

Perrigo Reports Strong Fiscal 2007 Third Quarter Revenue Growth

Third Quarter Sales \$362 million, up 9%

Third Quarter Cash Provided by Operations of \$57 million

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO)(TASE: PRGO) today announced results for the third quarter of fiscal year 2007 ended March 31, 2007.

Perrigo Company
(in thousands, except per share amounts)

	Third Quarter		Nine Months	
	2007	2006	2007	2006
Sales	\$362,288	\$332,321	\$1,073,132	\$1,011,752
Net Income	\$17,056	\$20,860	\$55,026	\$59,138
Diluted EPS	\$0.18	\$0.22	\$0.59	\$0.63
Diluted Shares	93,298	94,044	93,604	94,143

On March 26, 2007, Perrigo completed the acquisition of nine generic prescription products and four pipeline products from Glades Pharmaceuticals, Inc. The reported results above include an acquisition-related write-off of the in-process research and development (IPR&D) of \$4.8 million after-tax.

Third Quarter Results

Net sales for the third quarter of fiscal 2007 were \$362.3 million, an increase of \$30 million, or nine percent, compared with \$332.3 million last year. Reported net income was \$17.1 million, or \$0.18 per share, and included the aforementioned write-off of IPR&D and a restructuring charge of \$0.2 million after-tax. Excluding these charges, adjusted net income was \$22.1 million, or \$0.24 per share. In the third quarter last year, net income was \$20.9 million, or \$0.22 per share. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

Commenting on the third quarter, Joseph C. Papa, Perrigo's President and Chief Executive Officer said, "Our strong revenue growth this quarter was driven largely by improved volume in several of our core Consumer Healthcare product categories, despite this year's mild cold and flu season. New product sales remained strong, especially in the smoking cessation category, positioning us to exceed our targeted new product sales expectations for 2007. The acquisition of generic prescription products from Glades Pharmaceuticals this quarter and the pending acquisition of Qualis, Inc. provide us additional growth prospects in the coming quarters and enhance our future product pipeline. In addition, I was pleased to note our focus on working capital and inventory in the quarter have helped drive operating cash flow of \$57 million in the quarter, bringing us to \$74 million year-to-date."

Nine Months Results

Net sales for the nine months ended March 31, 2007 were \$1,073.1 million, an increase of \$61 million, or six percent compared with \$1,011.8 million last year. Reported net income was \$55.0 million, or \$0.59 per share, which included costs for a product recall of \$4.1 million after-tax, or \$0.04 per share. Excluding the write-off of IPR&D of \$4.8 million after-

tax and restructuring charges of \$0.6 million after-tax, adjusted net income was \$60.5 million, or \$0.65 per share.

In the nine months a year ago, net income was \$59.1 million, or \$0.63 per share. Excluding an acquisition-related write-off of the step-up in the value of inventory acquired in the first quarter last year (\$3.7 million after-tax, or \$0.04 per share) and a gain on the sale of an interest in a Canadian distribution company (\$2.9 million after-tax, or \$0.03 per share) in the second quarter last year, net income for the nine months was \$59.9 million, or \$0.64 per share. A reconciliation of non-GAAP measures for both years is shown in Table II at the end of this press release.

The effective tax rate for the nine months year to date was 19.4%, down from 32.9% in the same period a year ago. This lower rate was a result of the higher proportion of income from non-US businesses versus last year, international tax planning and the retroactive renewal of the research and development tax credit that was part of the Tax Relief and Healthcare Act.

Consumer Healthcare

Perrigo's Consumer Healthcare segment net sales in the quarter were \$262.3 million, up \$23.7 million, or 9.9%, compared with \$238.6 million last year. New products contributed \$16.7 million in incremental sales primarily in the smoking cessation and nutrition categories. These results also include strong growth in the analgesics category and strong sales gains from store-brand operations in Mexico and the United Kingdom. Operating income in the quarter was \$21.6 million, compared with \$20.4 million a year ago.

For the nine months, Consumer Healthcare sales were \$780.0 million, up \$44.1 million, or six percent, compared with \$735.9 million last year. The sales gain was driven by new product sales of \$44.4 million, and increases in Mexico and the United Kingdom, offset by a decline in cough and cold product sales in the first half of the year. Operating income was \$56.1 million and includes a \$6.3 million charge for a recall of certain Acetaminophen products in November 2006. In fiscal 2006, operating income was \$65.2 million.

On March 7, 2007, the Company announced that it will acquire store brand OTC pediculicide products for \$12 million in cash. The production of these products, which compare to Rid® and Nix®, will be absorbed into our facilities as of the closing date, expected to be on or around June 30, 2007.

Rx Pharmaceuticals

Perrigo's Rx Pharmaceuticals segment reported sales of \$34.0 million, including \$5.8 million of service and royalty revenue, compared with \$30.2 million a year ago. Operating income was \$7.4 million, compared with \$4.3 million last year.

For the first nine months of fiscal 2007, net sales were \$93.7 million and operating income was \$16.9 million with a 26% increase in research and development spending. For the same period last year, sales were \$88.0 million and operating income was \$13.4 million, including a charge of \$2.8 million pre-tax for a product recall.

As noted above, the Company completed an acquisition of products from Glades Pharmaceuticals, Inc. at the end of March for \$57 million in cash plus other consideration of \$2.5 million for future research and development collaborations. Glades is a subsidiary

of Stiefel Laboratories, Inc., a privately-owned company specializing in the branded dermatology market. The acquisition is expected to add more than \$20 million in net sales annually.

API

Fiscal third quarter sales in the API segment were \$30.1 million, compared with last year's \$30.3 million, which included \$4 million of non-product revenue. Operating income was \$4.0 million, compared with \$8.0 million last year. For the nine months, sales were \$88.5 million, compared with \$83.9 million, and operating income was \$14.6 million, compared with \$21.1 million last year. Spending in API research and development has increased 70% from last year. Excluding a \$1.7 million write-off of the step-up in the value of inventory acquired, operating income for the nine months last year was \$22.8 million.

Other

Perrigo's Other category, consisting of the Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products segments, reported third quarter sales of \$35.9 million, compared with \$33.2 million a year ago. Operating income was \$1.1 million, compared with \$0.7 million last year. Sales for the nine months were \$110.9 million, up 6.7%, compared with \$104.0 million in the same period a year ago and operating income was \$6.7 million, compared with \$0.9 million last year. Excluding a \$2.7 million write-off of the step-up in the value of inventory acquired, operating income for the nine months last year was \$3.6 million.

Outlook

The Company continues to anticipate earnings for the full fiscal year in the range of \$0.86 to \$0.91 per share, excluding \$0.01 per share of restructuring costs and \$0.05 per share for the write-off of IPR&D. The Company also expects full-year operating cash flow between \$100 to \$120 million.

Mr. Papa stated, "Our outlook continues to be positive as we focus on quality, service and cost efficiencies and look forward to assisting our customers in meeting the needs of consumers for more affordable healthcare, especially for over-the-counter store brand products. We remain committed to our investments in quality and continue to invest in R&D to enable our future launches of new products."

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, the United Kingdom, Mexico, Germany and China. 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. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company's control. These and other important factors, including those discussed under "Risk Factors" in the Company's Form 10-K for the year ended July 1, 2006, as well as the Company's subsequent filings with the Securities and Exchange Commission, may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this press release are made only as of the date hereof, and 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)

	Third Quarter		Year-to-Date	
	2007	2006	2007	2006
Net sales	\$362,288	\$332,321	\$1,073,132	\$1,011,752
Cost of sales	262,079	235,043	779,981	721,988
Gross profit	100,209	97,278	293,151	289,764
Operating expenses				
Distribution	7,020	6,438	21,559	20,541
Research and development	16,390	12,260	44,339	37,135
Selling and administration	44,710	48,225	142,423	141,695
Subtotal	68,120	66,923	208,321	199,371
Write-off of in-process research and development	8,252	-	8,252	-
Restructuring	306	-	948	-
Total	76,678	66,923	217,521	199,371
Operating income	23,531	30,355	75,630	90,393
Interest, net	3,650	2,465	11,536	11,606
Other income, net	(1,874)	(2,310)	(4,193)	(9,346)
Income before income taxes	21,755	30,200	68,287	88,133
Income tax expense	4,699	9,339	13,261	28,995
Net income	\$17,056	\$20,861	\$55,026	\$59,138
Earnings per share				
Basic	\$0.19	\$0.23	\$0.60	\$0.64
Diluted	\$0.18	\$0.22	\$0.59	\$0.63
Weighted average shares outstanding				
Basic	91,643	92,683	92,161	92,966
Diluted	93,298	94,044	93,604	94,143
Dividends declared per share	\$0.045	\$0.043	\$0.133	\$0.125

PERRIGO COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2007	July 1, 2006	March 25, 2006	
Assets	(unaudited)	(unaudited)	(unaudited)	
Current assets				
Cash and cash equivalents		\$34,873	\$19,018	\$29,168
Investment securities		58,220	26,733	6,685
Accounts receivable		246,582	240,130	220,425
Inventories		310,272	302,941	273,668
Current deferred income taxes		39,122	52,058	47,088
Prepaid expenses and other current assets		23,833	16,298	16,010
Total current assets		712,902	657,178	593,044
Property and equipment		641,343	606,907	599,702
Less accumulated depreciation		320,672	287,549	281,733
		320,671	319,358	317,969
Restricted cash		422,000	400,000	400,000
Goodwill		189,450	152,183	147,633
Other intangible assets		155,899	132,426	138,043
Non-current deferred income taxes		42,624	43,143	32,725
Other non-current assets		47,015	46,336	41,460
		\$1,890,561	\$1,750,624	\$1,670,874

Liabilities and Shareholders' Equity

Current liabilities				
Accounts payable		\$158,499	\$179,740	\$163,494
Notes payable		3,763	20,081	26,969
Payroll and related taxes		43,590	54,153	48,632
Accrued customer programs		40,494	49,534	46,020
Accrued liabilities		48,135	45,335	46,832
Accrued income taxes		16,210	14,132	7,004
Current deferred income taxes		13,886	8,456	9,002
Current portion of long-term debt		14,910	-	-
Total current liabilities		339,487	371,431	347,953
Non-current liabilities				
Long-term debt		709,342	621,717	594,360
Non-current deferred income taxes		102,129	81,923	68,924
Other non-current liabilities		34,346	34,809	35,274
Total non-current liabilities		845,817	738,449	698,558

Shareholders' equity

Preferred stock, without par value, 10,000 shares authorized		-	-	-
Common stock, without par value, 200,000 shares authorized		507,025	516,098	518,996
Accumulated other comprehensive income (loss)		34,434	3,593	(7,377)
Retained earnings		163,798	121,053	112,744
Total shareholders' equity		705,257	640,744	624,363
		\$1,890,561	\$1,750,624	\$1,670,874

Supplemental Disclosures of Balance

Sheet Information				
Allowance for doubtful accounts		\$9,933	\$11,178	\$10,619
Allowance for inventory		\$37,390	\$42,509	\$43,035
Working capital		\$373,415	\$285,747	\$245,091
Preferred stock, shares issued		-	-	-
Common stock, shares issued		92,510	92,922	93,087

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

	Year-to-Date	
	2007	2006
Cash Flows (For) From Operating Activities		
Net income	\$55,026	\$59,138
Adjustments to derive cash flows		
Write-off of in-process research and development	8,252	-
Depreciation and amortization	41,997	42,155

Share-based compensation	6,530	7,274
Deferred income taxes	12,749	(2,707)
Sub-total	124,554	105,860

Changes in operating assets and liabilities

Accounts receivable	(8,616)	(8,701)
Inventories	(4,224)	1,201
Accounts payable	(19,254)	19,180
Payroll and related taxes	(10,151)	5,928
Accrued customer programs	(9,040)	4,354
Accrued liabilities	2,968	(12,358)
Accrued income taxes	3,008	(17,480)
Other	(5,084)	12,648
Sub-total	(50,393)	4,772
Net cash from operating activities	74,161	110,632

Cash Flows (For) From Investing Activities

Purchases of securities	(228,341)	(29,134)
Proceeds from sales of securities	198,530	39,384
Additions to property and equipment	(30,133)	(18,672)
Proceeds from sale of property and equipment	2,613	-
Acquisition of assets	(59,538)	-
Net cash for investing activities	(116,869)	(8,422)

Cash (For) From Financing Activities

Borrowings (repayments) of short-term debt, net	(16,293)	1,543
Borrowings of long-term debt	130,000	15,000
Repayments of long-term debt	(30,000)	(75,000)
Tax effect of stock transactions	(30)	(762)
Issuance of common stock	5,347	5,223
Repurchases of common stock	(20,919)	(20,488)
Cash dividends	(12,281)	(11,660)
Net cash (for) from financing activities	55,824	(86,144)

Net increase in cash and cash

equivalents	13,116	16,066
Cash and cash equivalents, beginning of period	19,018	16,707
Effect of exchange rate changes on cash	2,739	(3,605)
Cash and cash equivalents, end of period	\$34,873	\$29,168

Supplemental Disclosures of Cash Flow Information

Cash paid/received during the period for:

Interest paid	\$25,547	\$27,093
Interest received	\$15,119	\$15,870
Income taxes paid	\$8,500	\$40,106
Income taxes refunded	\$8,443	\$5,239

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

	Third Quarter	Fiscal Year		
	2007	2006	2007	2006
Segment Sales				
Consumer Healthcare	\$262,277	\$238,594	\$780,033	\$735,916
Rx Pharmaceuticals	34,025	30,237	93,710	87,976
API	30,095	30,250	88,507	83,904
Other	35,891	33,240	110,882	103,956
Total	\$362,288	\$332,321	\$1,073,132	\$1,011,752
Segment Operating Income (Loss)				
Consumer Healthcare	\$21,578	\$20,434	\$56,098	\$65,196
Rx Pharmaceuticals	7,448	4,260	16,921	13,396
API	4,002	7,969	14,589	21,100
Other	1,105	747	6,745	877
Unallocated expenses	(2,350)	(3,055)	(10,471)	(10,176)

Write-off of in-process R&D	(8,252)	-	(8,252)	-
Total	\$23,531	\$30,355	\$75,630	\$90,393

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

	Third Quarter		Fiscal Year	
	2007	2006	2007	2006
Net sales	\$362,288	\$332,321	\$1,073,132	\$1,011,752
Reported gross profit	\$100,209	\$97,278	\$293,151	\$289,764
Inventory step-up	-	-	-	4,762
Adjusted gross profit	\$100,209	\$97,278	\$293,151	\$294,526
Adjusted gross profit %	27.7%	29.3%	27.3%	29.1%
Reported operating income (loss)	\$23,531	\$30,355	\$75,630	\$90,393
Inventory step-up	-	-	-	4,762
Perrigo operational improvements	306	-	948	-
Write-off of in-process R&D	8,252	-	8,252	-
Adjusted operating income	\$32,089	\$30,355	\$84,830	\$95,155
Reported net income (loss)	\$17,056	\$20,861	\$55,026	\$59,138
Inventory step-up (1)	-	-	-	3,714
Gain on sale of equity investment (2)	-	-	-	(2,939)
Perrigo operational improvements (3)	199	-	616	-
Write-off of in-process R&D (4)	4,827	-	4,827	-
Adjusted net income	\$22,082	\$20,861	\$60,470	\$59,913
Diluted earnings (loss) per share				
Reported	\$0.18	\$0.22	\$0.59	\$0.63
Adjusted	\$0.24	\$0.22	\$0.65	\$0.64
Diluted weighted average shares outstanding	93,298	94,044	93,604	94,143

- (1) Net of taxes at 22%
(2) Net of taxes at 37%
(3) Net of taxes at 35%
(4) Net of taxes at 41.5%

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

	Third Quarter		Year-To-Date	
	2007	2006	2007	2006
Consumer Healthcare				
Net sales	\$262,277	\$238,594	\$780,033	\$735,916
Reported gross profit	\$59,233	\$60,166	\$174,780	\$182,539
Inventory step-up	-	-	-	318
Adjusted gross profit	\$59,233	\$60,166	\$174,780	\$182,857
Adjusted gross profit %	22.6%	25.2%	22.4%	24.8%
Reported operating income	\$21,578	\$20,434	\$56,098	\$65,196
Inventory step-up	-	-	-	318
Perrigo operational improvements	306	-	948	-
Adjusted operating income	\$21,884	\$20,434	\$57,046	\$65,514
API				
Net sales	\$30,095	\$30,250	\$88,507	\$83,904

Reported gross profit	\$12,499	\$14,310	\$38,463	\$39,111
Inventory step-up	-	-	-	1,747
Adjusted gross profit	\$12,499	\$14,310	\$38,463	\$40,858
Adjusted gross profit %	41.5%	47.3%	43.5%	48.7%

Reported operating income	\$4,002	\$7,969	\$14,589	\$21,100
Inventory step-up	-	-	-	1,747
Adjusted operating income	\$4,002	\$7,969	\$14,589	\$22,847

Other
Net sales \$35,891 \$33,240 \$110,882 \$103,956

Reported gross profit	\$12,346	\$11,258	\$38,603	\$33,353
Inventory step-up	-	-	-	2,697
Adjusted gross profit	\$12,346	\$11,258	\$38,603	\$36,050
Adjusted gross profit %	34.4%	33.9%	34.8%	34.7%

Reported operating income	\$1,105	\$747	\$6,745	\$877
Inventory step-up	-	-	-	2,697
Adjusted operating income	\$1,105	\$747	\$6,745	\$3,574

Unallocated
Reported operating loss \$(10,602) \$(3,055) \$(18,723) \$(10,176)
Write-off of in-process R&D 8,252 - 8,252 -
Adjusted operating income (loss) \$(2,350) \$(3,055) \$(10,471) \$(10,176)

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SOURCE: Perrigo Company

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

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