

## Perrigo Company Reports First Quarter Fiscal 2005 Earnings of \$0.24 Per Share

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO) today announced results for the first quarter of fiscal 2005 ended Sept. 25, 2004.

Perrigo Company  
(In thousands, except per share amounts)

	Fiscal 2005 1st Quarter Ended 9/25/04	Fiscal 2004 1st Quarter Ended 9/27/03
Sales	\$227,719	\$211,839
Net Income	\$17,578	\$16,508
Diluted EPS	\$0.24	\$0.23
Diluted Shares	73,043	71,809

Net sales for the first quarter of fiscal 2005 were \$227.7 million, an increase of eight percent from \$211.8 million last year. Net income was \$17.6 million, or \$0.24 per share, compared with \$16.5 million, or \$0.23 per share, a year ago.

David T. Gibbons, Perrigo Chairman, President and Chief Executive Officer, stated, "We are pleased with our consolidated first quarter results and the good start to fiscal 2005. The increase in earnings is attributable to the strong performance of the U.S.-based Consumer Healthcare segment, which experienced volume growth in the allergy, cough/cold and vitamin categories and good control of expenses."

### Consumer Healthcare

Consumer Healthcare net sales increased four percent to \$199.5 million, compared with \$192.8 million in the first quarter of fiscal 2004. The increase was due to the strong sales of the loratadine family of allergy medications, the sell-in of cough/cold products and higher unit sales of vitamins. Operating income increased 12 percent, or \$2.9 million, to \$27.8 million, compared with \$24.9 million last year. Mr. Gibbons stated, "Our Consumer Healthcare business again demonstrated excellent operating leverage. Sales increased four percent, gross margin increased seven percent and operating income was up 12 percent. Our purchasing initiatives and manufacturing productivity projects are paying off."

### Pharmaceuticals

The Pharmaceuticals segment recorded operating expenses of \$1.3 million, compared with \$0.3 million a year ago as the Company continued to fund its start-up generic prescription drug business.

### United Kingdom

First quarter net sales of the United Kingdom Operations increased \$10.6 million to \$23.2 million. The December 2003 acquisition of Peter Black Pharmaceuticals accounted for approximately \$9 million of the increase and currency fluctuations accounted for approximately \$2 million. Operating income declined from \$0.4 million last year to \$0.2 million this year. The implementation of the merger integration plan for the Wrafton and

Peter Black businesses continues to reduce the United Kingdom breakeven operating level. The turnaround will be evident in improved operating income over the last three quarters of fiscal 2005.

## Mexico

The Mexico Operations experienced a sales decline of \$1.5 million, compared with the first quarter last year, due to lower volume of government and distributor sales. The disappointing sales led to a loss for the quarter. The business is making good progress in changing its business model, with retail store brand sales growing 30 percent in the quarter, and now representing one-third of total sales.

## New Product Approvals

On Oct. 5, the Company announced it had received final approval from the Food and Drug Administration (FDA) for over-the-counter Nicotine Gum and prescription Ibuprofen Oral Suspension, granted through the FDA's Abbreviated New Drug Application (ANDA) process.

Mr. Gibbons noted, "While ibuprofen suspension is a relatively small product, it is significant in that it is our first generic prescription drug approval. We are pleased with the quick approval of the filing and our first step forward in the generic Rx field."

## Outlook

Commenting on the first quarter, Mr. Gibbons noted, "We were a user of cash as we built additional inventory to help get us ready to meet our customers' delivery requirements and aggressive promotional programs during the upcoming cold and flu season. We are confident that inventories and receivables will be managed downward over the course of the season, as we have done in the past.

"For the full year, we look forward to continued growth in our core businesses, improvements in our operations outside the U.S., and further progress in developing our new generic drug business. We continue to expect year-over-year revenue growth of four to five percent and earnings growth of three to five percent, even as we invest in our generic drug initiative," said Gibbons.

Perrigo will host a conference call to discuss first quarter fiscal 2005 results at 11 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, at 800-473-6123. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Tuesday, Oct. 26 until midnight Friday, Oct. 29. To listen to the replay, call 877-519-4471, access code 5294098.

The Company is furnishing this earnings release to the Securities and Exchange Commission via Form 8-K.

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 27 - 33 of the Company's Form 10-K for the year ended June 26, 2004 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	
	2005	2004
Net sales	\$227,719	\$211,839
Cost of sales	163,006	151,819
Gross profit	64,713	60,020
Operating expenses		
Distribution	4,193	3,522
Research and development	6,354	5,713
Selling and administration	27,540	25,440
Total	38,087	34,675
Operating income	26,626	25,345
Interest and other, net	(840)	(449)
Income before income taxes	27,466	25,794
Income tax expense	9,888	9,286
Net income	\$17,578	\$16,508
Earnings per share		
Basic	\$0.25	\$0.24
Diluted	\$0.24	\$0.23
Weighted average shares outstanding		
Basic	70,948	70,040
Diluted	73,043	71,809

PERRIGO COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	September 25, June 26, September 27,		
	2004	2004	2003
	(unaudited)		(unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$136,544	\$161,252	\$83,046

Investment securities	5,270	10,448	-
Accounts receivable	112,624	86,040	99,200
Inventories	181,837	174,253	149,872
Current deferred income taxes	29,306	29,877	30,359
Prepaid expenses and other current assets	11,017	11,359	10,844
Total current assets	476,598	473,229	373,321
Property and equipment	463,241	462,185	431,777
Less accumulated depreciation	240,144	234,544	216,389
	223,097	227,641	215,388
Goodwill	35,919	35,919	35,919
Non-current deferred income taxes	8,761	8,137	6,677
Other non-current assets	17,755	14,168	19,140
	\$762,130	\$759,094	\$650,445

#### Liabilities and Shareholders' Equity

##### Current liabilities

Accounts payable	\$83,516	\$88,858	\$67,616
Notes payable	9,465	9,528	7,191
Payroll and related taxes	20,857	41,387	22,354
Accrued expenses	44,751	43,689	41,276
Accrued income taxes	7,417	-	15,264
Current deferred income taxes	4,044	4,024	2,965
Total current liabilities	170,050	187,486	156,666

Non-current deferred income taxes	29,259	29,606	25,538
Other non-current liabilities	6,898	5,770	4,727

##### Shareholders' equity

Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	109,396	104,160	90,363
Unearned compensation	(1,075)	(514)	(56)
Accumulated other comprehensive income	2,817	2,892	187
Retained earnings	444,785	429,694	373,020
Total shareholders' equity	555,923	536,232	463,514
	\$762,130	\$759,094	\$650,445

#### Supplemental Disclosures of Balance

##### Sheet Information

Allowance for doubtful accounts	\$7,971	\$8,296	\$9,321
Allowance for inventory	\$21,124	\$22,888	\$21,602
Working capital	\$306,548	\$285,743	\$216,655
Preferred stock, shares issued	-	-	-
Common stock, shares issued	71,208	70,882	69,994

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

	First Quarter	
	2005	2004
Cash Flows (For) From Operating Activities		
Net income	\$17,578	\$16,508
Adjustments to derive cash flows		
Depreciation and amortization	7,092	7,031
Share-based compensation	1,578	1,318
Deferred income taxes	(410)	(77)

#### Changes in operating assets and liabilities, net of a purchase of assets

Accounts receivable	(25,543)	(12,352)
Inventories	(6,676)	10,276
Accounts payable	(5,463)	(4,439)
Payroll and related taxes	(20,535)	(18,175)
Accrued expenses	1,062	4,712
Accrued income taxes	7,422	9,705
Other	918	(6,312)

Net cash (for) from operating activities	(22,977)	8,195
Cash Flows (For) From Investing Activities		
Additions to property and equipment	(2,394)	(4,993)
Purchase of assets	(5,000)	-
Issuance of note receivable	-	(10,000)
Investment in equity subsidiaries	-	(1,000)
Purchase of securities	(1,000)	-
Proceeds from sales of securities	6,000	-
Net cash (for) from investing activities	(2,394)	(15,993)
Cash From (For) Financing Activities		
Borrowings (repayments) of short-term debt, net	(92)	(1,631)
Tax benefit of stock transactions	118	-
Issuance of common stock	3,101	400
Repurchase of common stock	(122)	(343)
Cash dividends	(2,487)	(1,751)
Net cash from (for) financing activities	518	(3,325)
Net decrease in cash and cash equivalents	(24,853)	(11,123)
Cash and cash equivalents, at beginning of period	161,252	93,827
Effect of exchange rate changes on cash	145	342
Cash and cash equivalents, at end of period	\$136,544	\$83,046

Supplemental Disclosures of Cash Flow Information

Cash paid during the period for:

Interest	\$141	\$162
Income taxes paid	\$815	\$579
Income taxes refunded	\$4,062	-

PERRIGO COMPANY  
SEGMENT INFORMATION  
(in thousands)

	First Quarter	
	2005 (unaudited)	2004 (unaudited)
Segment Sales		
Consumer Healthcare	\$199,535	\$192,759
UK Operations	23,218	12,663
Mexico Operations	4,966	6,417
Pharmaceuticals	-	-
Total	\$227,719	\$211,839
Segment Operating Income (Loss)		
Consumer Healthcare	\$27,832	\$24,900
UK Operations	209	434
Mexico Operations	(116)	290
Pharmaceuticals	(1,299)	(279)
Total	\$26,626	\$25,345

SOURCE: Perrigo Company

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