



FOR IMMEDIATE RELEASE

**PERRIGO COMPANY'S FIRST QUARTER REVENUE
INCREASES SEVEN PERCENT DRIVEN BY NEW PRODUCT GROWTH**

ALLEGAN, Mich. – Oct. 31, 2006 – The Perrigo Company (Nasdaq: PRGO; TASE) today announced results for its fiscal year 2007 first quarter that ended September 30, 2006.

Perrigo Company
(in thousands, except per share amounts)

	Fiscal 2007 1 st Quarter Ended <u>9/30/06</u>	Fiscal 2006 1 st Quarter Ended <u>9/24/05</u>
Sales	\$340,868	\$319,734
Net Income	\$17,549	\$12,911
Diluted EPS	\$0.19	\$0.14
Diluted Shares	93,521	94,314

Sales for the first quarter of fiscal 2007 were \$340.9 million, an increase of seven percent. Net income was \$17.5 million, or \$0.19 per share, compared with \$12.9 million, or \$0.14 per share, a year ago.

The first quarter of fiscal 2006 included 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). Excluding this adjustment, net income was \$16.6 million, or \$0.18 per share. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

Joseph Papa, Perrigo's President and CEO, stated, "Fiscal 2007 is off to a good start, with year-over-year sales increases across our entire business portfolio. New product launches led by the smoking cessation category continue to be a driver for Consumer Healthcare's performance. At the same time, we are in the process of launching over twenty newly reformulated cough/cold products in order to meet the retailers' and consumers' needs for the current season. The Rx Pharmaceutical and API businesses grew sales in a marketplace that continues to be very competitive."

Mr. Papa added, "I am very excited about all of our on-going activity related to bringing new products to the marketplace and the significant work being done by our global research and development teams to allow for additional new product launches in the future."

Consumer Healthcare

Consumer Healthcare segment sales in the quarter were \$242.5 million compared with \$227.1 million in the first quarter last year, an increase of \$15.1 million, or seven percent. These results were driven by new product introductions of \$7.3 million, primarily in the smoking cessation and vitamin categories, as well as growth of \$5.1 million or 19 percent in the Mexican and U.K. operations.

Reported operating income was \$18.1 million, compared with \$13.3 million a year ago, reflecting higher gross profit from increased sales volume in both the domestic and international operations.

On September 25, the Company announced it had received approval from the Food and Drug Administration for over-the-counter Famotidine tablets, 20 mg (Maximum Strength Pepcid® AC tablets) indicated for the prevention and treatment of heartburn due to acid indigestion. Shipments began immediately.

Subsequent to the end of the first quarter, the Company also began shipping coated mint nicotine polacrilex gum. This is the store brand equivalent to Nicorette® Fresh Mint™ coated gum which has estimated retail sales of more than \$100 million.

Rx Pharmaceuticals

The Rx Pharmaceuticals segment reported sales of \$31.4 million, including \$5.4 million in non-product revenues, compared with \$29.1 million a year ago. Operating income was \$5.8 million up from \$3.8 million last year.

API

The API segment reported sales of \$29.8 million compared with sales of \$26.8 million a year ago. Operating income was \$4.7 million compared with \$6.6 million last year, reflecting a combination of lower margins on existing product sales, and higher research and development and selling and administration expenses. Excluding inventory step-up charges, adjusted operating income was \$8.3 million a year ago.

Other

The Other category, which consists of Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products operating segments, reported sales of \$37.2 million compared with \$36.7 million last year. Reported operating income was \$2.7 million compared with an operating loss of \$0.9 million last year. Excluding inventory step-up charges, adjusted operating income was \$1.8 million last year.

Outlook

Looking forward, Mr. Papa noted, "Our portfolio of broad healthcare solutions continues to enable us to deliver value in a challenging marketplace. I am confident in our ability to effectively manage through the operational complexities of the launches of our new and reformulated products this year. We are continuing to invest in strong new product opportunities for future years in all of our businesses. Throughout the organization, we continue our focus on quality, with parallel efforts on continued cost reduction and working capital management."

Perrigo will host a conference call to discuss fiscal 2007 first quarter results at 10:00a.m. (ET) on Tuesday, October 31. The conference call will be available live via web cast to interested parties on the Perrigo website <http://www.perrigo.com> or by phone 800-473-1292, International 973-409-9262 and, reference ID#7959085. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Tuesday, October 31 until midnight Monday, November 13. To listen to the replay, call 877-519-4471, International 973-341-3080, access code #7959085.

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, 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. Please see the "Cautionary Note Regarding Forward-Looking Statements" on page 1 of 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, 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.

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

	First Quarter	
	2007	2006
Net sales	\$ 340,868	\$ 319,734
Cost of sales	<u>245,225</u>	<u>232,818</u>
Gross profit	<u>95,643</u>	<u>86,916</u>
Operating expenses		
Distribution	7,384	7,150
Research and development	13,047	12,649
Selling and administration	<u>48,474</u>	<u>46,388</u>
Total	68,905	66,187
Operating income	26,738	20,729
Interest, net	4,586	4,026
Other income, net	<u>(61)</u>	<u>(1,246)</u>
Income before income taxes	22,213	17,949
Income tax expense	<u>4,664</u>	<u>5,038</u>
Net income	<u>\$ 17,549</u>	<u>\$ 12,911</u>
Earnings per share		
Basic	\$ 0.19	\$ 0.14
Diluted	\$ 0.19	\$ 0.14
Weighted average shares outstanding		
Basic	92,168	93,188
Diluted	93,521	94,314
Dividends declared per share	\$ 0.043	\$ 0.040

PERRIGO COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2006 <u>(unaudited)</u>	July 1, 2006 <u> </u>	September 24, 2005 <u>(unaudited)</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 33,027	\$ 19,018	\$ 25,118
Investment securities	27,922	26,733	15,823
Accounts receivable	230,892	240,130	212,433
Inventories	326,648	302,941	269,695
Current deferred income taxes	52,215	52,058	49,870
Prepaid expenses and other current assets	21,068	16,298	39,270
Total current assets	<u>691,772</u>	<u>657,178</u>	<u>612,209</u>
Property and equipment	617,813	606,907	594,464
Less accumulated depreciation	<u>298,260</u>	<u>287,549</u>	<u>275,758</u>
	319,553	319,358	318,706
Restricted cash	400,000	400,000	400,000
Goodwill	183,205	152,183	144,362
Other intangible assets	134,078	132,426	144,315
Non-current deferred income taxes	43,380	43,143	26,828
Other non-current assets	44,449	46,336	44,617
	<u>\$ 1,816,437</u>	<u>\$ 1,750,624</u>	<u>\$ 1,691,037</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	\$ 172,680	\$ 179,740	\$ 142,361
Notes payable	5,740	20,081	19,303
Payroll and related taxes	41,458	54,153	37,788
Accrued customer programs	45,084	49,534	40,129
Accrued liabilities	40,901	45,335	56,821
Accrued income taxes	17,860	14,132	25,903
Current deferred income taxes	9,837	8,456	10,980
Total current liabilities	<u>333,560</u>	<u>371,431</u>	<u>333,285</u>
Non-current liabilities			
Long-term debt	678,272	621,717	670,814
Non-current deferred income taxes	105,427	81,923	56,586
Other non-current liabilities	36,922	34,809	37,715
Total non-current liabilities	<u>820,621</u>	<u>738,449</u>	<u>765,115</u>
Shareholders' equity			
Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	510,132	516,098	523,093
Accumulated other comprehensive income (loss)	17,461	3,593	(4,402)
Retained earnings	134,663	121,053	73,946
Total shareholders' equity	<u>662,256</u>	<u>640,744</u>	<u>592,637</u>
	<u>\$ 1,816,437</u>	<u>\$ 1,750,624</u>	<u>\$ 1,691,037</u>
Supplemental Disclosures of Balance Sheet Information			
Allowance for doubtful accounts	\$ 12,195	\$ 11,178	\$ 10,207
Allowance for inventory	\$ 40,882	\$ 42,509	\$ 37,164
Working capital	\$ 358,212	\$ 285,747	\$ 278,924
Preferred stock, shares issued	-	-	-
Common stock, shares issued	92,556	92,922	93,561

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

	First Quarter	
	2007	2006
Cash Flows From (For) Operating Activities		
Net income	\$ 17,549	\$ 12,911
Adjustments to derive cash flows		
Depreciation and amortization	13,502	14,296
Share-based compensation	2,434	2,403
Deferred income taxes	<u>(1,157)</u>	<u>(1,072)</u>
Sub-total	<u>32,328</u>	<u>28,538</u>
Changes in operating assets and liabilities		
Accounts receivable	7,897	(1,559)
Inventories	(25,321)	3,776
Accounts payable	(5,785)	(723)
Payroll and related taxes	(12,423)	(4,631)
Accrued customer programs	(4,450)	(1,537)
Accrued liabilities	(4,466)	(2,938)
Accrued income taxes	3,833	2,757
Other	1,983	(5,961)
Sub-total	<u>(38,732)</u>	<u>(10,816)</u>
Net cash from (for) operating activities	<u>(6,404)</u>	<u>17,722</u>
Cash Flows (For) From Investing Activities		
Purchase of securities	(52,340)	(19,438)
Proceeds from sales of securities	51,074	21,372
Additions to property and equipment	(8,113)	(8,228)
Net cash for investing activities	<u>(9,379)</u>	<u>(6,294)</u>
Cash (For) From Financing Activities		
Repayments of short-term debt, net	(14,331)	(6,104)
Borrowings of long-term debt	55,000	15,000
Tax (expense) benefit of stock transactions	616	(500)
Issuance of common stock	2,222	2,000
Repurchase of common stock	(11,238)	(8,558)
Cash dividends	<u>(3,939)</u>	<u>(3,741)</u>
Net cash (for) from financing activities	<u>28,330</u>	<u>(1,903)</u>
Net increase in cash and cash equivalents	12,547	9,525
Cash and cash equivalents, at beginning of period	19,018	16,707
Effect of exchange rate changes on cash	1,462	(1,114)
Cash and cash equivalents, at end of period	<u>\$ 33,027</u>	<u>\$ 25,118</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid/received during the period for:		
Interest paid	\$ 8,309	\$ 9,210
Interest received	\$ 4,700	\$ 5,641
Income taxes paid	\$ 1,797	\$ 2,928
Income taxes refunded	\$ -	\$ 4,866

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

	First Quarter	
	2007	2006
Segment Sales		
Consumer Healthcare	\$ 242,462	\$ 227,100
Rx Pharmaceuticals	31,425	29,094
API	29,779	26,791
Other	37,202	36,749
Total	<u>\$ 340,868</u>	<u>\$ 319,734</u>
Segment Operating Income (Loss)		
Consumer Healthcare	\$ 18,126	\$ 13,327
Rx Pharmaceuticals	5,787	3,836
API	4,658	6,586
Other	2,664	(864)
Unallocated expenses	(4,497)	(2,156)
Total	<u>\$ 26,738</u>	<u>\$ 20,729</u>

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

	First Quarter	
	2007	2006
Net sales	\$ 340,868	\$ 319,734
Reported gross profit	\$ 95,643	\$ 86,916
Inventory step-up	-	4,762
Adjusted gross profit	<u>\$ 95,643</u>	<u>\$ 91,678</u>
Adjusted gross profit %	28.1%	28.7%
Reported operating income	\$ 26,738	\$ 20,729
Inventory step-up	-	4,762
Adjusted operating income	<u>\$ 26,738</u>	<u>\$ 25,491</u>
Reported net income	\$ 17,549	\$ 12,911
Inventory step-up (1)	-	3,714
Adjusted net income	<u>\$ 17,549</u>	<u>\$ 16,625</u>
Diluted earnings per share		
Reported	\$ 0.19	\$ 0.14
Adjusted	\$ 0.19	\$ 0.18
Diluted weighted average shares outstanding	93,521	94,314

(1) Net of taxes at 22%

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

	First Quarter	
	2007	2006
Consumer Healthcare		
Net sales	\$ 242,462	\$ 227,100
Reported gross profit	\$ 57,227	\$ 52,644
Inventory step-up	-	318
Adjusted gross profit	<u>\$ 57,227</u>	<u>\$ 52,962</u>
Adjusted gross profit %	23.6%	23.3%
Reported operating income	\$ 18,126	\$ 13,327
Inventory step-up	-	318
Adjusted operating income	<u>\$ 18,126</u>	<u>\$ 13,645</u>
API		
Net sales	\$ 29,779	\$ 26,791
Reported gross profit	\$ 11,879	\$ 12,004
Inventory step-up	-	1,747
Adjusted gross profit	<u>\$ 11,879</u>	<u>\$ 13,751</u>
Adjusted gross profit %	39.9%	51.3%
Reported operating income	\$ 4,658	\$ 6,586
Inventory step-up	-	1,747
Adjusted operating income	<u>\$ 4,658</u>	<u>\$ 8,333</u>
Other		
Net sales	\$ 37,202	\$ 36,749
Reported gross profit	\$ 12,750	\$ 10,643
Inventory step-up	-	2,697
Adjusted gross profit	<u>\$ 12,750</u>	<u>\$ 13,340</u>
Adjusted gross profit %	34.3%	36.3%
Reported operating income (loss)	\$ 2,664	\$ (864)
Inventory step-up	-	2,697
Adjusted operating income	<u>\$ 2,664</u>	<u>\$ 1,833</u>