Consac, LLC
525 Chalette Dr
Beverly Hills, CA 90201

October 8, 2014

Robert B. McKnight, Jr., Executive Chairman of the Board
Andrew P. Mooney, President, Chief Executive Officer and Director
Quiksilver, Inc.
15202 Graham Street
Huntington Beach, California, 92649
Via email and fax: Andy.mooney@quicksilver.com // 714-889-3700

Dear Mr. McKnight:

I am the president of Consac, LLC, which owns in excess of 2 million shares of Quiksilver, Inc. (ZQK). Among other things, Consac invests in consumer and retail brands, and this is a space that I have significant familiarity with, both as the prior operator of a well-known consumer brand and as an investor.

I am writing to express my profound disappointment with the performance of Quiksilver over the past 18 months.

The 11-point turnaround plan announced by Andrew Mooney 16 months ago has thus far failed to deliver the desired results and, based on the deterioration in the company's core brands since that time, has in actuality had a profound detrimental effect on the financial position and operating performance of the company, in my opinion.

Other investors have come to the same conclusion, since the stock price is down roughly 80% this calendar year. Accordingly, it is time for the Quiksilver board to implement a new strategy in order to preserve shareholder value by commencing a process to sell the company.

Mr. Mooney's Profit Improvement Plan (PIP), announced in May 2013, outlined 11 strategic objectives, including product consolidation under three core brands, divestiture of non-core brands, and improved marketing and supply chain efficiencies.

Six months later, the company stated in its annual report that, when fully implemented by the end of fiscal 2016, the PIP was expected to improve adjusted EBITDA by approximately $150 million over fiscal 2012.

The company's financial performance this year has been disappointing, even after factoring in costs of achieving the PIP.

Adjusted EBITDA for the first nine months of 2014 was $14.1 million, compared with $60.6 million for the same period in 2013 – a decline of 77%. The $11.4 million operating profit (excluding impairment losses) realized in the first nine months of fiscal 2013 has deteriorated significantly to an operating loss of $42.2 million (excluding impairment losses) for the same period in fiscal 2014.

Selling, General and Administrative (SG&A) Expenses decreased only $2 million for the three months ended July 31, 2014, despite a $93 million decrease in sales for that fiscal quarter. SG&A expenses were 53.8% of revenues for the three months ended July 31, 2014, compared with 44% for the same fiscal quarter in 2013.

The loss per share for the three months ended July 31, 2014 was $1.29, while the accumulated deficit has ballooned to $534 million, compared with $276 million at the end of fiscal 2013. By my calculation, current shareholder equity minus the company's reported intangible assets and goodwill results in a negative tangible net worth of approximately $104 million.

Revenues in the Americas were down 27% for the three months ended July 31, 2014 and down 13% in Europe for the same period. But, I believe that the most telling results are in the revenue decline by brand. Quiksilver was down 17%, Roxy was down 9% and DC was down 34%.

The revenue decline by brand indicates to me that the company's fashions have fallen out of favor, its targeted advertising is out of touch with today's consumers, and it has failed to take the necessary steps to maintain market share and profitability.

I believe that to continue on the present course would not be in the interests of shareholders based on the company's deteriorating performance since the PIP was announced, and, quite frankly, in my opinion, to continue on this path would be the height of folly.

However, notwithstanding the company's deteriorating financial performance, I believe that the company's well known brands, global retail and wholesale presence and supply chain still have value. But, the only way to unlock this value for shareholders, and to maximize shareholder value consistent with the board's fiduciary duties, is to immediately pursue the sale of the company through a competitive bidding process.

Sincerely,

Ryan Drexler

cc: Bernd Beetz, Director
William M. Barnum, Jr. Director
Joseph F. Berardino, Director
Michael A. Clarke, Director
Elizabeth Dolan, Director
M. Steven Langman, Director
Andrew W. Sweet, Director