



**PUMA AG Rudolf Dassler Sport**

**INTERIM REPORT**

**2<sup>nd</sup> Quarter and First Half-Year 2003**



## Financial Highlights

	1-6/2003	1-6/2002	Devi- ation
Brand Sales	837,0	652,7	28,2%
Consolidated net sales	644,0	438,7	46,8%
Gross profit in %	48,0%	43,0%	+5,0%
EBT	127,5	57,2	122,9%
- in %	19,8%	13,0%	+6,8%
Net earnings	85,8	38,6	122,4%
- in %	13,3%	8,8%	+4,5%
Total assets	659,0	473,1	39,3%
Equity ratio in %	48,6%	43,9%	+4,7%
Working capital	223,5	150,3	48,7%
Cashflow - gross	143,1	67,1	113,1%
Free cashflow (before acquisition)	-4,1	-7,5	---
Earnings per share (in €)	5,42	2,50	116,7%
Cashflow - gross per share (in €)	9,03	4,35	107,7%
Free cashflow per share (in €)	-0,26	-0,49	---
Share price at end of the period	86,50	73,34	17,9%
Order backlog	593,4	422,4	40,5%
Investments in tangible and intangible assets	14,3	10,1	41,1%



## **Income Statement Review**

### **Strong growth continues**

Consolidated sales increased during Q2 by 46.1% from €205,9 million to €300.9 million. On a currency neutral basis, sales were up 56.8%. Apparel recorded the strongest growth in percentage terms, increasing 63.4% to €78.1 million. Footwear grew 41.2% to €202.1 million and accessories increased 37.7% to €20.7 million. Due to the takeover of Japan, effective April 1, 2003 the Japanese footwear and accessories business was consolidated for the first time in Q2. Without effects of the first-time consolidation, organic growth of 31,5% or 42,2% currency adjusted was realized.

In the first half of 2003 sales jumped 46.8% from €438.7 million to €644 million. On a currency neutral basis, sales were up 57%. This growth reflects a significant double-digit increase in all regions and product segments. Before first-time consolidation, growth in the first half-year reached 39.9% or currency adjusted 50.1%.

In terms of product segments, apparel, as expected, experienced the fastest growth during the first half of the year. Total apparel sales increased 51.2% to €158 million. Footwear increased 48.3% to €451.4 million. Accessories increased 16.2% and reached €34.6 million.

### **Very positive development of worldwide brand sales**

Worldwide branded sales, which consist of consolidated and licensed sales, increased in the first six months of 2003 by 28.2% from €652.7 million to €837 million. Currency adjusted, worldwide branded sales increased 37%.

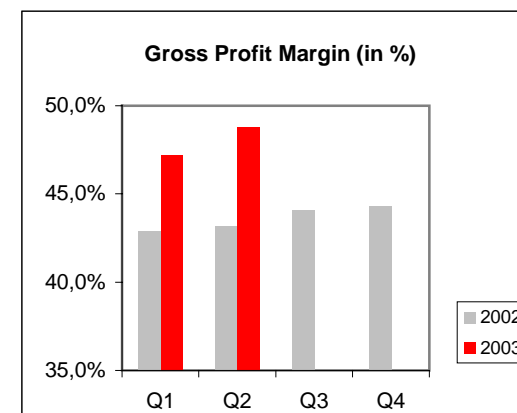
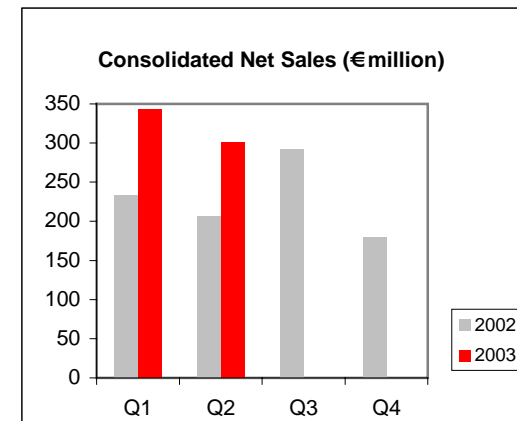
### **Gross profit margin at record level**

PUMA's gross profit margin reached a new record in Q2 of 48.8%, climbing significantly above Q1's margin of 47.2%. In addition, the Q2 margin improved 560 basis from the previous year's level. The footwear margin in this period increased from 43.8% to 49.4%. Apparel gross profit margin jumped from 41.3% to 47.9% and accessories climbed to 45.4% from 43.9% the previous year.

The margin in the first six months of 2003 improved from 43% to 48%. Per product category margins were as follows: footwear 48.6% (vs. 43.4% last year), apparel 46.6% (vs. 41.2% last year) and accessories 45.7% (vs. 45.9% last year).

### **Royalty and commission income regressed due to first-time consolidation**

Royalty and commission income declined in Q2 from €11.3 million to €8.2 million due to the first-time consolidation of PUMA Japan. Despite this, royalty and commission income reached €21.2 million during the first half of 2003 and remains at last year's level. Before effects of the first-time consolidation, this equals an increase of 19.3%.



### Further improvement of cost structure

In Q2, expenses as a percentage of sales were reduced from 35.4% to 31.9%. In the first half-year €196 million (vs. €146.2 million last year) were spent on total SG&A. As a percentage of sales this marked a reduction from 33.3% to 30.4%.

Investments in marketing and retail totaled €83.1 million or 12.9% compared to €60.3 million or 13.8% in the previous year. In absolute amounts, this marks an increase in brand-building investments of €22.8 million over the first six months. Expenses for product development and design increased by 32.2% to €15.3 million. As a percentage of sales, R&D expenses declined from 2.6% to 2.4%. Other selling, general and administrative expenses were further reduced from 16.9% to 15.2% of sales.

Depreciation and amortization increased by 16.4% to €6.8 million in the first half-year, with amortization accounting for €0.8 million.

### EBT more than doubled

EBT more than doubled in Q2, increasing 129.4% to €55.4 million versus €24.1 million the previous year. Year-to-date, EBT improved 122.9% from €57.2 million to €127.5 million and already exceeded 2002's record level in just six months. Gross return significantly improved from 13% to 19.8%. The tax rate was 33.2% in Q2 and 32.5% for the first half-year.

### For the first half of 2003 Earnings per share jumped from €2.50 to €5.42

In Q2, consolidated net income rose 123.7% to €37 million. Earnings per share reached €2.34 compared with €1.07 last year. In the first half-year net income of €85.8 million (vs. €38.6 million last year) was achieved. Earnings per share jumped from €2.50 to €5.42 or €5.28 diluted.

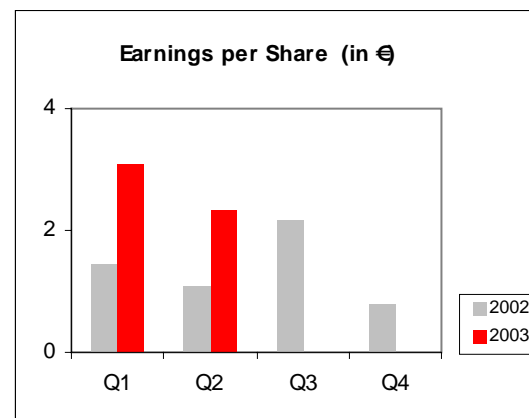
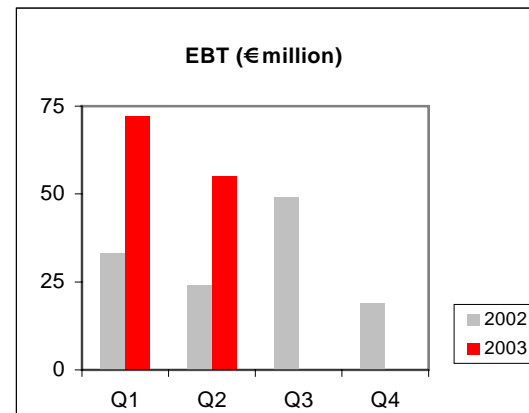
### Balance Sheet Review

#### Equity ratio improved

The equity ratio improved from 43.9% to 48.6% as of June 30, 2003, despite an overall increase in total assets. Inventories increased 36.6% to €199.6 million and were in line with order backlog which increased 40.5%. The majority of the orders are for the second half of 2003. Trade receivables grew 28% to €254.3 million, significantly below the sales increase in Q2 (+46.1%).

Net cash totaled €48.7 million at the end of June 2003 versus net bank debts of €16.8 million last year. In December 2002 net cash reached €94,3 million. During the first six months of 2003 cash flow was affected by several events: the Japan acquisition costs comprised €30.3 million for the purchase and €12 million for additional working capital. In addition, taxes were paid for the current (€21.1 million), as well as for last year (€23 million), totaling €44.1 million (vs. €7.9 million last year).

Overall free cashflow improved from -€7.5 million to -€4.1 million, excluding acquisition cost of the Japanese subsidiary. Adjusted for the additional working capital needed for Japan (€12 million) as well as the higher tax payments compared with last year (€36.2 million), the comparable free cashflow is €44.1 million (vs. -€7.5 million last year).



## Regional Highlights

### Strong growth in all regions

In Europe, Q2 sales increased 40.1% to €187.5 million and in the first half of this year 51% to €442.8 million. In the first half of 2003 all countries in this region showed a significant double-digit increase. Europe comprised almost 70% of group sales.

Within the Americas, the positive development in the US continued. Sales in US Dollars increased 37.7% in Q2 and 40.7% in the first half-year. In Euro terms, the Americas increased 16.9% to €65.8 million in the quarter and 18.1% to €132.5 million in the first half-year. On a currency neutral basis, sales increased 41.7% and 44.6% respectively.

In the Asia/Pacific Rim Region sales in Q2 were influenced by the first-time consolidation of Japan and increased from €10.3 million to €41.0 million. Without Japan, sales increased 4%. Sales in the first half-year reached €53.6 million versus €23.8 million last year. Adjusted for the Japan effect, sales in the region declined 1.3% but on a currency adjusted basis increased approximately 8%.

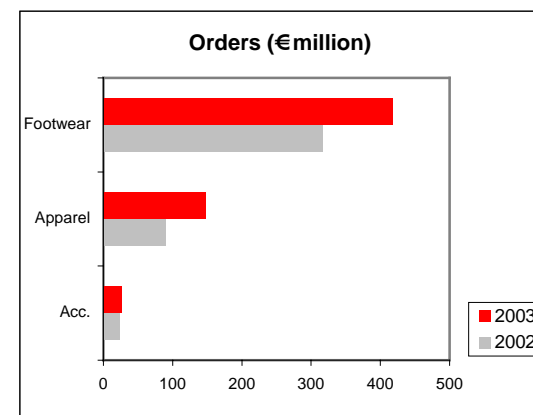
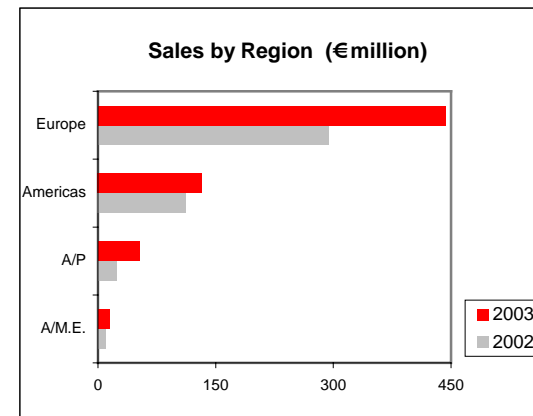
Sales in the Africa/Middle East region improved 22.1% to €6.6 million in Q2 or 59.9% to €15.2 million in the first half-year.

## Future Orders

### Future orders up by 40.5%

Future orders increased 40.5% from €422.4 million to €593.4 million as of June 30, 2003. Currency adjusted orders increased 47.6%. Excluding Japan orders were up by 28.3% or 35.4% currency adjusted.

By product segment, footwear increased 36.8% to €417.3 million, apparel 51% to €148.9 million and accessories 44.8% to €27.2 million. On a regional basis, the order situation is as follows: Europe increased 29.1% to €417.9 million and the Americas 30.8% to €95.1 million or a remarkable 60.2% currency adjusted. Future orders in the USA increased in US Dollar terms by 54.8%. Africa/Middle East was up 12.9% to €13.2 million. Due to the take-over in Japan, the Asia/Pacific rim region showed the strongest growth and increased 372.5% from €14.2 million to €67.1 million. Excluding Japan, orders increased 8.9% or currency adjusted 18.6% in this region.



## Outlook

### **Management increases profit expectation for FY 2003:**

Management confirms growth expectations of above 30% for 2003. We now anticipate that the US Dollar's impact on the top line for the full year will increase from a previously reported 5% to 10%. Hence, currency adjusted sales should exceed growth of 40%. For 2003 consolidated sales of approximately €1.2 billion and worldwide branded sales of almost €1.6 billion are targeted. As a result of the high gross profit margin already achieved this year, expectations for gross margin in 2003 have been raised from 45% to 47%. SG&A expenses are expected to increase at a slower rate than sales, thereby resulting in a further improvement to the projected level of 32% of sales.

As a result, management increases its profit expectations for the year. Pre-tax profit should now surpass the €200 million hurdle for the first time and gross return should reach between 17% and 18% of sales. Earnings per share are expected to increase more than 60% instead of the 50% previously stated. The overall tax rate is expected to be between 33% and 34%.

**Jochen Zeitz, CEO:** "While we are pleased with our results, we are committed to the constant improvement of our product offerings and strict adherence to our brand strategy. We remain focused on leveraging our positive momentum in order to make PUMA the most desirable sportlifestyle brand."



## Balance Sheet

	June 30, 2003 €Mio.	June 30, 2002 €Mio.	Devi- ation	Dec. 31, 2002 €Mio.
<b>ASSETS</b>				
Cash	79,3	38,7	105,0%	113,6
Inventories	199,6	146,2	36,6%	167,9
Receivables and other current assets	254,3	198,6	28,0%	143,9
<b>Total current assets</b>	<b>533,2</b>	<b>383,4</b>	<b>39,1%</b>	<b>425,4</b>
<b>Deferred income taxes</b>	<b>32,1</b>	<b>16,5</b>	<b>94,4%</b>	<b>23,8</b>
<b>Property and equipment, net</b>	<b>60,2</b>	<b>52,0</b>	<b>15,7%</b>	<b>56,8</b>
<b>Goodwill and other long-term assets</b>	<b>33,5</b>	<b>21,1</b>	<b>58,9%</b>	<b>19,8</b>
	<b>659,0</b>	<b>473,1</b>	<b>39,3%</b>	<b>525,8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Short-term bank borrowings	30,6	55,5	-44,8%	19,3
Accounts payable	135,3	98,7	37,1%	117,9
Other current liabilities	57,2	37,2	53,5%	47,2
<b>Total liabilities</b>	<b>223,1</b>	<b>191,4</b>	<b>16,6%</b>	<b>184,4</b>
<b>Pension accruals</b>	<b>18,4</b>	<b>17,9</b>	<b>2,9%</b>	<b>17,9</b>
<b>Tax accruals</b>	<b>32,2</b>	<b>13,9</b>	<b>132,0%</b>	<b>25,8</b>
<b>Other accruals</b>	<b>64,5</b>	<b>41,1</b>	<b>56,9%</b>	<b>45,1</b>
<b>Long-term liabilities interest bearing</b>	<b>0,1</b>	<b>0,6</b>	<b>-90,6%</b>	<b>0,1</b>
<b>Minority interest</b>	<b>0,7</b>	<b>0,4</b>	<b>89,1%</b>	<b>0,4</b>
<b>Total shareholders' equity</b>	<b>320,0</b>	<b>207,8</b>	<b>54,0%</b>	<b>252,2</b>
	<b>659,0</b>	<b>473,1</b>	<b>39,3%</b>	<b>525,8</b>





## Income Statements

	Q2/2003	Q2/2002	Devi- ation	1-6/2003	1-6/2002	Devi- ation
	€ Mio.	€ Mio.		€ Mio.	€ Mio.	
<b>Net sales</b>	<b>300,9</b>	<b>205,9</b>	46,1%	<b>644,0</b>	<b>438,7</b>	46,8%
Cost of sales	-154,1	-116,8	31,9%	-335,1	-249,9	34,1%
<b>Gross profit</b>	<b>146,8</b>	<b>89,0</b>	64,8%	<b>308,9</b>	<b>188,8</b>	63,6%
- in % of net sales	48,8%	43,2%		48,0%	43,0%	
Royalty and commission income	8,2	11,3	-27,6%	21,2	21,3	0,0%
Selling, general and administrative expenses	-96,0	-72,9	31,8%	-196,0	-146,2	34,1%
<b>EBITDA</b>	<b>59,0</b>	<b>27,5</b>	114,4%	<b>134,1</b>	<b>63,9</b>	110,0%
Depreciation and amortisation	-3,6	-3,0	18,4%	-6,8	-5,8	16,4%
<b>EBIT</b>	<b>55,4</b>	<b>24,5</b>	126,3%	<b>127,3</b>	<b>58,0</b>	119,4%
- in % of net sales	18,4%	11,9%		19,8%	13,2%	
Interest result	0,0	-0,3		0,2	-0,8	
<b>EBT</b>	<b>55,4</b>	<b>24,1</b>	129,4%	<b>127,5</b>	<b>57,2</b>	122,9%
- in % of net sales	18,4%	11,7%		19,8%	13,0%	
Income taxes	-18,4	-8,0	130,5%	-41,4	-18,9	119,5%
- Tax ratio	33,2%	33,0%		32,5%	33,0%	
Minorities	-0,0	0,4		-0,2	0,3	
<b>Net earnings after minorities</b>	<b>37,0</b>	<b>16,5</b>	123,7%	<b>85,8</b>	<b>38,6</b>	122,4%
<b>Net earnings per share (€)</b>	<b>2,34</b>	<b>1,07</b>	118,7%	<b>5,42</b>	<b>2,50</b>	116,7%
<b>Net earnings per share (€) - diluted</b>	<b>2,26</b>	<b>1,04</b>	117,3%	<b>5,28</b>	<b>2,44</b>	116,5%
Weighted average shares outstanding				15,846	15,442	
Weighted average shares outstanding - diluted				16,260	15,835	





# Cashflow Statement

	1-6/2003 € Mio.	1-6/2002 € Mio.	Devi- ation
<b>Earnings before taxes on income</b>	<b>127,5</b>	<b>57,2</b>	<b>122,9%</b>
Depreciation	6,8	5,8	16,4%
Other non cash effected expenses and income	8,8	4,1	115,2%
<b>Cashflow - gross</b>	<b>143,1</b>	<b>67,1</b>	<b>113,1%</b>
Change in net assets	-87,9	-56,6	55,2%
Taxes, interests and other payments	-44,1	-7,9	459,3%
<b>Cashflow from operating activities</b>	<b>11,1</b>	<b>2,6</b>	<b>324,7%</b>
Payments for acquisitions	-30,3	0,0	
Purchase of property and equipment	-14,3	-10,1	41,5%
Interest received and others	-0,9	-0,0	3319,2%
<b>Cashflow from investing activities</b>	<b>-45,5</b>	<b>-10,1</b>	<b>-350,0%</b>
<b>Free Cashflow before acquisitions</b>	<b>-4,1</b>	<b>-7,5</b>	<b>45,9%</b>
Capital increase	0,1	5,3	-98,8%
Dividend payments	-8,7	-4,6	88,3%
Other changes	11,7	11,9	-1,7%
<b>Cashflow from financing activities</b>	<b>3,0</b>	<b>12,5</b>	<b>75,9%</b>
Effect on exchange rates on cash	-2,9	-1,7	75,6%
<b>Change in cash and cash equivalents</b>	<b>-34,3</b>	<b>3,4</b>	<b>-1122,7%</b>
Cash and cash equivalents at beginning of financial year	113,6	35,3	221,7%
<b>Cash and cash equivalents end of the period</b>	<b>79,3</b>	<b>38,7</b>	<b>105,0%</b>



## Changes in Equity

	€ Mio.	€ Mio.	€ Mio.	€ Mio.	€ Mio.	€ Mio.	€ Mio.
	Subscribed Capital	Capital reserve PUMA AG	Revenue reserves PUMA AG	Differences from currency translation	Cashflow Hedges	Consolidated profit/ net income for the year	TOTAL
<b>Dec. 31, 2001</b>	<b>39,5</b>	<b>32,5</b>	<b>0,2</b>	<b>11,5</b>	<b>6,1</b>	<b>86,9</b>	<b>176,7</b>
Dividend payment						-4,6	-4,6
Currency changes				-4,6			-4,6
Net effect on cashflow hedges, net of taxes					-3,6		-3,6
Capital increase	0,6	4,7					5,3
Consolidated profit						38,6	38,6
<b>June 30, 2002</b>	<b>40,1</b>	<b>37,2</b>	<b>0,2</b>	<b>7,0</b>	<b>2,5</b>	<b>120,9</b>	<b>207,8</b>
<b>Dec. 31, 2002</b>	<b>40,6</b>	<b>41,9</b>	<b>40,9</b>	<b>2,6</b>	<b>-0,2</b>	<b>126,5</b>	<b>252,2</b>
Dividend payment						-8,7	-8,7
Currency changes				-6,4			-6,4
Net effect on cashflow hedges, net of taxes					-3,0		-3,0
Capital increase	0,0	0,1					0,1
Consolidated profit						85,8	85,8
<b>June 30, 2003</b>	<b>40,6</b>	<b>41,9</b>	<b>40,9</b>	<b>-3,7</b>	<b>-3,2</b>	<b>203,6</b>	<b>320,0</b>



## Segment Data

	Sales		Gross profit	
	1-6/2003	1-6/2002	1-6/2003	1-6/2002
by head office location of customer				
Breakdown by regions	€ Mio.	€ Mio.	%	%
Europe	442,8	293,3	52,0%	44,4%
America	132,5	112,2	43,6%	42,7%
- thereof USA in US\$	131,4	93,4		
Asia/Pacific Rim	53,6	23,8	44,0%	35,4%
Africa/Middle East	15,2	9,5	24,0%	25,6%
	644,0	438,7	48,0%	43,0%

	Sales		Gross profit	
	1-6/2003	1-6/2002	1-6/2003	1-6/2002
Breakdown by product segments	€ Mio.	€ Mio.	%	%
Footwear	451,4	304,3	48,6%	43,4%
Apparel	158,0	104,5	46,6%	41,2%
Accessories	34,6	29,8	45,7%	45,9%
	644,0	438,7	48,0%	43,0%



## Notes to the Interim Report

### ACCOUNTING STANDARDS

The unaudited interim report of PUMA AG and its subsidiaries (which together form the PUMA group) for the second quarter and the first six months of 2003 was prepared according to the International Financial Reporting Standards (IFRS) passed by the International Accounting Standards Board (IASB).

The accounting standards applied in the preparation of this interim report correspond to those of the group's annual accounts as of December 31, 2002.

This interim report is partly based on assumptions and estimates which have an effect on the amounts and on the breakdown of the reported assets and liabilities as well as of the earnings and expenses. The actual values may, in some exceptional cases, differ from these assumptions and estimates at a later date. The corresponding changes will be reflected in the results as soon as the findings are revised.

### CONSOLIDATED GROUP

The consolidated group was extended to include the new subsidiary, PUMA Japan KK, which was founded in the first quarter. With effect from April 1, 2003, the corporation took over the operative shoe and accessory business from the former Japanese licensee. This is also the initial consolidation date. Accordingly, the income statement for the months of April to June and the assets and liabilities as of June 30 were fully consolidated.

The goodwill recognized on initial consolidation amounted to € 13.9 million. It will be amortized using the straight line method over a period of 15 years.

Apart from the goodwill, modification of the consolidated group has had the following effect on the financial situation: inventories €15.6 million, fixed assets and other assets €3.5 million, and liabilities €2.7 million.

### SEASONAL VARIANCE

The group's sales fluctuate with the season. Consequently, the sales and resulting earnings vary in the course of a year. Normally, sales and earnings reach their peak in the first and third quarter while the second, and particularly the fourth quarter, may be characterized by lower levels.

### DIVIDEND

According to a resolution of the General Meeting of Shareholders which was held on April 16, 2003, a dividend of € 0.55 per share was paid as of the following day. This corresponds to dividend payments totaling €8.7 million.

### EARNINGS PER SHARE

The earnings per share are calculated according to IAS 33 by dividing the result for the period by the weighted average number of outstanding shares. As of June 30, 2003 there were outstanding stock options from the Management Incentive Program which have diluted the earnings per share.

Number of shares at the beginning of the period	15,845,500
Number of shares at the end of the period	15,848,500
Weighted average number of shares	15,845,815
Diluted number of shares	16,259,591

Earnings per share	€ 5.42
Diluted earnings per share	€ 5.28

### EMPLOYEES

Number of employees at the beginning of the period	2,387
Number of employees at the end of the period	2,815
Average number of employees	2,580



## SHAREHOLDERS' EQUITY

As of June 30, 2003 the subscribed capital amounted to €40.6 million, divided into 15,848,500 no par shares. On June 2, 2003 Monarchy/Regency, the former major shareholder, sold its stake in the company to a wide range of international institutional investors. Due to this transaction free float increased to 100%.

In accordance with the Company statutes, authorized capital totaling €15.4 million exists. The authorization was granted until May 13, 2007. Furthermore, contingent capital totaling €5.5 million exists to finance the Management Incentive Program. At the end of June 2003 a total of 1,071,714 options were outstanding.

Further details concerning authorized and contingent capital are to be found in the annual report for 2002.

To date, no use has been made of the General Meeting of Shareholders' resolution to buy back own shares.

## EVENTS AFTER THE BALANCE SHEET DATE

No special events have occurred after the balance sheet date which may affect the financial situation and earnings position as of June 30, 2003.

Herzogenaurach, July 31, 2003  
The Board of Directors



## Board of Management

### **Jochen Zeitz**

Chairman/CEO  
(Marketing, Sales, Finance, Administration, Human)

### **Martin Gänsler**

Deputy Chairman  
(Research, Development, Design and Sourcing)

### **Ulrich Heyd**

(Legal Affairs and Industrial Property Rights)

## Supervisory Board

### **Werner Hofer**

(Chairman)

### **Thore Ohlsson**

(Deputy Chairman)

### **James Douglas Packer**

### **Arnon Milchan**

### **David Matalon**

### **Peter Chernin**

### **Katharina Wojaczek**

(Employees' Representative)

### **Erwin Hildel**

(Employees' Representative)

### **Melanie Seiler**

(Employees' Representative)

## Financial Calendar 2003

31.01.2003	Preliminary results 2002
28.02.2003	Final results 2002, Press Conference and Analyst Conference Call
16.04.2003	Annual Shareholders' Meeting
17.04.2003	Dividend payment
23.04.2003	Quarterly report Q1
31.07.2003	Quarterly report Q2
30.10.2003	Quarterly report Q3
5./6. CW 04	Preliminary results 2003

The financial releases and other financial information are available on the Internet at „puma.com“.

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This document contains forward-looking information about the Company's financial status and strategic initiatives. Such information is subject to a certain level of risk and uncertainty that could cause the Company's actual results to differ significantly from the information discussed in this document. The forward-looking information is based on the current expectations and prognosis of the management team. Therefore, this document is further subject to the risk that such expectations or prognosis, or the premise of such underlying expectations or prognosis, become erroneous. Circumstances that could alter the Company's actual results and procure such results to differ significantly from those contained in forward-looking statements made by or on behalf of the Company include, but are not limited to those discussed be above.

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PUMA® is the global athletic brand that successfully fuses influences from sport, lifestyle and fashion. PUMA's unique industry perspective delivers the unexpected in sportlifestyle footwear, apparel and accessories, through technical innovation and revolutionary design. Established in Herzogenaurach, Germany in 1948, PUMA distributes products in over 80 countries. For further information please visit [www.puma.com](http://www.puma.com)

