

January 17, 2003



## **Delta Apparel Reports Record Sales and Operating Income for the Second Quarter of Fiscal Year 2003**

DULUTH, Ga.--(BUSINESS WIRE)--Jan. 17, 2003--Delta Apparel, Inc. (AMEX: DLA) announces record sales for the quarter ended December 28, 2002 of \$30.0 million, a 23.3% increase from the prior year second fiscal quarter.

The sales increase of \$5.7 million over the prior year quarter was the result of a 38.9% increase in volume, partially offset by a 11.2% decrease in average selling prices. Sales of basic and heavyweight adult and youth short sleeve tees drove the volume increase for the quarter. Price promotions in the marketplace resulted in lower average selling prices in the basic tee styles. Operating income was \$2.1 million for the quarter, an increase of \$0.8 million, or 69.4%, from \$1.2 million in the second fiscal quarter of the prior year. The increase resulted from higher sales and lower manufacturing cost, driven by improvements in efficiencies at the Company's Edgefield and Maiden facilities. EBITDA for the quarter was \$3.8 million, up \$0.9 million from the prior year quarter.

Interest expense was \$0.2 million for the quarter, compared to \$0.1 million in the prior year quarter. The increase in interest expense resulted from an increase of approximately \$2.0 million in average debt outstanding, partially offset by a reduction in the average interest rates of over 100 basis points.

The effective income tax rate on pretax income for the three months ended December 28, 2002 was 38.7%, compared to 36.9% for the second fiscal quarter of the prior year and 33.0% for the fiscal year ended June 29, 2002. In fiscal year 2002, the Company reversed the valuation allowance against its net operating loss carryforwards, resulting in the effective tax rate of 33.0%. The Company expects its annualized effective tax rate to more closely approximate statutory rates for fiscal year 2003.

Net earnings for the quarter were \$1.2 million, or 3.8% of sales, up \$0.5 million from the prior year quarter. Basic and diluted earnings per share for the quarter ended December 28, 2002 were \$0.28 and \$0.27 per share on 4.06 million and 4.22 million shares, respectively. Basic and diluted earnings per share for the quarter ended December 29, 2001 were \$0.15 and \$0.14 on 4.64 million and 4.86 million shares, respectively (after giving effect to the 2-for-1

stock split effective as of September 20, 2002). On December 28, 2002, the Company had 4.06 million shares outstanding.

Sales for the first six months of fiscal year 2003 were \$58.9 million, up \$3.5 million, or 6.4%, from the first six months of the prior year. For the six months ended December 28, 2002, operating earnings were \$5.1 million, up \$3.6 million from the first six months of the prior year. EBITDA for the first six months of fiscal year 2003 was \$8.5 million, up \$3.7 million, or 78.2%, from the first six months of the prior year.

Interest expense was \$0.3 million for the six months ended December 28, 2002, compared to \$0.4 million in the first six months of last year. This reduction in interest expense resulted from a decrease in average interest rates.

Net earnings for the first six months of fiscal year 2003 were \$2.9 million, up \$2.2 million from the first six months of last year. Basic and diluted earnings per share for the six months ended December 28, 2002 were \$0.73 and \$0.70 per share, respectively. For the six months ended December 29, 2001, basic and diluted earnings per share were \$0.16 and \$0.15 per share, respectively.

Accounts receivable increased \$4.2 million from December 29, 2001 to \$17.7 million on December 28, 2002. The increase was a result of higher sales during the current year quarter, partially offset by lower days sales outstanding. Days sales outstanding decreased to 50 days on December 28, 2002 compared to 60 days on December 29, 2001.

Inventories increased \$1.8 million from September 28, 2002 to \$50.2 million on December 28, 2002. This is an increase of \$14.7 million from June 29, 2002 and an increase of \$10.6 million from the prior year quarter. Finished goods inventory remains consistent with the prior year quarter; however, the Company continued to increase its in process inventory to support the opening of its Florida distribution center and its anticipated sales growth for fiscal year 2003. The Company's raw material inventory decreased slightly during the quarter, although it remained higher than at June 29, 2002. The Company had increased its raw material inventory to take advantage of lower cotton prices and to support its increased textile capacity. The Company expects raw material inventories to decrease during the second half of the fiscal year.

The Company purchased 30,100 shares of its stock through its Stock Repurchase Program during the quarter ended December 28, 2002 for a total cost of \$0.4 million. For the six months ended December 28, 2002, the Company purchased 48,704 shares for a total cost of \$0.7 million.

Robert W. Humphreys, President and CEO, commented, "We are very excited about the record sales and earnings for the quarter and believe we are well positioned to continue our growth in the second half of our fiscal year. We expect to open our new Florida distribution center later this month and expect it to be fully operational to support our spring selling season. During the quarter we introduced our pick/pack program, which allows our customer to order products by the piece or by the dozen, in addition to full case quantities. We believe this will allow us to service a new segment of customers and look forward to growing our business in this area."

Delta Apparel, Inc. is a vertically integrated manufacturer and marketer of high quality knit

apparel. The Company specializes in selling undecorated T-shirts, golf shirts and tank tops to screen printers, private label accounts and distributors. Delta Apparel has operations in six states, two company-operated sewing facilities in Honduras and one company-operated sewing facility in Mexico. The Company employs about 3,200 worldwide.

Statements and other information in this press release that are not reported financial results or other historical information are forward-looking statements. These are based on Delta Apparel's expectations and are necessarily dependent upon assumptions, estimates and data that the Company believes are reasonable and accurate but may be incorrect, incomplete or imprecise. Forward-looking statements are also subject to a number of business risks and uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. The risks and uncertainties include, among others, changes in the retail demand for apparel products, the cost of raw materials, competitive conditions in the apparel and textile industries, the relative strength of the United States dollar as against other currencies, changes in United States trade regulations, the discovery of unknown conditions (such as with respect to environmental matters and similar items) and other risks described from time to time in the Company's reports filed with the Securities and Exchange Commission. Accordingly, any forward-looking statements do not purport to be predictions of future events or circumstances and may not be realized. The Company does not undertake publicly to update or revise the forward-looking statements even if it becomes clear that any projected results will not be realized.

SELECTED FINANCIAL DATA:

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	Dec 28, 2002	Dec 29, 2001	Dec 28, 2002	Dec 29, 2001
Net Sales	\$30,002	\$24,337	\$58,885	\$55,351
Cost of Goods Sold	24,881	20,596	47,760	48,643
Gross Margin	5,121	3,741	11,125	6,708
SG&A	3,032	2,675	5,867	5,340
Other Expense (Income)	34	(147)	142	(175)
Operating Income	2,055	1,213	5,116	1,543
Interest Expense	171	139	319	367
Taxes	729	396	1,851	434
Net Income	\$1,155	\$678	\$2,946	\$742
Weighted Average Shares Outstanding (a)				
Basic	4,062	4,638	4,057	4,705
Diluted	4,220	4,858	4,213	4,918
Net Income per Common Share				
Basic	\$0.28	\$0.15	\$0.73	\$0.16
Diluted	\$0.27	\$0.14	\$0.70	\$0.15

	Dec 28, 2002	June 29, 2002	Dec 29, 2001
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Current Assets			
Cash	\$127	\$4,102	\$5,754
Receivables, Net	17,738	22,812	13,531
Income Tax Receivable	730	-	-
Inventories	50,165	35,483	39,581
Deferred Income Taxes	682	1,119	981
Other Assets	729	1,835	1,119
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Total Current Assets	70,171	65,351	60,966
Noncurrent Assets			
Property, Plant & Equipment, Net	21,632	22,992	21,771
Other Noncurrent Assets	83	3	81
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Total Noncurrent Assets	21,715	22,995	21,852
Total Assets	\$91,886	\$88,346	\$82,818
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Current Liabilities			
Current Portion of Long Term Debt	\$2,000	\$2,000	\$2,000
Income Tax Payable	-	1,860	125
Other Current Liabilities	12,782	17,718	11,495
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Total Current Liabilities	14,782	21,578	13,620
Noncurrent Liabilities			
Long-Term Debt	11,531	3,667	4,667
Deferred Income Taxes	295	700	761
Other Noncurrent Liabilities	1,321	1,123	1,038
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Total Noncurrent Liabilities	13,147	5,490	6,466
Stockholders' Equity	63,957	61,278	62,732
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Total Liabilities and Stockholders' Equity	\$91,886	\$88,346	\$82,818
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(a) Adjusted for 2-for- 1 stock split effective as of September 20, 2002

**CONTACT:**

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