



adidas-Salomon

For immediate release

Herzogenaurach, March 11, 2003

## **adidas-Salomon in 2002:**

### **Sales reach record € 6.5 billion, earnings increase 10%**

- **Group sales in 2002 up 7%, currency-neutral +11%**
- **Strong gross margin at 43.2%**
- **Highest year-end adidas order backlog growth rate in four years**
- **Debt reduced by € 181 million to lowest debt level since 1998**

The adidas-Salomon Group today reported fourth quarter and full year 2002 results for the period ending December 31, 2002.

#### **Record fourth quarter earnings**

In the fourth quarter of 2002, adidas-Salomon net sales grew 8% to € 1.5 billion (2001: € 1.4 billion). On a currency-neutral basis, this is an increase of 17%. Gross margin was up 0.9 percentage points versus the prior year to 42.5% (2001: 41.6%). Q4 operating profit improved by 21% to € 66 million in 2002 (2001: € 55 million). Net income reached € 29 million. This equates to basic earnings per share of € 0.64 and represents an increase of 21% versus the prior year (2001: € 24 million, or € 0.53 per share).

#### **Group net sales in 2002 top € 6.5 billion for the first time**

Consolidated net sales for the adidas-Salomon Group grew 7% to reach € 6.5 billion in 2002 (2001: € 6.1 billion). On a currency-neutral basis, sales were up 11%.

adidas-Salomon Chairman and CEO Herbert Hainer stated: "2002 was another great year for adidas-Salomon. All of our strategic efforts have paid off in superior financial performance. Despite challenging market conditions, we achieved a currency-neutral sales increase of 11% for the Group. We further strengthened our gross margin and, most importantly, our bottom-line earnings grew 10%."

#### **Brand growth led by TaylorMade-adidas Golf, where sales climb 30%**

TaylorMade-adidas Golf again posted the most substantial gains, with sales up 30% (+37% currency-neutral) to € 707 million in 2002 (2001: € 545 million). This increase reflects the strength of new product introductions, in particular the R500 Series drivers, as well as the first-time inclusion of Maxfli and Slazenger Golf revenues. adidas sales grew 6% (+10% currency-neutral) to € 5.1 billion (2001: € 4.8 billion). Contributors to this growth were new Sport Performance footwear technologies ClimaCool® and a<sup>3</sup>®, basketball category sales which grew nearly 50% year-over-year as well as continued double-digit growth in the Sport Heritage division. Salomon sales declined 4% (-1% currency-neutral) to € 684 million in 2002 (2001: € 714 million) mainly as a result of poor winter conditions and weak inline skate sales.



### **Currency-neutral sales growth in all regions**

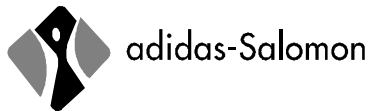
Asia was again the fastest growing region for the Group in 2002. Sales increased 16% to reach € 1.2 billion (2001: € 1.0 billion). On a currency-neutral basis, this increase was +23%. adidas sales were up 20%, helped by vigorous growth in Japan resulting from the 2002 FIFA World Cup™. TaylorMade-adidas Golf again grew strongly (+24%) with substantial sales increases coming from South Korea. In North America, sales for the Group grew 8% to € 2.0 billion (2001: € 1.8 billion). On a currency-neutral basis, this represents a 14% increase. Sales at TaylorMade-adidas Golf increased most significantly, up 32%. At brand adidas, sales grew 4% (+10% currency-neutral). This confirms the turnaround of adidas America, where sales growth was positive for the first time in four years. Sales for adidas-Salomon in Europe grew 4% (+5% currency-neutral) to € 3.2 billion in 2002 (2001: € 3.1 billion), with all brands contributing to this positive development. In Latin America, where revenues are generated predominately by brand adidas, sales declined 9% in 2002 to € 163 million (2001: € 178 million). However, this was due to the negative currency developments in the region. On a currency-neutral basis, sales actually grew 31% as a result of higher sales in Argentina, Brazil, Chile and Mexico. Salomon and TaylorMade-adidas Golf, while only minor components in overall sales, continued to grow rapidly on a currency-neutral basis.

### **All product categories contribute to positive development**

Net sales of footwear within the adidas-Salomon Group grew 8% year-over-year to reach € 2.9 billion (2001: € 2.7 billion). The strongest increases came from the adidas Sport Performance basketball and football categories as well as the Sport Heritage division, where sales were up 36%, 15% and 22% respectively. Hardware sales, which primarily come from the TaylorMade and Salomon brands, again recorded the strongest growth among product categories in 2002, up 11% to € 1.4 billion (2001: € 1.3 billion). Increases in this area came primarily from positive growth rates at TaylorMade-adidas Golf as a result of the strong introduction of the R500 Series drivers as well as the first-time inclusion of Maxfli and Slazenger Golf sales. Apparel sales grew 3% to € 2.3 billion in 2002 (2001: € 2.2 billion). This represents 35% of total Group sales. Apparel growth drivers were the adidas Sport Performance football and basketball categories, where sales improved 35% and 101% respectively.

### **Group gross margin grows**

The adidas-Salomon gross margin grew 0.7 percentage points from 42.6% in 2001 to 43.2% in 2002. This was above the 41 to 43% target range communicated by Management at the beginning of 2002. As a result, gross profit rose 8% to € 2.8 billion (2001: € 2.6 billion).



### **Operating expenses as a percentage of sales increase in line with Management expectations**

Operating expenses, including selling, general and administrative expenses (SG&A) and depreciation and amortization (without goodwill), grew 10% to € 2.3 billion (2001: € 2.1 billion). As a percentage of net sales this equates to 35.9%, which is 1.1 percentage points higher than the previous year's level. The increase was expected and communicated, and it reflects the incremental expenses related to key strategic initiatives, including marketing expenses for the 2002 FIFA World Cup™, the expansion of adidas own-retail activities and start-up costs associated with the purchase of the remaining shares of adidas Italy.

### **Double-digit net income growth for second consecutive year**

Net income for the Group increased 10% from € 208 million in 2001 to € 229 million in 2002. This result is at the top end of the Group's targeted earnings range. Earnings per share were € 5.04 versus € 4.60 in 2001.

### **Highest year-end order backlog growth rate in four years**

adidas order backlogs at the end of 2002 grew 6% versus the prior year. On a currency-neutral basis, this increase was 14%. This represents the highest year-end order backlog growth rate in four years. Orders in Europe were up 10% (+12% currency-neutral), representing the highest year-end backlog growth since 1997. In North America, backlogs were down 3% in euro terms versus the prior year, but up 15% on a currency-neutral basis, highlighting the strong devaluation of the US dollar over the last year. In Asia, orders were up 11% in euro terms, or 22% on a currency-neutral basis.

### **Net borrowings reduced by € 181 million**

Net borrowings at December 31, 2002 were € 1.5 billion, down 11% or € 181 million versus € 1.7 billion in the prior year. This represents the Group's lowest debt level in five years. Positive currency effects influenced Group borrowing levels, contributing roughly half of the improvement. Excluding these effects, net borrowings were reduced in line with Management targets despite the Group's strategic participation in Bayern Munich as well as the purchase of Arc'Teryx, the buyout of the remaining shares of adidas Italy and the acquisition of Salomon Danmark ApS.

### **Successful working capital management continues**

As a result of the focused working capital reduction initiatives undertaken throughout 2002, inventories were reduced by 7% from € 1.3 billion in 2001 to € 1.2 billion in 2002. On a currency-neutral basis, inventories increased 1%, which is significantly lower than year-end backlog growth. Receivables were up 3% to € 1.3 billion versus € 1.3 billion in the prior year. On a currency-neutral basis, receivables increased by 14%. This growth is well below the currency-neutral fourth quarter sales growth and reflects strict discipline in the Group's trade terms management.



### **Dividend increased**

After paying a dividend of € 0.92 per share in each of the last three years, the adidas-Salomon Executive and Supervisory Boards will recommend a dividend of € 1.00 per share for the 2002 fiscal year at the Annual General Meeting on May 8, 2003. With a total payout of approximately € 45 million the proposal represents a payout ratio of 20%. This is at the top end of the Group's dividend policy, which recommends a payout ratio of between 15 and 20% of consolidated net income.

### **Outlook**

In 2003, adidas-Salomon aims to deliver healthy top-line growth of around 5% on a currency-neutral basis. Growth is expected to come from all regions. In particular, double-digit currency-neutral sales increases in North America and Asia will be major contributors. Gross margin is expected to be between 42 and 43%. This represents a tighter range than in the last two years and reflects Management's confidence in the Group's ability to continue to improve its product mix and increase its proportion of adidas own-retail sales going forward. Operating expenses as a percentage of net sales are expected to decline in 2003. As a result, operating margin is expected to improve. Based on these positive developments, adidas-Salomon is targeting 10 to 15% earnings growth for 2003.

Herbert Hainer continued: "While we have done many things right in 2002, it's now time to go even further. In 2003, we expect to grow sales and profitability in all regions. We have a passion for sport and a clear mission: to be the global leader in the sporting goods industry."

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Please visit our corporate website: [www.adidas-Salomon.com](http://www.adidas-Salomon.com)

**adidas-Salomon**
**CONSOLIDATED INCOME STATEMENT (IFRS)**
**4<sup>th</sup> QUARTER 2002**

<b>(EUROS IN MILLIONS)</b>	<b>2002</b>	<b>2001</b>	<b>Change 2002/2001</b>
NET SALES	1,511	1,395	8.3%
COST OF SALES	869	815	6.7%
<b>GROSS PROFIT</b>	<b>642</b>	<b>581</b>	<b>10.6%</b>
(% OF NET SALES)	42.5%	41.6%	0.9 PP
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	548	497	10.3%
(% OF NET SALES)	36.3%	35.6%	0.7 PP
DEPRECIATION AND AMORTIZATION (EXCL. GOODWILL)	28	29	(4.6)%
<b>OPERATING PROFIT</b>	<b>66</b>	<b>55</b>	<b>21.2%</b>
(% OF NET SALES)	4.4%	3.9%	0.5 PP
GOODWILL AMORTIZATION	11	10	12.8%
ROYALTY AND COMMISSION INCOME	12	14	(13.9)%
FINANCIAL EXPENSES, NET	18	13	41.1%
<b>INCOME BEFORE TAXES AND MINORITY INTERESTS</b>	<b>49</b>	<b>46</b>	<b>5.8%</b>
(% OF NET SALES)	3.2%	3.3%	(0.1) PP
INCOME TAXES	17	18	(4.3)%
(% OF INCOME BEFORE TAXES AND MINORITY INTERESTS)	35.6%	39.4%	(3.8) PP
MINORITY INTERESTS	2	4	(39.1)%
<b>NET INCOME</b>	<b>29</b>	<b>24</b>	<b>21.0%</b>
(% OF NET SALES)	1.9%	1.7%	0.2 PP
<b>BASIC EARNINGS PER SHARE (IN EUROS)</b>	<b>0.64</b>	<b>0.53</b>	<b>20.6%</b>
<b>DILUTED EARNINGS PER SHARE (IN EUROS)</b>	<b>0.64</b>	-	-

**NET SALES**

<b>(EUROS IN MILLIONS)</b>	<b>2002</b>	<b>2001</b>	<b>Change 2002/2001</b>
adidas	1,055	993	6.2%
Salomon	260	288	(9.5)%
TaylorMade-adidas Golf	191	107	79.2%
EUROPE	660	620	6.4%
NORTH AMERICA	477	398	19.8%
ASIA	325	316	2.8%
LATIN AMERICA	42	49	(14.3)%

ROUNDING DIFFERENCES MAY ARISE IN PERCENTAGES AND TOTALS FOR FIGURES PRESENTED IN MILLIONS AS CALCULATION IS ALWAYS BASED ON THE FIGURES STATED IN THOUSANDS.



**adidas-Salomon**

**CONSOLIDATED INCOME STATEMENT (IFRS)**

**YEAR ENDED DECEMBER 31, 2002**

(EUROS IN MILLIONS)	2002	2001	Change 2002/2001
NET SALES	6,523	6,112	6.7%
COST OF SALES	3,704	3,511	5.5%
<b>GROSS PROFIT</b>	<b>2,819</b>	<b>2,601</b>	<b>8.4%</b>
(% OF NET SALES)	43.2%	42.6%	0.7 PP
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,245	2,036	10.3%
(% OF NET SALES)	34.4%	33.3%	1.1 PP
DEPRECIATION AND AMORTIZATION (EXCL. GOODWILL)	97	90	8.0%
<b>OPERATING PROFIT</b>	<b>477</b>	<b>475</b>	<b>0.4%</b>
(% OF NET SALES)	7.3%	7.8%	(0.5) PP
GOODWILL AMORTIZATION	45	40	12.4%
ROYALTY AND COMMISSION INCOME	46	42	9.3%
FINANCIAL EXPENSES, NET	87	102	(14.5)%
EXTRAORDINARY INCOME (SEE NOTE)	0	2	(100.0)%
<b>INCOME BEFORE TAXES AND MINORITY INTERESTS</b>	<b>390</b>	<b>376</b>	<b>3.7%</b>
(% OF NET SALES)	6.0%	6.2%	(0.2) PP
INCOME TAXES	148	147	0.6%
(% OF INCOME BEFORE TAXES AND MINORITY INTERESTS)	37.9%	39.0%	(1.1) PP
MINORITY INTERESTS	14	21	(34.6)%
<b>NET INCOME</b>	<b>229</b>	<b>208</b>	<b>9.6%</b>
(% OF NET SALES)	3.5%	3.4%	0.1 PP
<b>BASIC EARNINGS PER SHARE (IN EUROS)</b>	<b>5.04</b>	<b>4.60</b>	<b>9.6%</b>
<b>DILUTED EARNINGS PER SHARE (IN EUROS)</b>	<b>5.04</b>	-	-

NOTE: CONTRIBUTION FROM TWO SHAREHOLDERS RELATING TO SHARE OPTION PLAN;  
EXPENSES OF THE SAME AMOUNT INCLUDED IN SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

**NET SALES**

(EUROS IN MILLIONS)	2002	2001	Change 2002/2001
adidas	5,105	4,825	5.8%
Salomon	684	714	(4.2)%
TaylorMade-adidas Golf	707	545	29.8%
EUROPE	3,200	3,066	4.4%
NORTH AMERICA	1,960	1,818	7.8%
ASIA	1,166	1,010	15.5%
LATIN AMERICA	163	178	(8.8)%

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**adidas-Salomon**  
**CONSOLIDATED BALANCE SHEET (IFRS)**

(EUROS IN MILLIONS)	Dec. 31 2002	Dec. 31 2001	Change
CASH AND CASH EQUIVALENTS	76	85	(10.6)%
ACCOUNTS RECEIVABLE	1,293	1,253	3.1%
INVENTORIES	1,190	1,273	(6.5)%
OTHER CURRENT ASSETS	267	267	0.2%
<b>TOTAL CURRENT ASSETS</b>	<b>2,826</b>	<b>2,878</b>	<b>(1.8)%</b>
PROPERTY, PLANT AND EQUIPMENT, NET	366	378	(3.2)%
GOODWILL, NET	639	580	10.1%
OTHER INTANGIBLE ASSETS, NET	115	91	26.7%
DEFERRED TAX ASSETS	170	148	14.8%
OTHER NON-CURRENT ASSETS	145	108	34.7%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,435</b>	<b>1,305</b>	<b>10.0%</b>
<b>TOTAL ASSETS</b>	<b>4,261</b>	<b>4,183</b>	<b>1.9%</b>
SHORT-TERM BORROWINGS	0	196	(100.0)%
ACCOUNTS PAYABLE	668	630	6.2%
INCOME TAXES	112	111	1.3%
ACCRUED LIABILITIES AND PROVISIONS	451	347	29.9%
OTHER CURRENT LIABILITIES	149	110	35.4%
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,381</b>	<b>1,394</b>	<b>(0.9)%</b>
LONG-TERM BORROWINGS	1,574	1,570	0.3%
PENSIONS AND SIMILAR OBLIGATIONS	99	92	7.5%
DEFERRED TAX LIABILITIES	51	42	23.7%
OTHER NON-CURRENT LIABILITIES	19	13	45.2%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,743</b>	<b>1,716</b>	<b>1.6%</b>
MINORITY INTERESTS	56	58	(4.5)%
SHAREHOLDERS' EQUITY	1,081	1,015	6.6%
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>4,261</b>	<b>4,183</b>	<b>1.9%</b>
<b>ADDITIONAL BALANCE SHEET INFORMATION</b>			
OPERATING WORKING CAPITAL	1,814	1,897	(4.3)%
WORKING CAPITAL	1,445	1,485	(2.6)%
TOTAL BORROWINGS, NET	1,498	1,679	(10.8)%
FINANCIAL LEVERAGE	138.5%	165.5%	

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