

## Perrigo Company Reports Fiscal Year 2004 Earnings of \$1.11 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 26, 2004.

Perrigo Company  
(in thousands, except per share amounts)

	Fourth Quarter		Year-To-Date	
	2004	2003	2004	2003
Sales	\$206,125	\$184,403	\$898,204	\$834,100
Net Income	\$8,085	\$4,324	\$80,567	\$54,048
Diluted EPS	\$0.11	\$0.06	\$1.11	\$0.76
Diluted Shares	73,277	71,439	72,289	71,158

Fiscal Year 2004

Sales for the twelve months ended June 26, 2004 were \$898.2 million, compared with \$834.1 million last year, an increase of eight percent. Net income increased 49 percent to a record \$80.6 million, or \$1.11 per share, from \$54.0 million, or \$0.76 per share a year ago.

On an operating basis, excluding a tax benefit of \$13.1 million, or \$0.18 per share, and an after-tax charge of \$3.4 million, or \$0.05 per share, related to an FTC investigation, net income was \$70.9 million, or \$0.98 per share. This is an increase in net income of 36 percent, compared with net income of \$52.0 million, or \$0.73 per share, for the prior year. The results for the prior year on an operating basis exclude the benefit of a favorable vitamin litigation settlement of \$2 million after-tax, or \$0.03 per share.

Commenting on the results, Perrigo Chairman, President and Chief Executive Officer, David T. Gibbons, said, "We are very pleased to report record earnings in fiscal 2004, which were the result of good revenue growth and continued operational excellence. In 2004, we received seven FDA new product approvals and launched a broad range of products including national brand equivalents, Rx-to-OTC switches and innovative brand name nutritional offerings. The loratadine family of OTC allergy/sinus medications, in particular, were a key contributor to the overall revenue increase. Growth also resulted from our December 2003 acquisition of Peter Black Pharmaceuticals, a United Kingdom-based nutritional business.

"Sales and earnings growth were significant factors in the strong cash flow from operations of \$119 million, up 49 percent from \$80 million last year. This strong cash flow allowed us to increase our quarterly dividend, invest in our new generic drug business, acquire the Peter Black operation, fund \$28 million in capital projects and end the year with \$171 million in cash and investment securities on the balance sheet," said Mr. Gibbons.

### Fiscal Fourth Quarter

For the fourth quarter, sales were \$206.1 million, an increase of 12 percent, compared with \$184.4 million last year. Net income was \$8.1 million, or \$0.11 per share, compared with \$4.3 million, or \$0.06 per share a year ago. Subsequent to the fiscal year-end, the Company announced it is negotiating a settlement with the U.S. Federal Trade Commission

(FTC) in order to close the FTC's investigation into a 1998 agreement with Perrigo and New Jersey-based Alpharma Inc. The Company recorded a \$4.75 million charge, \$3.4 million after-tax, or \$0.05 per share, which is expected to resolve all claims by the FTC and state governments. On an operating basis, excluding the FTC charge, net income was \$11.5 million, or \$0.16 per share, in the fourth quarter.

"In addition to incremental revenues from Peter Black and new products, fourth quarter results benefited from increased production levels. The higher production reflects the decision to build inventories earlier in order to improve service levels through the peak demand of the next cough, cold season," noted Gibbons.

#### Other Developments

On June 10, the Company announced that it had no present intention to exercise its option to acquire a controlling interest in Lannett Company, a manufacturer of generic pharmaceuticals. The option was allowed to expire on August 6.

On July 15, the Company entered into a purchase agreement to acquire certain assets of APG, Inc., an Elkhart, Indiana-based contract manufacturer of aerosol products. The purchased assets include inventories, receivables and formulations for anti-fungal foot products. The transaction is expected to close on or before September 1, and is expected to add approximately \$4 million in sales in fiscal 2005.

#### Fiscal Year 2005

Commenting on the outlook for the year ahead, Mr. Gibbons said, "We look forward to continued growth in our core businesses and further development of our start-up generic prescription drug business in fiscal 2005. Perrigo Consumer Healthcare continues to successfully focus on the fundamentals of quality, service and operational excellence, while supporting the launch and marketing of important new products. With this strong domestic business and improved prospects for our U.K. and Mexico operations, we anticipate an increase in revenues of four to five percent.

"We remain committed to growing the Perrigo Pharmaceutical business through internal development or an appropriate acquisition. To develop a pipeline of prescription generic drug products, we will utilize our strong financial position to invest between \$10 and \$12 million in 2005, up from \$5 million in 2004, primarily in R&D. Concurrent with internal development, we will continue to seek potential acquisition candidates which could accelerate our market entry. On a consolidated basis, we expect earnings growth of three to five percent, despite the increased investment in the pharmaceutical business."

Perrigo will host a conference call to discuss fourth quarter and fiscal 2004 year-end results at 11:00 a.m. (ET) today. The call and replay will be available via webcast on the Company's Web site at <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) Tuesday, August 10 until midnight Friday, August 13. To listen to the replay, call 800-642-1687, access code 9192818.

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 (<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)

	Fourth Quarter		Year-To-Date	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Net sales	\$206,125	\$184,403	\$898,204	\$834,100
Cost of sales	143,115	137,405	630,240	596,076
Gross profit	63,010	46,998	267,964	238,024
Operating expenses				
Distribution	3,682	3,639	15,154	15,563
Research and development	9,137	7,078	27,721	23,315
Selling and administration	37,922	29,702	122,193	117,096
Subtotal	50,741	40,419	165,068	155,974
Unusual litigation	-	-	-	(3,128)
Total	50,741	40,419	165,068	152,846
Operating income	12,269	6,579	102,896	85,178
Interest and other, net	(928)	15	(3,087)	(1,080)
Income before income taxes	13,197	6,564	105,983	86,258
Income tax expense	5,112	2,240	25,416	32,210
Net income	\$8,085	\$4,324	\$80,567	\$54,048
Earnings per share				
Basic	\$0.11	\$0.06	\$1.15	\$0.77
Diluted	\$0.11	\$0.06	\$1.11	\$0.76
Weighted average shares outstanding				
Basic	70,671	69,614	70,206	69,746
Diluted	73,277	71,439	72,289	71,158

Dividends declared per share \$0.035 \$0.025 \$0.13 \$0.05

PERRIGO COMPANY  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 26, 2004	June 28, 2003
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$161,252	\$93,827
Investment securities	10,448	-
Accounts receivable	86,040	87,018
Inventories	174,253	160,326
Current deferred income taxes	29,877	32,643
Prepaid expenses and other current assets	11,359	5,383
Total current assets	473,229	379,197
Property and equipment	462,185	429,115
Less accumulated depreciation	234,544	210,337
	227,641	218,778
Goodwill	35,919	35,919
Non-current deferred income taxes	8,137	3,968
Other non-current assets	14,168	6,108
	\$759,094	\$643,970
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$88,858	\$72,186
Notes payable	9,528	8,980
Payroll and related taxes	41,387	40,535
Accrued expenses	43,689	36,590
Accrued income taxes	-	5,568
Current deferred income taxes	4,024	2,683
Total current liabilities	187,486	166,542
Non-current deferred income taxes	29,606	25,484
Other non-current liabilities	5,770	3,520
<b>Shareholders' equity</b>		
Preferred stock, without par value, 10,000 shares authorized	-	-
Common stock, without par value, 200,000 shares authorized	104,160	88,990
Unearned compensation	(514)	(111)
Accumulated other comprehensive income	2,892	1,282
Retained earnings	429,694	358,263
Total shareholders' equity	536,232	448,424
	\$759,094	\$643,970

Supplemental Disclosures of Balance Sheet Information

Allowance for doubtful accounts	\$8,296	\$10,242
Allowance for inventory	\$22,888	\$21,717
Working capital	\$285,743	\$212,655
Preferred stock, shares issued	-	-
Common stock, shares issued	70,882	70,034

PERRIGO COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Year-To-Date	
	2004	2003
<b>Cash Flows From Operating Activities</b>		
Net income	\$80,567	\$54,048
Adjustments to derive cash flows		
Depreciation and amortization	28,452	26,126
Compensation - stock options	5,128	5,224
Deferred income taxes	3,366	(6,847)

Changes in operating assets and liabilities, net of a business acquisition and a restructuring		
Accounts receivable	4,075	(4,427)
Inventories	(6,168)	(4,656)
Accounts payable	10,891	(2,329)
Payroll and related taxes	1,072	9,185
Accrued expenses	6,050	3,869
Accrued income taxes	(5,552)	(2,516)
Other	(9,354)	2,557
Net cash from operating activities	118,527	80,234

Cash Flows For Investing Activities		
Additions to property and equipment	(28,294)	(32,296)
Proceeds from sale of assets held for sale	-	-
Acquisition of a business, net of cash	(12,061)	-
Investment in equity subsidiaries	(2,000)	-
Purchase of securities	(17,099)	-
Proceeds from sales of securities	6,300	-
Other	-	(980)
Net cash for investing activities	(53,154)	(33,276)

Cash Flows For (From) Financing Activities		
Borrowings (repayments) of short-term debt, net	702	640
Tax benefit (expense) of stock transactions	1,725	(481)
Issuance of common stock	11,083	7,231
Repurchase of common stock	(2,766)	(33,682)
Cash dividends	(9,136)	(3,484)
Other	(128)	(52)
Net cash for (from) financing activities	1,480	(29,828)
Net increase in cash and cash equivalents		
	66,853	17,130
Cash and cash equivalents at beginning of period	93,827	76,824
Effect of exchange rate changes on cash	572	(127)
Cash and cash equivalents at end of period	\$161,252	\$93,827

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:		
Interest	\$591	\$1,257
Income taxes	\$31,079	\$43,417

PERRIGO COMPANY  
SEGMENT INFORMATION  
(in thousands)

	Fourth Quarter		Year-To-Date	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Segment Sales				
Consumer Healthcare	\$176,702	\$166,777	\$800,619	\$757,035
UK Operations	23,323	10,314	72,740	46,537
Mexico Operations	6,100	7,312	24,845	30,528
Pharmaceuticals	-	-	-	-
Total	\$206,125	\$184,403	\$898,204	\$834,100
Segment Operating Income (Loss)				
Consumer Healthcare	\$16,029	\$6,545	\$107,567	\$80,905
UK Operations	(1,438)	(156)	55	2,246
Mexico Operations	(365)	190	235	2,027
Pharmaceuticals	(1,957)	-	(4,961)	-
Total	\$12,269	\$6,579	\$102,896	\$85,178

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

	Fourth Quarter		Year-To-Date	
	2004	2003	2004	2003
	(unaudited)		(unaudited)	
Net income (GAAP)	\$8,085	\$4,324	\$80,567	\$54,048
Less: income tax benefit	-	-	(13,100)	-
Less: unusual litigation, net of tax	-	-	(2,000)	-
Plus: FTC settlement charge, net of tax	3,400	-	3,400	-
Net income before income tax benefit, unusual litigation, and FTC settlement	\$11,485	\$4,324	\$70,867	\$52,048
Earnings per share				
Basic	\$0.16	\$0.06	\$1.01	\$0.75
Diluted	\$0.16	\$0.06	\$0.98	\$0.73
Weighted average shares outstanding				
Basic	70,671	69,614	70,206	69,746
Diluted	73,277	71,439	72,289	71,158
Dividends declared per share	\$0.035	\$0.025	\$0.13	\$0.05

SOURCE: Perrigo Company

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