

Perrigo Company Reports Second Quarter Fiscal 2002 Earnings of \$0.22 Per Share

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ALLEGAN, Mich.

Perrigo Company (NASDAQ: PRGO) today announced results for the second quarter and six months ended December 29, 2001.

Net sales for fiscal 2002's second quarter increased 21 percent to \$228.7 million from \$189.6 million last year. In last year's second quarter, the Company complied with the Food and Drug Administration's (FDA) recommendation to discontinue production of cough and cold products and diet aids containing phenylpropanolamine (PPA). This action resulted in a \$14.0 million reduction in sales and a charge to earnings of \$24.0 million before tax, or \$0.21 per share, for last year's second quarter. Sales in the current quarter increased 12 percent when compared with proforma sales prior to the PPA discontinuation of \$203.6 million.

Net income for the quarter was \$16.6 million, or \$0.22 per share, which includes an after-tax charge of \$1.2 million, or \$0.02 per share, related to the bankruptcy announcement of a key customer. This compares with net income of \$0.8 million, or \$0.01 per share, in the second quarter of 2001. Net income last year prior to the PPA charge was \$16.1 million, or \$0.22 per share.

David T. Gibbons, President and Chief Executive Officer, stated, "We are pleased with second quarter revenues, operating expense control and earnings growth. Our inventory planning strategy enabled us to achieve our highest in- season customer service levels in years. Inventory availability and higher fill rates helped us take advantage of selling opportunities to achieve excellent results. The over-the-counter (OTC) pharmaceutical business drove double-digit sales growth with the cough and cold and gastrointestinal product categories recording strong gains. Sales also benefited from the incremental new business of famotidine tablets and ibuprofen cold and sinus tablets, new products launched within the past six months. Gross profit margin approximated last year despite recognizing the additional costs for quality and compliance and increased inventory reserves.

"During the quarter, we received regulatory approval for two new products," noted Gibbons. "In December, the FDA granted approval to manufacture and market OTC tioconazole ointment and migraine formula tablets. We expect to be first to market with these important additions to the feminine hygiene and analgesic product categories when they begin shipping in the second half."

Fiscal 2002's first-half sales were \$445.8 million, up 17 percent from \$381.7 million reported last year. Net sales prior to the product discontinuation were \$395.7 million. Net income for the six months was \$29.7 million, or \$0.39 per share, which includes an after-tax charge of \$1.2 million, or \$0.02 per share, related to the bankruptcy announcement of a key customer. This compares with net income of \$11.4 million, or \$0.15 per share, a year ago. Net income for six months last year before the PPA charge was \$26.7 million, or \$0.36 per share.

Commenting on the outlook for the second half, Mr. Gibbons stated, "We have seen a slower-than-forecasted cold and flu season to this point and we have taken action to

manage inventories accordingly. With the second quarter charge of \$0.02 per share, we are comfortable with earnings between \$0.58 and \$0.60 per share for the full year."

The Company also announced that during the quarter, it sold the LaVergne, Tennessee distribution center for \$14.2 million and repurchased 644,000 shares for \$8.2 million under its common stock repurchase program.

Perrigo will host a conference call to discuss second quarter fiscal 2002 results at 11:00 a.m. (EST) today. The call and replay will be available via webcast on the Company's web site at <http://www.perrigo.com/>. The conference call may also be accessed by phone on a listen-only basis by calling 1-877-209-9921 and asking for Perrigo's second quarter review. A taped replay of the call will be available beginning at approximately 2:30 p.m. (EST) Wednesday, January 23. To listen to the replay, call 1-800-475-6701, access code 624157 (outside the United States, call 320-365-3844).

Perrigo Company is the nation's largest manufacturer of over-the-counter (non-prescription) pharmaceutical and nutritional products sold by supermarket, drug, and mass merchandise chains under their own labels. The Company's products include over-the-counter pharmaceuticals such as analgesics, cough and cold remedies, gastrointestinal, and feminine hygiene products, and nutritional products, such as vitamins, nutritional supplements and nutritional drinks. Visit Perrigo on the Internet at <http://www.perrigo.com/>.

Note: Certain statements in this press release are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. Please see the "Cautionary Note Regarding Forward-Looking Statements" on pages 24-29 of the Company's Form 10-K for the year ended June 30, 2001 for a discussion of certain important factors that relate to forward-looking statements contained in this press release. In addition, the Company's future results may be affected by the impact of events flowing from the September 11, 2001 terrorist attacks, current economic conditions in the United States, retailers' financial difficulties or current cough/cold/flu seasonal trends. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PERRIGO COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Second Quarter		Year-To-Date	
	2002	2001	2002	2001
Net sales	\$228,694	\$189,550	\$445,810	\$381,692
Cost of sales	167,439	138,787	333,666	285,181
PPA product discontinuation	--	20,200	--	20,200
Gross profit	61,255	30,563	112,144	76,311
Operating expenses				
Distribution	4,265	3,961	8,282	7,418
Research and development	4,958	3,470	8,804	7,428
Selling and administration	24,216	22,641	46,792	44,227
Restructuring	2,046	--	2,046	--
Unusual litigation	--	(457)	--	(457)

	35,485	29,615	65,924	58,616
Operating income	25,770	948	46,220	17,695
Interest and other, net	(113)	(961)	(276)	(1,135)
Income before income taxes	25,883	1,909	46,496	18,830
Income tax expense	9,318	1,089	16,841	7,476
Net income	\$16,565	\$820	\$29,655	\$11,354
Basic earnings per share	\$0.23	\$0.01	\$0.40	\$0.15
Diluted earnings per share	\$0.22	\$0.01	\$0.39	\$0.15

PERRIGO COMPANY
SELECTED BALANCE SHEET DATA
(in thousands)

	December 29, 2001	June 30, 2001
	(Unaudited)	
Current assets	\$308,781	\$313,137
Property & equipment, net	209,509	212,087
Other assets	50,729	50,688
Total Assets	\$569,019	\$575,912
Current liabilities	\$142,118	\$171,759
Deferred income taxes	17,525	17,419
Long-term debt	1,600	--
Other long-term liabilities	2,426	859
Shareholders' equity	405,350	385,875
Total Liabilities and Equity	\$569,019	\$575,912

PERRIGO COMPANY
SELECTED STATEMENT OF CASH FLOWS DATA
(in thousands)
(unaudited)

	Year-To-Date	
	2002	2001
Net income	\$29,655	\$11,354
Depreciation and amortization	12,312	11,766
Other operating activities	(43,554)	32,093
Net cash (for) from operating activities	(1,587)	55,213
Additions to property and equipment	(9,731)	(10,116)
Proceeds from sale of assets held for sale	14,161	--
Other	(426)	--
Net cash from (for) investing activities	4,004	(10,116)
Net cash for financing activities	(12,630)	(507)
Net (Decrease) Increase in Cash and Cash Equivalents	(10,213)	44,590
Cash and Cash Equivalents, at Beginning of Period	11,016	7,055
Effect of exchange rate changes on cash	11	--
Cash and Cash Equivalents, at End of Period	\$814	\$51,645

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SOURCE: Perrigo Company

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