

## Perrigo Company Reports Third Quarter Fiscal 2006 Financial Results

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO)(TASE: PRGO) today announced results for the third quarter of fiscal year 2006 ended March 25, 2006.

The acquisition of Agis Industries was completed on March 17, 2005. Agis was first included in the consolidated balance sheet as of March 26, 2005 and operating results were first included in the quarter ended June 25, 2005.

Perrigo Company  
(in thousands, except per share amounts)

	Third Quarter		Nine Months	
	2006	2005	2006	2005
Sales	\$332,321	\$220,093	\$1,011,752	\$699,560
Net Income	\$20,861	\$(379,436)	\$59,138	\$(346,020)
Diluted EPS	\$0.22	\$(5.15)	\$0.63	\$(4.81)
Diluted Shares	94,044	73,660	94,143	71,970

### Third Quarter Results

Net sales for the third quarter of fiscal 2006 were \$332.3 million, an increase of \$112.2 million, or 51 percent from \$220.1 million last year, largely reflecting the addition of Agis' product sales. Net income was \$20.9 million this year, or \$0.22 per share and includes a \$1.3 million reversal of the accrual related to the Loratadine recall. In fiscal 2005, the Company reported a net loss of \$379.4 million, or \$5.15 per share, which included charges of \$395.6 million associated with the acquisition of Agis. Excluding these charges, net income and earnings per share would have been \$16.2 million and \$0.22 per share, respectively. (A reconciliation of these non-GAAP measures is shown in Table II at the end of this press release.)

Commenting on third quarter results, David T. Gibbons, Perrigo Chairman, President and Chief Executive Officer, said, "The results in our Consumer Healthcare segment continue to reflect the ongoing market impact of pseudoephedrine-based cough and cold products, as retailers respond to the passage of Federal legislation. Despite a decline of \$26 million in sales of pseudoephedrine products, our Consumer Healthcare sales increased 10 percent, as the pseudoephedrine sales loss was offset by topical product sales of \$16 million related to the Agis acquisition, strong new product revenues in smoking cessation, and increased vitamin sales. In February, we began shipping over-the-counter nicotine lozenges, an aid to smoking cessation, and we expect to expand distribution of this product during the fourth quarter. We continue to see good results from our Rx and API businesses.

"Cash flow in our third quarter was strong, allowing for continued share repurchases, dividend payments and debt reduction," concluded Gibbons.

On February 21, 2006, the Company announced that the Board of Directors authorized the repurchase of an additional \$60 million of common stock through February 16, 2007, under its ongoing share repurchase program.

The \$395.6 million of last year's acquisition-related charges noted above included:

\* A write-off of in-process research and development of \$388.6 million, which was not deductible for tax purposes;

\* A charge for operational improvements and asset impairments in the Consumer Healthcare segment of \$6.4 million pre-tax, or \$4.1 million after-tax;

\* Acquisition-related legal, audit and integration expenses of \$4.6 million pre-tax, or \$2.9 million after-tax.

## Nine Months Results

Net sales for the nine months ended March 25, 2006 were \$1,011.8 million, an increase of \$312.2 million, or 45 percent, compared with \$699.6 million last year, largely reflecting the addition of Agis' product sales. Net income for the nine months this year was \$59.1 million, or \$0.63 per share and includes a \$1.3 million reversal of the accrual related to the Loratadine recall. In fiscal 2005, the net loss was \$346.0 million, or \$4.81 per share, which included a charge for the Loratadine recall of \$5.3 million, or \$0.07 per share.

Excluding an acquisition-related write-off of the step-up in the value of inventory acquired (\$3.7 million after-tax, or \$0.04 per share) and a gain on the sale of the interest in a Canadian distribution company (\$2.9 million after-tax, or \$0.03 per share), net income for the nine months in the current year would have been \$59.9 million, or \$0.64 per share. In the prior year nine months, excluding the \$395.6 million of acquisition-related charges, net income would have been \$49.6 million, or \$0.69 per share. (A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.)

## Outlook

Mr. Gibbons stated, "Our full year guidance for reported earnings of \$0.74 to \$0.78 per share remains unchanged. Our third quarter results were in line with expectations, as the Consumer Healthcare business continued to reflect the impact of pseudoephedrine product dynamics, while the Rx and API segments continued to deliver good operating results. Even with increasing investments in research and development and competitive pricing on several key Rx and API products in the fourth quarter, we still anticipate that results from these businesses will help to balance the challenges in Consumer Healthcare.

"We expect recently launched new products in Consumer Healthcare to make significant revenue and profit contributions in the fourth quarter. Because of the new products, fourth quarter profitability should be in line with historical levels despite increased costs for the large number of cough/cold product reformulations and for investments to support our high standards of quality assurance.

"We are disappointed by the year-over-year decline in Consumer Healthcare margins driven by pseudoephedrine and the resulting operational issues. We continue to invest in quality and new product development, and remain focused on cost reduction and operational changes that are necessary to drive margin improvement," concluded Gibbons.

## Consumer Healthcare

Consumer Healthcare segment sales in the third quarter were \$241.2 million compared with \$219.7 million last year. A sales decline of \$26 million in pseudoephedrine-based cough and cold products was offset by topical over-the-counter (OTC) product sales of \$16

million related to the Agis acquisition and \$24 million in new product sales. The Company began shipping nicotine polacrlix lozenges and recorded strong sales in the smoking cessation, feminine hygiene, and vitamin product categories. Operating income was \$21.5 million and includes a \$2.1 million reversal of the accrual related to the Loratadine recall. In fiscal 2005, operating income was \$19.3 million. Excluding a \$6.4 million charge for asset impairment and acquisition-related restructuring, operating income was \$25.7 million.

For nine months of fiscal 2006, Consumer Healthcare sales were \$742.1 million, compared with \$699 million in the nine months last year. A sales decline of \$69 million in pseudoephedrine-based cough and cold products was offset by topical OTC product sales of \$48 million related to the Agis acquisition and \$51 million in new product sales. Operating income was \$66.6 million, and includes a \$2.1 million reversal of the accrual related to the Loratadine recall. In fiscal 2005, operating income was \$73.7 million. Excluding a \$6.4 million charge for asset impairment and acquisition-related restructuring, operating income was \$80.1 million.

### Rx Pharmaceuticals

The Rx Pharmaceuticals segment reported sales of \$30.2 million and operating income of \$4.3 million. The Company announced final approvals for desoximetasone gel, ciclopirox olamine cream, terconazole vaginal suppositories and a tentative approval for sertraline hydrochloride tablets during the quarter. In the prior year, the Rx Pharmaceutical segment reported an operating loss of \$1.9 million, reflecting the Company's investment in the start-up of its generics business. For the nine months, sales were \$88.0 million and operating income was \$13.4 million, which included a pre-tax charge of \$2.8 million for a product recall in the first quarter, compared with an operating loss of \$5.5 million in the same period last year.

### API

Third quarter sales for the API segment were \$30.3 million and operating income was \$8 million. Sales in the quarter included \$4 million for non-product revenues. For the nine months, sales were \$83.9 million and operating income was \$21.1 million. Excluding a first quarter write-off of the step-up in the value of inventory acquired of \$1.7 million, the API segment had operating income of \$22.8 million for the nine months.

### Other

The Other category, consisting of Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products segments, reported sales of \$30.6 million and an operating loss of \$0.3 million. Sales for nine months were \$97.8 million, with an operating loss of \$0.6 million. Excluding a first quarter write-off of the step-up in the value of inventory acquired of \$2.7 million, the Other category had operating income of \$2.1 million.

In the third quarter, unallocated expenses were \$3.1 million, including corporate costs of \$2.5 million and integration costs of \$0.6 million. For nine months, unallocated expenses were \$10.2 million, consisting of corporate costs of \$7.6 million and integration costs of \$2.6 million.

### Significant Events

On February 2, 2006, the Company announced it received approval from the U.S. Food

and Drug Administration (FDA) to market OTC nicotine polacrifilix lozenges. With the approval, the Company was granted 180 days of generic market exclusivity. The FDA determined the product was bioequivalent to GlaxoSmithKline's Commit® lozenge, which is indicated as an aid to smoking cessation. Initial shipments of the product began in late-February.

On February 2, the Company also said that it entered into a supply, purchase and license agreement with another pharmaceutical company pursuant to which the Company will produce API for the other company and sell certain intellectual property assets. The Company also entered into a collaboration agreement with that company pursuant to which the two companies will collaborate on the development and manufacture of two drug products. Revenues from sales under the supply, purchase and license agreement and fees from the collaboration agreement contributed to operating income in the third quarter and will continue to have a positive impact in the fourth quarter of fiscal 2006 and beyond.

Perrigo will host a conference call to discuss fiscal 2006 third quarter results at 10 a.m. (ET) Thursday, April 27. The call and replay will be available via webcast on the Company's Web site at <http://www.perrigo.com/investor/>, or by phone, at 877-715-5282, International, 973-582-2850. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Thursday, April 27 until midnight Wednesday, May 3. To listen to the replay, call 877-519-4471, International 973-341-3080, access code 7293512.

The Perrigo Company is a leading global healthcare supplier and the world's largest manufacturer of over-the-counter (OTC) pharmaceutical and nutritional products for the store brand market. Store brand products are sold by food, drug, mass merchandise, dollar store and club store retailers under their own labels. The Company also develops, manufactures and markets prescription generic drugs, active pharmaceutical ingredients and consumer products, and operates manufacturing facilities in the United States, Israel, United Kingdom, Mexico and Germany. 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 33 - 41 of the Company's Form 10-K for the year ended June 25, 2005, as well as the Company's subsequent filings with the Securities and Exchange Commission, 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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share amounts)  
(unaudited)

	Third Quarter		Year-to-Date	
	2006	2005	2006	2005
Net sales	\$332,321	\$220,093	\$1,011,752	\$699,560
Cost of sales	235,043	157,132	721,988	504,830
Gross profit	97,278	62,961	289,764	194,730
Operating expenses				
Distribution	6,438	4,032	20,541	12,130
Research and development	12,260	7,224	37,135	22,864
Selling and administration	48,225	32,552	141,695	89,808
Subtotal	66,923	43,808	199,371	124,802
Write-off of in-process research and development	-	388,600	-	388,600
Restructuring	-	6,382	-	6,382
Total	66,923	438,790	199,371	519,784
Operating income (loss)	30,355	(375,829)	90,393	(325,054)
Interest, net	2,465	(454)	11,606	(1,405)
Other income, net	(2,310)	(1,091)	(9,346)	(1,584)
Income (loss) before income taxes	30,200	(374,284)	88,133	(322,065)
Income tax expense	9,339	5,152	28,995	23,955
Net income (loss)	\$20,861	\$(379,436)	\$59,138	\$(346,020)
Earnings (loss) per share				
Basic	\$0.23	\$(5.15)	\$0.64	\$(4.81)
Diluted	\$0.22	\$(5.15)	\$0.63	\$(4.81)
Weighted average shares outstanding				
Basic	92,683	73,660	92,966	71,970
Diluted	94,044	73,660	94,143	71,970
Dividends declared per share				
	\$0.043	\$0.040	\$0.125	\$0.115

PERRIGO COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	March 25, 2006	June 25, 2005	March 26, 2005	
	(unaudited)		(unaudited)	
Assets				
Current assets				
Cash and cash equivalents		\$29,168	\$16,707	\$40,735
Investment securities		6,685	17,761	33,200
Accounts receivable		220,425	210,308	203,849
Inventories		273,668	272,980	301,270
Current deferred income taxes		47,088	55,987	47,380
Prepaid expenses and other current assets		16,010	35,064	28,690
Total current assets		593,044	608,807	655,124
Property and equipment		599,702	586,306	576,049
Less accumulated depreciation		281,733	262,505	253,316
		317,969	323,801	322,733
Restricted cash		400,000	400,000	400,000
Goodwill		147,633	150,293	150,226
Other intangible assets		138,043	147,967	142,050
Non-current deferred income taxes		32,725	26,964	13,922
Other non-current assets		41,460	47,144	47,126
		\$1,670,874	\$1,704,976	\$1,731,181
Liabilities and Shareholders' Equity				

Current liabilities			
Accounts payable	\$163,494	\$142,789	\$141,621
Notes payable	26,969	25,345	22,334
Current maturities of long-term liabilities	-	20,000	
Payroll and related taxes	48,632	42,326	48,160
Accrued customer programs	46,020	41,666	31,302
Accrued liabilities	46,832	57,532	74,496
Accrued income taxes	7,004	21,225	15,201
Current deferred income taxes	9,002	9,659	9,010
Total current liabilities	347,953	340,542	362,124

Non-current liabilities			
Long-term debt	594,360	656,128	666,706
Non-current deferred income taxes	68,924	74,379	59,740
Other non-current liabilities	35,274	43,090	33,637
Total non-current liabilities	698,558	773,597	760,083

Shareholders' equity			
Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	518,996	527,748	527,220
Accumulated other comprehensive income (loss)	(7,377)	(1,687)	6,275
Retained earnings	112,744	64,776	75,479
Total shareholders' equity	624,363	590,837	608,974
	\$1,670,874	\$1,704,976	\$1,731,181

#### Supplemental Disclosures of Balance

##### Sheet Information

Allowance for doubtful accounts	\$10,619	\$10,370	\$8,280
Allowance for inventory	\$43,035	\$38,095	\$27,841
Working capital	\$245,091	\$268,265	\$293,000
Preferred stock, shares issued	-	-	-
Common stock, shares issued	93,087	93,903	93,802

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

	Year-to-Date	
	2006	2005
Cash Flows (For) From Operating Activities		
Net income (loss)	\$59,138	\$(346,020)
Adjustments to derive cash flows		
Write-off of in-process research and development	-	388,600
Depreciation and amortization	42,155	23,561
Share-based compensation	7,274	4,828
Deferred income taxes	(2,707)	(5,860)
Sub-total	105,860	65,109
Changes in operating assets and liabilities		
Accounts receivable	(8,701)	(11,320)
Inventories	1,201	10,202
Accounts payable	19,180	(7,108)
Payroll and related taxes	5,928	(14,369)
Accrued customer programs	4,354	(2,398)
Accrued liabilities	(12,358)	4,090
Accrued income taxes	(17,480)	3,805
Other	12,648	6,381
Sub-total	4,772	(10,717)
Net cash from operating activities	110,632	54,392
Cash Flows (For) From Investing Activities		
Purchases of securities	(29,134)	(81,070)

Proceeds from sales of securities	39,384	243,975
Additions to property and equipment	(18,672)	(15,576)
Acquisition of business, net of cash acquired	-	(381,569)
Acquisition of assets	-	(5,562)
Increase in restricted cash	-	(400,000)
Net cash for investing activities	(8,422)	(639,802)

#### Cash (For) From Financing

Activities		
Borrowings of short-term debt, net	1,543	3,622
Borrowings of long-term debt	15,000	615,000
Repayments of long-term debt	(75,000)	-
Increase in deferred debt issue costs	-	(1,017)
Tax effect of stock transactions	(762)	1,087
Issuance of common stock	5,223	6,137
Repurchases of common stock	(20,488)	(122)
Cash dividends	(11,660)	(8,195)
Net cash (for) from financing activities	(86,144)	616,512
Net increase in cash and cash equivalents	16,066	31,102
Cash and cash equivalents, at beginning of period	16,707	8,392
Effect of exchange rate changes on cash	(3,605)	1,241
Cash and cash equivalents, at end of period	\$29,168	\$40,735

#### Supplemental Disclosures of Cash Flow Information

Cash paid/received during the period for:		
Interest paid	\$27,093	\$231
Interest received	\$15,870	\$2,193
Income taxes paid	\$40,106	\$22,537
Income taxes refunded	\$5,239	\$4,196

Table I  
PERRIGO COMPANY  
SEGMENT INFORMATION  
(in thousands)  
(unaudited)

	Third Quarter		Fiscal Year	
	2006	2005	2006	2005
Segment Sales				
Consumer Healthcare	\$241,238	\$219,690	\$742,091	\$698,993
Rx Pharmaceuticals	30,237	403	87,976	567
API	30,250	-	83,903	-
Other	30,596	-	97,782	-
Total	\$332,321	\$220,093	\$1,011,752	\$699,560
Segment Operating Income (Loss)				
Consumer Healthcare	\$21,471	\$19,283	\$66,644	\$73,708
Rx Pharmaceuticals	4,260	(1,887)	13,396	(5,537)
API	7,969	-	21,099	-
Other	(290)	-	(570)	-
Unallocated expenses	(3,055)	-	(10,176)	-
Write-off of in process R&D	-	(388,600)	-	(388,600)
Acquisition and integration costs	-	(4,625)	-	(4,625)
Total	\$30,355	\$(375,829)	\$90,393	\$(325,054)

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

(unaudited)

	Third Quarter		Fiscal Year	
	2006	2005	2006	2005
Net sales	\$332,321	\$220,093	\$1,011,752	\$699,560
Reported gross profit	\$97,278	\$62,961	\$289,764	\$194,730
Inventory step-up	-	-	4,762	-
Adjusted gross profit	\$97,278	\$62,961	\$294,526	\$194,730
Adjusted gross profit %	29.3%	28.6%	29.1%	27.8%
Reported operating income (loss)	\$30,355	\$(375,829)	\$90,393	\$(325,054)
Inventory step-up	-	-	4,762	-
Perrigo operational improvements	-	3,150	-	3,150
Perrigo asset impairments	-	3,232	-	3,232
Write-off of in-process R&D	-	388,600	-	388,600
Acquisition costs	-	4,625	-	4,625
Adjusted operating income	\$30,355	\$23,778	\$95,155	\$74,553
Reported net income (loss)	\$20,861	\$(379,436)	\$59,138	\$(346,020)
Inventory step-up (1)	-	-	3,714	-
Gain on sale of equity investment (2)	-	(2,939)	-	-
Perrigo operational improvements (3)	-	2,016	-	2,016
Perrigo asset impairments (3)	-	2,068	-	2,068
Write-off of in-process R&D (4)	-	388,600	-	388,600
Acquisition costs (3)	-	2,960	-	2,960
Adjusted net income	\$20,861	\$16,208	\$59,913	\$49,624
Diluted earnings (loss) per share				
Reported	\$0.22	\$(5.15)	\$0.63	\$(4.81)
Adjusted	\$0.22	\$0.22	\$0.64	\$0.69
Diluted weighted average shares outstanding	94,044	73,660	94,143	71,970

- (1) Net of taxes at 22%  
(2) Net of taxes at 37%  
(3) Net of taxes at 36%  
(4) Write-off of in-process research and development is a permanent difference for tax purposes and thus is not tax effected

Table II (Continued)  
REPORTABLE SEGMENTS  
RECONCILIATION OF NON-GAAP MEASURES  
(in thousands, except per share amounts)  
(unaudited)

	Third Quarter		Year-To-Date	
	2006	2005	2006	2005
Consumer Healthcare				
Net sales	\$241,238	\$219,690	\$742,091	\$698,993
Reported gross profit	\$61,467	\$62,648	\$184,838	\$194,499
Inventory step-up	-	-	318	-
Adjusted gross profit	\$61,467	\$62,648	\$185,156	\$194,499
Adjusted gross profit %	25.5%	28.5%	25.0%	27.8%
Reported operating income	\$21,471	\$19,283	\$66,644	\$73,708
Inventory step-up	-	-	318	-
Perrigo operational improvements	-	3,150	-	3,150
Perrigo asset impairments	-	3,232	-	3,232
Adjusted operating income	\$21,471	\$25,665	\$66,962	\$80,090
API				
Net sales	\$30,250	\$-	\$83,903	\$-

Reported gross profit	\$14,310	\$-	\$39,111	\$-
Inventory step-up	-	-	1,747	-
Adjusted gross profit	\$14,310	\$-	\$40,858	\$-
Adjusted gross profit %	47.3%	0.0%	48.7%	0.0%

Reported operating income	\$7,969	\$-	\$21,099	\$-
Inventory step-up	-	-	1,747	-
Adjusted operating income	\$7,969	\$-	\$22,846	\$-

Other

Net sales	\$30,596	\$-	\$97,782	\$-
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Reported gross profit	\$9,957	\$-	\$31,054	\$-
Inventory step-up	-	-	2,697	-
Adjusted gross profit	\$9,957	\$-	\$33,751	\$-
Adjusted gross profit %	32.5%	0.0%	34.5%	0.0%

Reported operating loss	\$(290)	\$-	\$(570)	\$-
Inventory step-up	-	-	2,697	-
Adjusted operating loss	\$(290)	\$-	\$2,127	\$-

Unallocated

Reported operating loss	\$(3,055)	\$(393,225)	\$(10,176)	\$(393,225)
Write-off of in-process R&D	-	388,600	-	388,600
Acquisition costs	-	4,625	-	4,625
Adjusted operating loss	\$(3,055)	\$-	\$(10,176)	\$-

SOURCE: Perrigo Company

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

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