

## **Perrigo Company Reports Second Quarter Fiscal 2003 Earnings Of \$0.24 Per Share Elects To Expense Stock Option Compensation**

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO) today announced results for the second quarter and six months of fiscal 2003 ended December 28, 2002.

Perrigo Company (NASDAQ: PRGO)  
(in thousands, except per share amounts)

	Second Quarter		Year-To-Date	
	2003	2002	2003	2002
Sales	\$227,521	\$228,694	\$440,736	\$445,810
Net Income	\$16,814	\$15,214	\$35,592	\$26,951
Diluted Shares	70,394	74,560	71,003	75,369
Diluted EPS	\$0.24	\$0.20	\$0.50	\$0.36

Net sales for the second quarter were \$227.5 million, compared with \$228.7 million last year. Net income increased 11 percent to \$16.8 million, or \$0.24 per share, compared with \$15.2 million, or \$0.20 per share, a year ago.

The Company noted that, effective for the fiscal second quarter, it has elected to expense stock option compensation. All prior periods have been restated to reflect the compensation cost that would have been recognized had the stock option expense been applied to all awards granted after July 1, 1995. Before adoption of this expense, earnings were \$0.25 per share, compared with \$0.22 per share last year. Please refer to the restated results in the summary table at the end of this announcement.

Commenting on the second quarter, David T. Gibbons, Perrigo President and Chief Executive Officer stated, "We are pleased with the excellent results recorded again this quarter. Our earnings reflect not only the continuing focus on operational efficiency, cost reduction and working capital management, but favorable mix and pricing, which contributed to an improvement in margins. Cash flow and the balance sheet remain strong, with cash from operations in the first six months exceeding \$37 million."

Net sales for the six months ended December 28, 2002, were \$440.7 million, a decline of one percent, compared with \$445.8 million last year. Net income for the six months was \$35.6 million, or \$0.50 per share, including a lawsuit settlement of \$2.0 million after-tax, or \$0.03 per share. Excluding the lawsuit settlement, net income was \$33.6 million, or \$0.47 per share, an increase of 25 percent compared with net income of \$27.0 million, or \$0.36 per share, a year ago.

Mr. Gibbons noted, "We have had a great start to our fiscal year, reporting record earnings over the past six months while continuing to make good progress in achieving our long-term goals. With another weak cough, cold and flu season underway, and the recent launch of new national brand products in the allergy category, we remain cautious about the second half of the year."

On January 23, 2003, the Company announced that its Board of Directors declared the Company's first quarterly dividend of \$0.025 per share, payable on March 21, 2003, to shareholders of record on February 28, 2003. Said Gibbons, "We are pleased to be able to make this commitment to our shareholders. The strong cash flow, the strong balance sheet

and our confidence in our long-term prospects support the Board's decision to adopt a policy of paying quarterly cash dividends."

The Company also recently announced the appointment of the following new Board members: Gary M. Cohen, President, BD Medical Systems, Becton, Dickinson and Company; Judith A. Hemberger, Executive Vice President and Chief Operating Officer, Pharmion Corporation; and Gary K. Kunkle, Jr., President and Chief Operating Officer of DENTSPLY International, Inc. With these additions, seven of Perrigo's nine directors will meet the standards of independence under all existing and proposed stock exchange governance guidelines. Mr. Gibbons said, "Our decision to expense options, the addition of independent directors, the implementation of new standards of governance and the initiation of dividend payments demonstrate our commitment to our shareholders' interests."

Perrigo will host a conference call to discuss second quarter fiscal 2003 results at 11:00 a.m. (EST) today. The call and replay will be available via webcast on the Company's web site at [www.perrigo.com/investor](http://www.perrigo.com/investor) or by phone, toll free, 888-489-0147. A taped replay of the call will be available beginning at approximately 2:30 p.m. (EST) Monday, January 27. To listen to the replay, call 800-642-1687, access code 7622482.

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 ([www.perrigo.com](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. These statements relate to future events or the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or other comparable terminology. Please see the "Cautionary Note Regarding Forward-Looking Statements" on pages 23-27 of the Company's Form 10-K for the year ended June 29, 2002 for a discussion of certain important factors that relate to forward-looking statements contained in this press release. 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	
2003	2002	2003	2002
(as restated)		(as restated)	

Net sales	\$227,521	\$228,694	\$440,736	\$445,810
Cost of sales	163,225	165,990	314,761	330,767
Gross profit	64,296	62,704	125,975	115,043
Operating expenses				
Distribution	4,083	4,265	8,110	8,282
Research and development	5,321	6,407	10,769	11,703
Selling and administration	28,547	25,732	54,150	49,825
Subtotal	37,951	36,404	73,029	69,810
Restructuring	-	2,046	-	2,046
Unusual litigation	-	-	(3,128)	-
Total	37,951	38,450	69,901	71,856
Operating income	26,345	24,254	56,074	43,187
Interest and other, net	(514)	(113)	(722)	(276)
Income before income taxes	26,859	24,367	56,796	43,463
Income tax expense	10,045	9,153	21,204	16,512
Net income	\$16,814	\$15,214	\$35,592	\$26,951
Earnings per share				
Basic	\$0.24	\$0.21	\$0.51	\$0.36
Diluted	\$0.24	\$0.20	\$0.50	\$0.36
Weighted average shares				
outstanding:				
Basic	69,273	73,343	70,000	73,842
Diluted	70,394	74,560	71,003	75,369

PERRIGO COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	December 28, 2002	June 29, 2002	December 29, 2001	
	(unaudited)	(as restated)	(unaudited)	
Assets				
Current assets				
Cash and cash equivalents		\$71,773	\$76,824	\$814
Accounts receivable, net of allowances	102,722	82,560	112,214	
Inventories, net of allowances	153,477	155,611	161,677	
Prepaid expenses and other current assets	6,907	6,896	10,613	
Current deferred income taxes	21,657	19,860	23,463	
Total current assets	356,536	341,751	308,781	
Property and equipment	411,858	399,461	388,102	
Less accumulated depreciation	210,099	211,044	209,509	
Goodwill, net	35,919	35,919	47,471	
Other	4,678	5,073	3,258	
	\$607,232	\$593,787	\$569,019	
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable	\$68,970	\$74,449	\$68,429	
Notes payable	9,469	8,338	6,631	
Payrolls and related taxes	27,884	31,338	22,531	
Accrued expenses	41,931	32,721	33,847	
Income taxes	9,872	8,088	10,680	
Total current liabilities	158,126	154,934	142,118	
Deferred income taxes	20,428	18,295	15,770	
Long-term debt	-	-	1,600	
Other long-term liabilities	3,212	2,396	2,426	
Shareholders' equity				
Preferred stock, without par value, 10,000 shares authorized	-	-	-	
Common stock, without par value, 200,000 shares authorized	81,699	110,698	117,727	

Unearned compensation	(414)	(608)	(903)
Accumulated other comprehensive income	890	373	420
Retained earnings	343,291	307,699	289,861
Total shareholders' equity	425,466	418,162	407,105
	\$607,232	\$593,787	\$569,019

#### Supplemental Disclosures of Balance

##### Sheet Information

Allowance for doubtful accounts	\$9,465	\$7,569	\$8,825
Allowance for inventory	\$20,855	\$21,360	\$27,056
Working capital	\$198,410	\$186,817	\$166,663
Preferred stock, shares issued	-	-	-
Common stock, shares issued	69,479	72,550	73,372

PERRIGO COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Year-To-Date		
	2003	2002	
Cash Flows From (For) Operating Activities:			(as restated)
Net income	\$35,592	\$26,951	
Depreciation and amortization	13,505	12,312	
Compensation - stock options	2,667	3,033	
	51,764	42,296	

Accounts receivable	(20,162)	(18,627)
Inventories	2,134	(568)
Current and deferred income taxes	2,120	(14,317)
Accounts payable	(5,479)	(15,958)
Restructuring, net of cash	-	2,046
Other	7,082	3,617
Net cash from (for) operating activities	37,459	(1,511)

#### Cash Flows (For) From Investing

##### Activities:

Additions to property and equipment	(11,975)	(9,731)
Proceeds from sale of assets held for sale	-	14,161
Other	-	(426)
Net cash (for) from investing activities	(11,975)	4,004

#### Cash Flows From (For) Financing

##### Activities:

Borrowings (repayments) of short-term debt, net	1,131	(4,541)
Tax benefit of stock transactions	-	1,603
Issuance of common stock	1,059	10,036
Repurchase of common stock	(32,667)	(21,454)
Other	(58)	1,661
Net cash for financing activities	(30,535)	(12,695)

#### Net Decrease in Cash and Cash

Equivalents	(5,051)	(10,202)
Cash and Cash Equivalents, at Beginning of Period	76,824	11,016
Cash and Cash Equivalents, at End of Period	\$71,773	\$814

#### Supplemental Disclosures of Cash

##### Flow Information:

Interest paid	\$467	\$1,051
Income taxes paid	\$18,922	\$29,970

STOCK OPTION COMPENSATION EXPENSE  
IMPACT ON NET INCOME AND EPS  
(in thousands, except per share amounts)  
(unaudited)

	Second Quarter		Year-To-Date		
	2003	2002	2003	2002	
Net income before adoption		\$18,047	\$16,565	\$38,058	\$29,655
Compensation expenses (net of tax benefit)	1,233	1,351	2,466	2,704	
Net income after adoption		\$16,814	\$15,214	\$35,592	\$26,951
Weighted average shares outstanding					
Basic	69,273	73,343	70,000	73,842	
Diluted					
Before adoption		71,017	75,227	71,572	76,064
After adoption		70,394	74,560	71,003	75,369
Basic EPS					
Before adoption		\$0.26	\$0.23	\$0.54	\$0.40
After adoption		\$0.24	\$0.21	\$0.51	\$0.36
Diluted EPS					
Before adoption		\$0.25	\$0.22	\$0.53	\$0.39
After adoption		\$0.24	\$0.20	\$0.50	\$0.36

SOURCE: Perrigo Company

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Web site: <http://www.perrigo.com/>

Company News On-Call: <http://www.prnewswire.com/gh/cnoc/comp/699550.html>

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