

## Perrigo Company Reports First Quarter Fiscal 2004 Earnings of \$0.23 Per Share

PRNewswire-FirstCall  
ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO) today announced results for the first quarter of fiscal 2004 ended September 27, 2003.

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

	Fiscal 2004 1st Quarter Ended 9/27/03	Fiscal 2003 1st Quarter Ended 9/28/02
Sales	\$209,805	\$213,215
Net Income	\$16,508	\$18,778
Diluted EPS	\$0.23	\$0.26
Diluted Shares	71,809	71,745

Net sales for fiscal 2004's first quarter were \$209.8 million, a decrease of two percent from \$213.2 million last year. Net income was \$16.5 million, or \$0.23 per share, compared with \$18.8 million, or \$0.26 per share, a year ago. Earnings from operations last year were \$16.8 million, or \$0.23 per share, excluding a lawsuit settlement in the first quarter which added \$2.0 million after-tax, or \$0.03 per share.

Commenting on first quarter results, David T. Gibbons, Perrigo Chairman, President and Chief Executive Officer, stated, "Sales in the first quarter were disappointing, largely the result of weakness in the cough/cold category, where we did not experience the anticipated seasonal shipments of products that address cough, cold and flu indications. This reflects our retail partners' commitment to lean inventories and their confidence in our customer service capabilities. The lack of inventory building at retail was also reflected in lower gross margins, as we did not have the level of production throughput that we anticipated. At this early stage of the cough and cold season, we still believe we can achieve revenue growth of three to five percent for the full year.

"The Company continues its strong performance in generating cash, controlling inventories and managing the business. Customer service continues at historic high levels despite our inventories being down. During the quarter, we benefited from strong sales in two new products. Following its June launch, our loratadine tablet product, comparable to the national brand Claritin-D® 24 Hour, continued to sell well. In the nutritional segment we were pleased with the sell-in of our new branded diet aid product, Dr. Steven Rosenblatt's Starch Blocker.

"Research and development expense was up only slightly as outlays for the internal development of generic prescription drug products were not yet material," said Gibbons. "During the quarter, we agreed to provide funding to a contract research and development firm for the development of 10 to 12 generic drugs over the next two years. We are excited about this step in building a generic prescription drug product portfolio."

Perrigo will host a conference call to discuss first quarter fiscal 2004 results at 11:00 a.m. (ET) 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. (ET) Friday, October 24 until midnight Tuesday, October 28. To listen to the replay, call 800-642-1687, access code 3266281.

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 25 - 30 of the Company's Form 10-K for the year ended June 28, 2003 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)

	First Quarter	
	2004	2003
	(as adjusted)*	
Net sales	\$209,805	\$213,215
Cost of sales	151,819	151,536
Gross profit	57,986	61,679
Operating expenses		
Distribution	3,522	4,027
Research and development	5,713	5,448
Selling and administration	23,406	25,603
Subtotal	32,641	35,078
Unusual litigation	-	(3,128)
Total	32,641	31,950
Operating income	25,345	29,729
Interest and other, net	(449)	(208)

Income before income taxes	25,794	29,937
Income tax expense	9,286	11,159
Net income	\$16,508	\$18,778
Earnings per share		
Basic	\$0.24	\$0.27
Diluted	\$0.23	\$0.26
Weighted average shares outstanding		
Basic	70,040	70,719
Diluted	71,809	71,745

\* The Company has reclassified certain amounts to conform to the current year presentation.

PERRIGO COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	September 27, 2003	June 28, 2003	September 28, 2002
Assets	(unaudited)	(unaudited)	(unaudited)
		(as adjusted)*	
Current assets			
Cash and cash equivalents	\$83,046	\$93,827	\$49,214
Accounts receivable	99,200	87,018	105,777
Inventories	149,872	160,326	163,704
Current deferred income taxes	30,359	32,643	23,484
Prepaid expenses and other current assets	10,844	5,383	8,635
Total current assets	373,321	379,197	350,814
Property and equipment	431,777	429,115	405,258
Less accumulated depreciation	216,389	210,337	195,486
	215,388	218,778	209,772
Goodwill	35,919	35,919	35,919
Non-current deferred income taxes	6,677	3,968	3,668
Other non-current assets	19,140	6,108	4,295
	\$650,445	\$643,970	\$604,468
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	\$67,616	\$72,186	\$78,431
Notes payable	7,191	8,980	8,729
Payroll and related taxes	22,354	40,535	23,232
Accrued expenses	41,276	36,590	39,740
Accrued income taxes	15,264	5,568	17,864
Current deferred income taxes	2,965	2,683	3,621
Total current liabilities	156,666	166,542	171,617
Non-current deferred income taxes	25,538	25,484	22,722
Other non-current liabilities	4,727	3,520	3,079
Shareholders' equity			
Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	90,363	88,990	80,120
Unearned compensation	(56)	(111)	(499)
Accumulated other comprehensive income	187	1,282	952
Retained earnings	373,020	358,263	326,477
Total shareholders' equity	463,514	448,424	407,050
	\$650,445	\$643,970	\$604,468

Supplemental Disclosures of Balance Sheet Information

Allowance for doubtful accounts	\$9,321	\$10,242	\$8,050
Allowance for inventory	\$21,602	\$21,717	\$20,714
Working capital	\$216,655	\$212,655	\$179,197
Preferred stock, shares issued	-	-	-

\* The Company has reclassified certain amounts to conform to the current year presentation.

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

	First Quarter		
	2004	2003	
Cash Flows From Operating Activities			(as adjusted)*
Net income	\$16,508	\$18,778	
Adjustments to derive cash flows			
Depreciation	7,031	6,865	
Compensation - stock options	1,318	1,333	
Deferred income taxes	(77)	746	
Changes in operating assets and liabilities			
Accounts receivable	(12,352)	(23,283)	
Inventories	10,276	(8,188)	
Accounts payable	(4,439)	4,659	
Payroll and related taxes	(18,175)	(8,104)	
Income taxes payable	9,705	9,759	
Accrued expenses	4,712	7,049	
Other	(6,312)	(256)	
Net cash from operating activities	8,195	9,358	
Cash Flows For Investing Activities			
Additions to property and equipment	(4,993)	(5,116)	
Non-current note receivable	(10,000)	-	
Investment in equity subsidiaries	(1,000)	-	
Net cash for investing activities	(15,993)	(5,116)	
Cash Flows For Financing Activities			
Borrowings (repayments) of short-term debt, net	(1,631)	(156)	
Issuance of common stock	400	143	
Repurchase of common stock	(343)	(32,025)	
Cash dividends paid	(1,751)	-	
Other	-	59	
Net cash for financing activities	(3,325)	(31,979)	
Net decrease in cash and cash equivalents	(11,123)	(27,737)	
Cash and cash equivalents, at beginning of period	93,827	76,824	
Effect of exchange rate changes on cash	342	127	
Cash and cash equivalents, at end of period	\$83,046	\$49,214	
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest paid	\$162	\$257	
Income taxes paid	\$579	\$657	

\* The Company has reclassified certain amounts to conform to the current year presentation.

PERRIGO COMPANY  
 RECONCILIATION OF NON-GAAP MEASURES  
 (in thousands)  
 (unaudited)

September 27, 2003    September 28, 2002

Net income (GAAP)	\$16,508	\$18,778
Less: unusual litigation, net of tax	-	2,000
Net income before unusual litigation	\$16,508	\$16,778

Earnings per share:

Basic	0.24	0.24
Diluted	0.23	0.23

Weighted average shares outstanding:

Basic	70,040	70,719
Diluted	71,809	71,745

SOURCE: Perrigo Company

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