 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 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 exchange contracts, generally in the form of forward contracts. For all contracts that qualify as cash flow hedges, we record changes in the fair value of these contracts in other comprehensive income. We also use other derivatives that do not qualify for hedge accounting to mitigate our exposure to currency risks. These derivatives are marked to fair value with corresponding gains or losses recorded in earnings.

New Accounting Pronouncements

See Note 2 to Condensed Consolidated Financial Statements– 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 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:

- our ability to dispose of our Rossignol business, or the ability to do so at a favorable price;
- our ability to achieve the financial results that we anticipate;
- the impact of our substantial leverage on our ability to generate cash flows or obtain future financing and the cost of such financing;
- our plans to expand internationally;
- our intention to introduce new products and enter into new joint ventures;
- our plans to open new retail stores;
- payments due on contractual commitments;
- future expenditures for capital projects;
- our ability to continue to maintain our brand image and reputation;
- our ability to remain compliant with our debt covenants;
- integration of acquired businesses and future acquisitions;
- our ability to realize the expected benefits from certain asset dispositions;
- general economic and business conditions;
- foreign exchange rate fluctuations; and
- changes in political, social and economic conditions and local regulations, particularly in Europe and Asia.

Given these uncertainties, investors are cautioned not to place too much weight on such statements. We are not obligated to update these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency

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 income of our foreign subsidiaries into U.S. dollars using the average exchange rate during the reporting period. Changes in foreign exchange rates affect our reported profits 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 income 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 increased 8% in euros during the six months ended April 30, 2008 compared to the six months ended April 30, 2007. As measured in U.S. dollars and reported in our consolidated statements of operations, European revenues increased 23% as a result of a stronger euro versus the U.S. dollar in comparison to the prior year.

Asia/Pacific revenues increased 5% in Australian dollars during the six months ended April 30, 2008 compared to the six months ended April 30, 2007. As measured in U.S. dollars and reported in our consolidated statements of operations, Asia/Pacific revenues increased 20% 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, 2007 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 April 30, 2008, 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 April 30, 2008.

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 April 30, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table details the repurchases of our common stock that we made during the three months ended April 30, 2008:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plan</u>	<u>Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan</u>
February 1 – February 29	343,334 ⁽¹⁾	\$0.01	—	—
March 1 – March 31	—	—	—	—
April 1 – April 30	—	—	—	—

⁽¹⁾ In February 2008, we repurchased and cancelled 343,334 unvested shares of restricted common stock from certain terminating employees, for a price per share of \$0.01 (i.e., the par value of such shares of restricted common stock), in accordance with the terms of our 2006 Restricted Stock Plan and 2000 Stock Incentive Plan, as applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on March 28, 2008. A total of 107,820,248 shares of our common stock were present or represented by proxy at the meeting, representing more than 85% of our shares outstanding as of the January 31, 2008 record date. The matters submitted for a vote and the related results are as follows:

Election of eight nominees to serve as directors until the next annual meeting and until their respective successors are elected and qualified. The result of the vote taken was as follows:

	<u>Votes For</u>	<u>Votes Withheld</u>
Douglas K. Ammerman.....	91,012,275	16,807,973
William M. Barnum, Jr.	64,248,552	43,571,696
Charles E. Crowe.....	105,164,648	2,655,600
Charles S. Exon.....	106,750,967	1,069,281
Michael H. Gray.....	105,005,826	2,814,422
Timothy M. Harmon.....	105,831,419	1,988,829
Robert B. McKnight, Jr.	106,738,020	1,082,228
Heidi J. Ueberroth.....	63,913,013	43,907,235

Item 5. Other Information

On March 14, 2008, Pilot SAS (one of our indirect wholly owned subsidiaries) entered into a Credit Facility Agreement with BNP Paribas, Credit Lyonnais and Societe Generale (as the Banks), BNP Paribas (as the Security Agent) and Societe Generale (as the Credit Agent). Under the Credit Facility Agreement, Pilot SAS received a 70.0 million Euro credit facility to replace several uncommitted bilateral credit facilities dedicated to the financing of our Rossignol subsidiaries in Europe. This Credit Facility Agreement expires on September 14, 2008, but may be renewed at the option of the Banks for an additional six month period. Any drawings on the Credit Facility Agreement bear interest at a rate of Euribor plus 0.8%, which was 5.2% as of April 30, 2008, plus an additional 0.2% commission payment to the Banks for the aggregate amount of the credit facility. The Credit Facility Agreement is unsecured, but guaranteed by Quiksilver, Inc. The Credit Facility Agreement is subject to termination, and acceleration of all outstanding amounts, in the event of a sale of at least 50% of Skis Expansion SAS or other specific subsidiaries of our Rossignol Group, and upon other breaches of customary representations and warranties.

Item 6. Exhibits

Exhibits

- 2.1 Stock Purchase Agreement between the Company and the Sellers of DC Shoes, Inc. dated March 8, 2004 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on May 18, 2004).
- 2.2 First Amendment to the Stock Purchase Agreement between the Company and the Sellers of DC Shoes, Inc. dated May 3, 2004 (incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on May 18, 2004).
- 2.3 Stock Purchase Agreement between the Roger Cleveland Golf Company, Inc., Rossignol Ski Company, Incorporated, the Company 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).
- 2.4 Amendment No. 1 to the Stock Purchase Agreement between the Roger Cleveland Golf Company, Inc., Rossignol Ski Company, Incorporated, the Company 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).
- 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 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 Separation and Transition Agreement between Bernard Mariette and Quiksilver, Inc. dated February 11, 2008 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 13, 2008). (1)
- 10.2 Sixth Amendment to Amended and Restated Credit Agreement dated February 14, 2008 (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on March 11, 2008).
- 10.3 English Translation of the Credit Facility Agreement dated March 14, 2008 by and among Pilot SAS, the Banks named therein, BNP Paribas as the Security Agent and Societe Generale as the Credit Agent.
- 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 2003 – Chief Executive Officer

32.2 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2003 – Chief Financial Officer

⁽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

June 9, 2008

/s/ Brad L. Holman

Brad L. Holman
Vice President of Accounting and Financial Reporting
(Principal Accounting Officer and Authorized Signatory)

§ 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 officer 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 officer 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: June 9, 2008

/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 officer 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 officer 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: June 9, 2008

/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 April 30, 2008 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
June 9, 2008

**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 April 30, 2008 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
June 9, 2008