

## Perrigo Company Reports Fiscal 2003 Earnings of \$0.76 Per Share

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO) today announced results for the full year and fourth quarter ended June 28, 2003.

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

	Fourth Quarter		Year-To-Date	
	2003	2002	2003	2002
Sales	\$182,635	\$182,021	\$825,987	\$826,322
Net Income	\$4,324	\$(71)	\$54,048	\$44,790
Diluted EPS	\$0.06	-	\$0.76	\$0.60
Diluted Shares	71,439	72,307	71,158	74,606

Fiscal Year 2003

Sales for the twelve months ended June 28, 2003 were \$826.0 million compared with \$826.3 million in fiscal 2002. Net income increased 21 percent to \$54.0 million, or \$0.76 per share, from \$44.8 million or \$0.60 per share last year. On an operating basis, excluding certain items in both years, net income was \$52.0 million, or \$0.73 per share in fiscal 2003, an increase in net income of 20 percent, compared with net income of \$43.6 million, or \$0.58 per share, for the prior year.

Reported net income in fiscal 2003 included after-tax income of \$2.0 million, or \$0.03 per share, from a vitamin litigation settlement. Reported net income in fiscal 2002 included after-tax income of \$17.9 million, or \$0.24 per share, from vitamin litigation and an after-tax charge of \$16.6 million, or \$0.22 per share, related to a restructuring of operations in Mexico.

Chief Executive Officer, David T. Gibbons, commented, "We are very pleased to report strong fiscal 2003 results which reflect Perrigo's progress in strengthening its fundamentals. Earnings were up more than 20 percent as we continue to realize the payback from the investments made in our quality processes and manufacturing operations over the past two years. Our increased operational efficiencies along with business simplification and expense control initiatives were key factors in the significant gain in gross profits and net earnings."

Mr. Gibbons continued, "We generated \$80 million in cash from operations and stayed virtually debt-free, keeping us in a very strong financial position. This strong and predictable cash generation enabled us to repurchase 3.3 million shares during the year and allowed us to begin paying a cash dividend for the first time. In June, we began shipping the store brand version of Claritin-D® 24 Hour and look forward to providing additional store brand equivalents of this leading allergy relief product during fiscal 2004."

### Fiscal 2003 Fourth Quarter

For the fourth quarter, sales were \$182.6 million, a slight increase over sales of \$182.0 million a year ago. Net income was \$4.3 million, or \$0.06 per share, compared with breakeven last year. On an operating basis, excluding certain items last year, net income was \$3.7 million, or \$0.05 per share. Reported net income included after-tax income of

\$12.9 million, or \$0.17 per share, from vitamin litigation settlements and a charge of \$16.6 million after-tax, or \$0.22 per share, related to the restructuring of operations in Mexico.

## Fiscal Year 2004 Outlook

Mr. Gibbons stated, "While we deliberately gave up some volume in fiscal 2003 to improve profits, as we look out to 2004 we see the opportunity for top-line growth. Our core over-the-counter (OTC) pharmaceutical and nutritional businesses remain strong, and with our new initiatives for growth we anticipate an increase in revenues of approximately three to five percent.

"In 2004, we will continue to build on our consumer pharmaceutical foundation as a focus for future growth. We are committed to continuing to enhance our mission of providing affordable consumer healthcare options. We now have the quality, R&D and manufacturing resources to expand our pharmaceutical business. Our strong financial position allows us to invest \$5 to \$7 million toward this initiative in 2004, primarily in increased R&D for the development of generic prescription drug products. Because of the anticipated eight to ten percent earnings growth and strong cash flow in our core business, we expect 2004 earnings to be at or slightly above current levels, despite this investment for our long-term growth. We see generic prescription drugs as a natural progression that will enhance our already strong position in the OTC pharmaceutical market and will provide substantial new growth.

"Implementing this new strategic direction requires a realignment of internal resources and our senior management structure. Effective immediately, John Hendrickson, Executive Vice President, Operations, will become Executive Vice President and General Manager, Perrigo Consumer Healthcare. In his new role, John will have responsibility for all functional operations within our OTC pharmaceutical and nutritional businesses. He has led our pursuit of operational excellence and has played a major role in Perrigo's strong results over the past few years.

"Mark Olesnavage, Executive Vice President, Sales, Marketing and Scientific Affairs, will become Executive Vice President and General Manager, Perrigo Pharmaceuticals. In this role, Mark will be responsible for the planning, development and execution of the launch and growth of our generic Rx drug efforts. He has an extensive background in marketing, operations and business development in 22 years with Perrigo and has worked extensively with our customers to bring them a wide range of product and service solutions to consumer healthcare. He also has been an active member of the Generic Pharmaceutical Industry Association Board over the last ten years. Both John and Mark will report directly to me."

With the fiscal second quarter ended December 28, 2002, Perrigo began expensing stock option compensation. All prior periods have been adjusted 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. Please refer to the adjusted results in the summary table contained in this announcement.

Perrigo will host a conference call to discuss fourth quarter fiscal 2003 results at 11:00 a.m. (EDT) today. The call and replay will be available via webcast on the Company's website 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. (EDT) Monday, August 11. To listen to the replay, call 800-642-1687, access code 2120625.

The Company is furnishing this earnings release to the Securities and Exchange Commission via Form 8-K and it is hereby incorporated by reference. The information provided on Form 8-K includes a summary of each non-GAAP financial measure included in this earnings release and the reasons management believes these non-GAAP financial measures are useful to investors.

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)

	Fourth Quarter		Year-To-Date	
	2003	2002*	2003	2002*
	(unaudited)		(unaudited)	
Net sales	\$182,635	\$182,021	\$825,987	\$826,322
Cost of sales	137,405	135,972	596,076	608,622
Gross profit	45,230	46,049	229,911	217,700
Operating expenses				
Distribution	3,639	3,997	15,563	16,327
Research and development	7,078	8,224	23,315	25,689
Selling and administration	27,934	27,893	108,983	103,982
Subtotal	38,651	40,114	147,861	145,998
Restructuring	-	5,090	-	7,136
Goodwill impairment	-	11,524	-	11,524
Unusual litigation	-	(20,078)	(3,128)	(27,891)
Total	38,651	36,650	144,733	136,767
Operating income	6,579	9,399	85,178	80,933
Interest and other, net	15	(859)	(1,080)	(1,355)
Income before income taxes	6,564	10,258	86,258	82,288
Income tax expense	2,240	10,329	32,210	37,498
Net income	\$4,324	\$(71)	\$54,048	\$44,790

Earnings per share				
Basic	\$0.06	\$ -	\$0.77	\$0.61
Diluted	\$0.06	\$ -	\$0.76	\$0.60
Weighted average shares outstanding:				
Basic	69,614	72,307	69,746	73,164
Diluted	71,439	72,307	71,158	74,606
Dividends declared per share	\$0.03	\$ -	\$0.05	\$ -

\*As adjusted for expensing of stock options.

PERRIGO COMPANY  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 28, 2003	June 29, 2002*	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$93,827	\$76,824	
Accounts receivable	87,018	82,560	
Inventories	160,326	155,611	
Prepaid expenses and other current assets	5,383	6,896	
Current deferred income taxes	32,643	23,484	
Total current assets	379,197	345,375	
<b>Property and equipment</b>			
Land	13,962	13,700	
Building	188,509	182,960	
Machinery and equipment	226,644	202,801	
	429,115	399,461	
Less accumulated depreciation	210,337	188,417	
	218,778	211,044	
Goodwill	35,919	35,919	
Non-current deferred income taxes	3,968	3,964	
Other	6,108	5,073	
	\$643,970	\$601,375	
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable	\$72,186	\$74,449	
Notes payable	8,980	8,338	
Payrolls and related taxes	40,535	31,338	
Accrued expenses	36,590	32,721	
Accrued income taxes	5,568	8,088	
Current deferred income taxes	2,683	3,624	
Total current liabilities	166,542	158,558	
Deferred income taxes	25,484	22,259	
Other long-term liabilities	3,520	2,396	
<b>Shareholders' equity</b>			
Preferred stock, without par value, 10,000 shares authorized	-	-	
Common stock, without par value, 200,000 shares authorized	88,990	110,698	
Unearned compensation	(111)	(608)	
Accumulated other comprehensive income	1,282	373	
Retained earnings	358,263	307,699	
Total shareholders' equity	448,424	418,162	
	\$643,970	\$601,375	
<b>Supplemental Disclosures of Balance Sheet Information</b>			
Allowance for doubtful accounts	\$10,242	\$8,465	
Allowance for inventory	\$21,717	\$21,360	
Working capital	\$212,655	\$186,817	
Preferred stock, shares issued	-	-	
Common stock, shares issued	70,034	72,550	

\*As adjusted for expensing of stock options.

PERRIGO COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Fiscal Year	
	2003	2002*
<b>Cash Flows From (For) Operating Activities</b>		
Net income	\$54,048	\$44,790
Adjustments to derive cash flows		
Depreciation and amortization	26,126	25,613
Compensation - stock options	5,224	6,066
Deferred income taxes	(6,847)	1,711
Goodwill impairment	-	11,524
Restructuring	-	7,136
Changes in operating assets and liabilities net of restructuring		
Accounts receivable, net	(4,427)	14,301
Inventories	(4,656)	5,512
Accounts payable	(2,329)	(9,955)
Payrolls and related taxes	9,185	5,218
Accrued expenses	3,869	4,878
Current income taxes	(2,516)	(12,492)
Other	2,557	123
Net cash from (for) operating activities	80,234	104,425
<b>Cash Flows (For) From Investing Activities</b>		
Additions to property and equipment	(32,296)	(27,528)
Proceeds from sale of assets held for sale	-	14,161
Business acquisitions, net of cash	-	-
Other	(980)	(398)
Net cash (for) from investing activities	(33,276)	(13,765)
<b>Cash Flows From (For) Financing Activities</b>		
Net borrowings of short-term debt	640	-
Net repayments of short-term debt	-	(4,506)
Tax benefit of stock transactions	63	1,260
Issuance of common stock	7,231	10,192
Repurchase of common stock	(33,682)	(31,923)
Cash dividends	(3,484)	-
Other	(596)	131
Net cash from (for) financing activities	(29,828)	(24,846)
Net increase in cash and cash equivalents	17,130	65,814
Cash and cash equivalents, at beginning of period	76,824	11,016
Effect of exchange rate changes on cash	(127)	(6)
Cash and cash equivalents, at end of period	\$93,827	\$76,824
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for:		
Interest	\$1,257	\$1,542
Income taxes	\$43,417	\$47,103

\*As adjusted for expensing of stock options.

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

	Fourth Quarter		Year-To-Date	
	2003	2002	2003	2002
Net income before adoption	\$5,300	\$1,281	\$58,865	\$50,197

Compensation expenses (net of tax benefit)	976	1,352	4,817	5,407
Net income after adoption	\$4,324	\$(71)	\$54,048	\$44,790

Weighted average shares outstanding:

Basic	69,614	72,307	69,746	73,164
Diluted				
Before adoption	71,755	74,051	71,498	75,113
After adoption	71,439	72,307	71,158	74,606

Basic EPS

Before adoption	\$0.08	\$0.02	\$0.84	\$0.69
After adoption	\$0.06	\$ -	\$0.77	\$0.61

Diluted EPS

Before adoption	\$0.07	\$0.02	\$0.82	\$0.67
After adoption	\$0.06	\$ -	\$0.76	\$0.60

PERRIGO COMPANY  
RECONCILIATION OF NON-GAAP MEASURES  
(in thousands, except per share amounts)

Fourth Quarter      Year-To-Date  
2003    2002\*    2003    2002\*  
(unaudited)(unaudited)

Net income (GAAP)	\$4,324	\$(71)	\$54,048	\$44,790
Less: unusual litigation, net of tax	-	12,850	2,000	17,850
Plus: Quifa restructuring	-	16,614	-	16,614
Net income (operating basis)	\$4,324	\$3,693	\$52,048	\$43,554

Earnings per share:

Basic	\$0.06	\$0.05	\$0.75	\$0.60
Diluted	\$0.06	\$0.05	\$0.73	\$0.58

Weighted average shares outstanding:

Basic	69,614	72,307	69,746	73,164
Diluted	71,439	75,049	71,158	74,606

\* As adjusted for expensing of stock options.

SOURCE: Perrigo Company

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<http://www.perrigo.com/investor>

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