

**Perrigo Company Reports Fiscal Year 2006 Financial Results**

PRNewswire-FirstCall  
ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO)(TASE: PRGO) today announced results for the full year and fourth quarter ended July 1, 2006.

Perrigo Company  
(in thousands, except per share amounts)

	Fourth Quarter		Fiscal Year	
	2006	2005	2006	2005
Sales	\$355,069	\$324,538	\$1,366,821	\$1,024,098
Net (Loss)/Income	\$12,262	\$(6,963)	\$71,400	\$(352,983)
Diluted EPS	\$0.13	\$(0.07)	\$0.76	\$(4.57)
Diluted Shares	94,004	93,480	94,105	77,313

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.

David T. Gibbons, Chairman, President and Chief Executive Officer of Perrigo Company commented on the results. "The fourth quarter was a strong finish to a very challenging year. Our Consumer Healthcare segment has continued to work through the changing market dynamics of the Cough/Cold category brought on by the regulatory changes that now restrict the sale of pseudoephedrine as an active ingredient in OTC products. We are focused on bringing many reformulated Cough/Cold products to our customers' shelves. On a positive note, new product sales of \$77 million made fiscal year 2006 Perrigo Consumer Healthcare's best new product year ever." Mr. Gibbons added, "We were very pleased with the stronger than anticipated results from our Rx and API businesses. Our strategy to broaden our business portfolio helped us deliver value in the face of some significant market challenges in fiscal year 2006."

**Fiscal Year 2006**

Sales for the 12 months ended July 1, 2006 were \$1,366.8 million, compared with \$1,024.1 million last year, an increase of 33 percent, largely reflecting the addition of Agis' product sales. Reported net income for the 12 months was \$71.4 million, or \$0.76 per share. In fiscal year 2005, the Company reported a net loss of \$353.0 million, or \$4.57 per share, which included charges primarily associated with the Agis acquisition. The following is a summary of the non-recurring charges included in fiscal years 2006 and 2005:

	2006	2005
* Restructuring	\$5.7	\$4.1
* Inventory step-up	3.7	18.2
* Gain on sale of equity investment		(2.9)
* Write-off of in-process research & development		386.8
* Acquisition costs		3.6
* Class action lawsuit		2.9
	\$6.5	\$415.6

Excluding the impact of the charges noted above, adjusted net income for fiscal 2006 was \$77.8 million, or \$0.83 per share. For fiscal year 2005 adjusted net income was \$62.6

million, or \$0.81 per share.

(Refer to Table II at the end of this press release for additional non- GAAP disclosure information.)

#### Fiscal Fourth Quarter

In the fiscal year 2006 fourth quarter, sales were \$355.1 million, an increase of \$30.6 million, or nine percent, compared with \$324.5 million last year. Reported net income was \$12.3 million, or \$0.13 per share, compared with a net loss of \$7.0 million, or \$0.07 per share a year ago. In the fourth quarter of fiscal year 2005, the Company recorded charges primarily associated with the acquisitions. These non-recurring charges, as well as one recorded in the fourth quarter of 2006, are summarized below:

	2006	2005
* Restructuring	\$5.7	
* Inventory step-up		\$18.2
* Write-off of in-process R&D		(1.8)
* Acquisition costs		0.6
* Class action lawsuit		2.9
	\$5.7	\$19.9

Adjusted net income excluding these items above was \$17.9 million, or \$0.19 per share, compared with net income of \$13.0 million, or \$0.14 per share a year ago.

(Refer to Table II at the end of this press release for additional non- GAAP disclosure information.)

#### Consumer Healthcare

Consumer Healthcare segment sales for fiscal year 2006 were \$994.2 million, an increase of seven percent, compared with \$933.3 million last year. A sales decline of \$90 million in pseudoephedrine-based cough and cold products was offset by incremental topical OTC product sales of \$42 million related to the Agis acquisition and \$77 million in new product sales. Reported operating income was \$78.8 million compared with \$86.6 million last year. Adjusted operating income was \$88.0 million compared with \$98.3 million last year.

Consumer Healthcare sales in the fourth quarter were \$258.3 million, an increase of 10 percent compared with \$234.3 million last year. Reported operating income was \$13.6 million, compared with \$12.9 million a year ago. Adjusted operating income was \$22.5 million, compared with \$18.3 million a year ago.

Mr. Gibbons stated, "Strong fourth quarter results in the analgesics, smoking cessation and vitamin categories pushed sales higher. A positive response to summer promotional programs along with the sales of some pseudoephedrine replacement products contributed to the gain. Throughout the year, we have continued to concentrate on new product development and our ability to expand our store brand offerings. This year's successful expansion of the smoking cessation category is an example of this focus."

#### Consumer Healthcare Restructuring

As part of the on-going evaluation of ways to improve asset performance and continue to build on the opportunities for efficiency created through the acquisition of Agis, the Company announced in the fourth quarter its plans to close manufacturing plants in

Montague and Holland, Michigan. Profitable product lines from these plants will be transferred to plants in Allegan, Michigan and The Bronx, New York.

The Company recorded an after-tax restructuring charge of \$5.7 million, or \$0.06 per share in the fourth quarter related primarily to asset impairments of these plants. The Company also anticipates it will incur a one-time cost of approximately \$3 million in fiscal year 2007 related to the process of completing these closures.

#### Rx Pharmaceutical

The Rx Pharmaceutical segment reported sales of \$120.9 million in fiscal year 2006, compared with \$32.6 million a year ago. Reported operating income was \$16.6 million, which included a pre-tax charge of \$2.8 million for a product recall, compared with an operating loss of \$10.7 million last year. Excluding inventory step-up charges, the adjusted operating loss last year was \$5.1 million.

In the fiscal year 2006 fourth quarter, sales were \$33.0 million, including \$5.2 million in non-product revenue, compared with \$32.0 million a year ago. Reported operating income was \$3.2 million compared with an operating loss last year of \$5.2 million. Excluding the inventory step-up charges, adjusted operating income was \$0.4 million last year.

#### API

Fiscal year 2006 sales for the API segment were \$110.7 million compared with \$23.4 million in fiscal year 2005. Sales in the current year included \$4.0 million in non-product revenues. Reported operating income was \$25.9 million compared with a reported operating loss of \$7.2 million last year. Excluding inventory step-up charges, adjusted operating income was \$27.7 million in fiscal 2006 and \$5.4 million in fiscal 2005.

Fourth quarter sales were \$26.8 million, an increase of 15 percent compared with \$23.4 million in 2005. Reported operating income was \$4.8 million compared with an operating loss of \$7.2 million last year. Excluding inventory step-up charges, adjusted operating income last year was \$5.4 million.

#### Other

The Other category, consisting of Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products segments, recorded sales of \$140.9 million compared with \$34.8 million a year ago. Reported operating income was \$3.5 million compared with an operating loss of \$4.6 million last year. Excluding inventory step-up charges, the segment had adjusted operating income of \$6.2 million in fiscal year 2006 and an adjusted operating loss of \$0.2 million in fiscal year 2005.

In the fourth quarter, sales were \$37.0 million compared with \$34.8 million a year ago. Reported operating income was \$2.6 million compared with an operating loss of \$4.6 million last year. For the prior year, the adjusted operating loss was \$0.2 million.

For fiscal year 2006, unallocated expenses were \$13.5 million, consisting of corporate costs of \$10.8 million and integration costs of \$2.7 million. In the fourth quarter, unallocated expenses were \$3.4 million, primarily corporate costs.

#### Outlook

Mr. Gibbons looks forward to fiscal year 2007. "We believe that the worst of the pseudoephedrine transition is behind us and we are prepared to bring many new replacement products to customers' shelves for this coming season. Fiscal year 2007 should be better than 2006 for Consumer Healthcare although the cough/cold category will not be back to fiscal year 2005 levels. Perrigo Consumer Healthcare will have another solid new product year led by the smoking cessation category. The positive impact on operating margins of our new product launches will be tempered somewhat by higher research and development spending, and by our on-going investments in quality systems. Consumer Healthcare sales are expected to grow 3% to 4%, exceeding \$1 billion for the first time. We anticipate that operating income, excluding \$3 million of restructuring costs, should be between \$98 to \$104 million."

Mr. Gibbons added, "In our Rx and API businesses, fiscal year 2007 will be a somewhat unusual year in that new products will not contribute significantly to our results. Fiscal year 2007 will also see increased pricing and margin pressure in the marketplace on some of our existing, core products. At the same time, investment for new product research and development will increase next year with a focus on complex, high-barrier niche products that will be key to our future growth in this business. We realize that concentrating more effort on these types of products represents longer time-to-market, but we believe that these products will drive higher earnings growth over the long term. Sales for the Rx Pharmaceuticals, API and Other Israeli businesses are forecasted to increase 6% in fiscal year 2007 to approximately \$400 million. We estimate that fiscal year 2007 operating income should be between \$45 to \$49 million, a year-over-year decline on an operating basis."

Mr. Gibbons concluded, "Our fiscal year 2007 earnings guidance on an operating basis is expected to be in the range of \$0.86 to \$0.91 per share excluding \$0.02 per share of restructuring costs."

Perrigo will host a conference call to discuss fourth quarter and fiscal year 2006 results at 10 a.m. (ET) Wednesday, Aug. 9. The call and replay will be available via webcast on the Company's Web site at <http://www.perrigo.com/> or by phone 866-425-6193, International 973-935-2981. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Wednesday, Aug. 9 until midnight Monday, Aug. 28. To listen to the replay, call 877-519-4471, International 973-341-3080, access code 7689466.

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.

PERRIGO COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share amounts)

	Fiscal Year		
	2006	2005	2004
Net sales	\$1,366,821	\$1,024,098	\$898,204
Cost of sales	969,080	763,709	630,240
Gross profit	397,741	260,389	267,964
Operating expenses			
Distribution	27,334	18,680	15,154
Research and development	52,293	38,419	27,721
Selling and administration	197,936	140,581	122,193
Subtotal	277,563	197,680	165,068
Write-off of in-process research and development	-	386,800	-
Restructuring	8,846	6,382	-
Total	286,409	590,862	165,068
Operating income (loss)	111,332	(330,473)	102,896
Interest, net	15,207	1,976	(1,018)
Other income, net	(9,810)	(1,756)	(2,069)
Income (loss) before income taxes	105,935	(330,693)	105,983
Income tax expense	34,535	22,290	25,416
Net income (loss)	\$71,400	\$(352,983)	\$80,567
Earnings (loss) per share			
Basic	\$0.77	\$(4.57)	\$1.15
Diluted	\$0.76	\$(4.57)	\$1.11
Weighted average shares outstanding			
Basic	92,875	77,313	70,206
Diluted	94,105	77,313	72,289
Dividends declared per share	\$0.168	\$0.155	\$0.13

PERRIGO COMPANY  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

	July 1, 2006	June 25, 2005
Assets		
Current assets		
Cash and cash equivalents	\$19,018	\$16,707
Investment securities	26,733	17,761
Accounts receivable	240,130	210,308
Inventories	302,941	272,980

Current deferred income taxes	52,058	55,987
Prepaid expenses and other current assets	16,298	35,064
Total current assets	657,178	608,807
Property and equipment		
Land	30,724	14,638
Buildings	228,714	231,402
Machinery and equipment	347,469	340,266
	606,907	586,306
Less accumulated depreciation	287,549	262,505
	319,358	323,801
Restricted cash	400,000	400,000
Goodwill	152,183	150,293
Other intangible assets	132,426	147,967
Non-current deferred income taxes	43,143	26,964
Other non-current assets	46,336	47,144
	\$1,750,624	\$1,704,976

#### Liabilities and shareholders' equity

Current liabilities		
Accounts payable	\$179,740	\$142,789
Notes payable	20,081	25,345
Payroll and related taxes	54,153	42,326
Accrued customer programs	49,534	41,666
Accrued liabilities	45,335	57,532
Accrued income taxes	14,132	21,225
Current deferred income taxes	8,456	9,659
Total current liabilities	371,431	340,542
Non-current liabilities		
Long-term debt	621,717	656,128
Non-current deferred income taxes	81,923	74,379
Other non-current liabilities	34,809	43,090
Total non-current liabilities	738,449	773,597

#### Shareholders' equity

Preferred stock, without par value, 10,000 shares authorized	-	-
Common stock, without par value, 200,000 shares authorized	516,098	527,748
Accumulated other comprehensive income (loss)	3,593	(1,687)
Retained earnings	121,053	64,776
Total shareholders' equity	640,744	590,837
	\$1,750,624	\$1,704,976

#### Supplemental Disclosures of Balance Sheet Information

Allowance for doubtful accounts	\$11,178	\$10,370
Allowance for inventory	\$42,509	\$38,095
Working capital	\$285,747	\$268,265
Preferred stock, shares issued	-	-
Common stock, shares issued	92,922	93,903

### PERRIGO COMPANY CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Fiscal Year		
	2006	2005	2004
Cash Flows (For) From Operating Activities			
Net income (loss)	\$71,400	\$(352,983)	\$80,567
Adjustments to derive cash flows			
Write-off of in-process research and development	-	386,800	-
Depreciation and amortization	56,604	34,813	28,452
Asset impairment	7,783	3,232	-
Share-based compensation	9,485	8,056	5,560
Deferred income taxes	(5,804)	(9,834)	3,366
Acquisition related expenses incurred by acquiree	-	(10,002)	-
Sub-total	139,468	60,082	117,945

Changes in operating assets and liabilities, net of a business acquisition and a restructuring			
Accounts receivable	(31,085)	(16,903)	4,075
Inventories	(31,681)	40,528	(6,168)
Accounts payable	38,312	(6,736)	10,891
Payroll and related taxes	12,173	(21,515)	1,072
Accrued income taxes	(10,277)	9,932	(5,552)
Accrued customer programs	7,868	7,966	2,483
Accrued liabilities	(14,476)	8,820	3,567
Other	16,229	(4,530)	(9,786)
Sub-total	(12,937)	17,562	582
Net cash from operating activities	126,531	77,644	118,527

#### Cash Flows (For) From Investing

Activities			
Purchase of securities	(60,773)	(157,353)	(191,339)
Proceeds from sales of securities	51,492	334,465	111,115
Issuance of note receivable	(3,000)	-	-
Additions to property and equipment	(36,427)	(26,824)	(28,294)
Acquisition of assets	-	(5,562)	-
Acquisition of a business, net of cash	-	(381,570)	(12,061)
Acquisition-related dividends	-	(12,574)	-
Increase in restricted cash	-	(400,000)	-
Investment in equity subsidiaries	-	-	(2,000)
Net cash for investing activities	(48,708)	(649,418)	(122,579)

#### Cash Flows (For) From Financing

Activities			
Borrowings (repayments) of short-term debt, net	(5,287)	6,421	702
Borrowings of long-term debt	60,000	648,000	-
Repayments of long-term debt	(95,000)	(63,000)	-
Increase in deferred debt issue costs	-	(959)	-
Tax effect of stock transactions	(861)	650	1,725
Issuance of common stock	8,056	7,031	11,083
Repurchase of common stock	(28,330)	(3,021)	(2,766)
Cash dividends	(15,613)	(11,935)	(9,136)
Other	-	(128)	-
Net cash from (for) financing activities	(77,035)	583,187	1,480

Net increase (decrease) in cash and cash equivalents 788 11,413 (2,572)

Cash and cash equivalents, at beginning of period	16,707	8,392	10,392
Effect of exchange rate changes on cash	1,523	(3,098)	572
Cash and cash equivalents, at end of period	\$19,018	\$16,707	\$8,392

#### Supplemental Disclosures of Cash Flow Information

Cash paid/received during the year for:			
Interest paid	\$34,741	\$5,248	\$591
Interest received	\$21,464	\$7,038	\$1,586
Income taxes paid	\$47,133	\$23,433	\$31,402
Income taxes refunded	\$7,939	\$4,407	\$323

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

	Fourth Quarter 2006	2005	Fiscal Year 2006	2005
Segment Sales				
Consumer Healthcare	\$258,315	\$234,287	\$994,231	\$933,280
Rx Pharmaceuticals	32,965	31,998	120,941	32,565
API	26,810	23,412	110,713	23,412
Other	36,979	34,841	140,936	34,841
Total	\$355,069	\$324,538	\$1,366,821	\$1,024,098

Segment Operating Income

(Loss)				
Consumer Healthcare	\$13,647	\$12,862	\$78,844	\$86,570
Rx Pharmaceuticals	3,179	(5,155)	16,575	(10,692)
API	4,840	(7,164)	25,939	(7,164)
Other	2,640	(4,590)	3,517	(4,590)
Unallocated expenses	(3,367)	(2,237)	(13,543)	(2,237)
Write-off of in process R&D	-	1,800	-	(386,800)
Acquisition and integration costs	-	(935)	-	(5,560)
Total	\$20,939	\$(5,419)	\$111,332	\$(330,473)

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

	Fourth Quarter		Fiscal Year	
	2006	2005	2006	2005
Reported gross profit	\$107,977	\$65,659	\$397,741	\$260,389
Inventory step-up	-	23,392	4,762	23,392
Adjusted gross profit	\$107,977	\$89,051	\$402,503	283,781
Reported operating income (loss)	\$20,939	\$(5,419)	\$111,332	(330,473)
Inventory step-up	-	23,392	4,762	23,392
Settlements - Class action lawsuit / FTC	-	4,500	-	4,500
Restructuring	8,846	-	8,846	6,382
Write-off of in-process R&D	-	(1,800)	-	386,800
Acquisition costs	-	935	-	5,560
Adjusted operating income	\$29,785	\$21,608	\$124,940	96,161
Reported net income (loss)	\$12,262	\$(6,963)	\$71,400	(352,983)
Inventory step-up (1)	-	18,246	3,714	18,246
Class action lawsuit (2) (4)	-	2,880	-	2,880
Restructuring	5,661	-	5,661	4,084
Write-off of in-process R&D (3)	-	(1,800)	-	386,800
Acquisition costs (2)	-	598	-	3,558
Gain on sale of equity method investment (5)	-	-	(2,939)	-
Adjusted net income	\$17,923	\$12,961	\$77,836	62,585
Diluted earnings (loss) per share				
Reported	\$0.13	\$(0.07)	\$0.76	\$(4.57)
Adjusted	\$0.19	\$0.14	\$0.83	\$0.81
Diluted weighted average shares outstanding	94,004	93,480	94,105	77,313

- (1) Net of taxes at 22%  
(2) Net of taxes at 36%  
(3) Write-off of in-process research and development is a permanent difference for tax purposes and thus is not tax effected  
(4) Fiscal 2004 FTC settlement includes \$1,000 of non-deductible expenses that are not tax effected  
(5) Net of taxes at 37%

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

	Fourth Quarter		Year-To-Date	
	2006	2005	2006	2005
Consumer Healthcare				
Reported gross profit	\$68,203	\$53,871	\$250,741	\$248,369

Inventory step-up	-	897	318	897
Adjusted gross profit	\$68,203	\$54,768	\$251,059	\$249,266
Reported operating income	\$13,647	\$12,862	\$78,844	\$86,570
Inventory step-up	-	897	318	897
Settlements - Class action lawsuit / FTC	-	4,500	-	4,500
Restructuring	8,846	-	8,846	6,382
Adjusted operating income	\$22,493	\$18,259	\$88,008	\$98,349
Rx Pharmaceuticals				
Reported gross profit	\$14,923	\$6,588	\$49,684	\$6,820
Inventory step-up	-	5,546	-	5,546
Adjusted gross profit	\$14,923	\$12,134	\$49,684	\$12,366
Reported operating income (loss)	\$3,179	\$(5,155)	\$16,575	\$(10,692)
Inventory step-up	-	5,546	-	5,546
Adjusted operating income (loss)	\$3,179	\$391	\$16,575	\$(5,146)
API				
Reported gross profit (loss)	\$11,149	\$(2,379)	\$50,260	\$(2,379)
Inventory step-up	-	12,542	1,747	12,542
Adjusted gross profit	\$11,149	\$10,163	\$52,007	\$10,163
Reported operating income (loss)	\$4,840	\$(7,164)	\$25,939	\$(7,164)
Inventory step-up	-	12,542	1,747	12,542
Adjusted operating income	\$4,840	\$5,378	\$27,686	\$5,378
Other				
Reported gross profit	\$13,702	\$7,579	\$47,056	\$7,579
Inventory step-up	-	4,407	2,697	4,407
Adjusted gross profit	\$13,702	\$11,986	\$49,753	\$11,986
Reported operating income (loss)	\$2,640	\$(4,590)	\$3,517	\$(4,590)
Inventory step-up	-	4,407	2,697	4,407
Adjusted operating income (loss)	\$2,640	\$(183)	\$6,214	\$(183)
Unallocated				
Reported operating loss	\$(3,367)	\$(1,372)	\$(13,543)	\$(394,597)
Write-off of in-process R&D	-	(1,800)	-	386,800
Acquisition costs	-	935	-	5,560
Adjusted operating loss	\$(3,367)	\$(2,237)	\$(13,543)	\$(2,237)

SOURCE: Perrigo Company

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