

FOR IMMEDIATE RELEASE

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**PERRIGO COMPANY REPORTS FISCAL 2005 THIRD QUARTER
AND NINE MONTHS LOSSES DUE TO WRITE OFF OF IN-PROCESS
RESEARCH AND DEVELOPMENT**

ALLEGAN, Mich. – May 5, 2005 – The Perrigo Company (Nasdaq: PRGO; TASE) today announced results for the third quarter and nine months of fiscal 2005 ended March 26, 2005.

Perrigo Company
(in thousands, except per share amounts)

	<u>Third Quarter</u>		<u>Year-To-Date</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Sales	\$220,093	\$232,863	\$699,560	\$692,079
(Net Loss)/Income	\$(379,436)	\$17,739	\$(346,020)	\$72,482
Diluted Shares	73,660	72,598	71,970	72,035
Diluted EPS	\$(5.15)	\$0.24	\$(4.81)	\$1.01

The acquisition of Agis Industries was completed on March 17, 2005. Agis is included in the consolidated balance sheet as of March 26, 2005. Agis operating results are not included in the third quarter, but will be included in the consolidated results beginning in the fourth quarter of fiscal 2005.

Third Quarter Results

Net sales for the third quarter of fiscal 2005 were \$220.1 million, a decrease of five percent from \$232.9 million last year due to a sales shortfall in the Consumer Healthcare segment. Perrigo reported a net loss of \$379.4 million, or \$5.15 per share, which includes charges associated with the acquisition of Agis.

The acquisition related charges include the following: the write-off of in-process research and development of \$388.6 million, which is 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; and, acquisition-related legal, audit and integration expenses of \$4.6 million pre-tax, or \$3.0 million after-tax.

Excluding the charges associated with the acquisition, net income was \$16.2 million, or \$0.22 per share. This is compared with net income of \$17.7 million, or \$0.24 per share, a year ago. A reconciliation of these non-GAAP measures is shown

in Table II at the end of this press release.

“Our operating results in the third quarter reflect lower sales and profits in the Consumer Healthcare segment where we experienced weak seasonal demand for cough/cold and pain relief products. There was a late pick-up at retail, but, with adequate inventories available following the season’s slow start, retailers were able to meet consumer demand in the quarter from on-hand inventory,” said David T. Gibbons, Perrigo Chairman, President and Chief Executive Officer.

Agis Acquisition

Commenting on the Agis acquisition, Mr. Gibbons stated, “The combination of Perrigo and Agis has created a global company with broader capabilities to grow in the generic pharmaceutical, active pharmaceutical ingredients and consumer healthcare markets. We have brought together talent and technology and we are combining Perrigo’s leadership in store brand over-the-counter pharmaceutical and nutritional products with Agis’ growing position in topical generics and active pharmaceutical ingredients. Together, we have excellent R&D and an experienced, global management team. The integration of our companies is off to a good start and we are enthusiastic about the opportunities we see to grow and enhance value for our shareholders.”

Nine Months Results

Net sales for the nine months ended March 26, 2005 were \$699.6 million, an increase of \$7.5 million, or one percent, compared with \$692.1 million last year. Perrigo reported a net loss of \$346.0 million, or \$4.81 per share, which includes charges associated with the acquisition of Agis and the expense of a product recall.

The charges and expenses associated with the acquisition were the same as those recorded in the third quarter. The impact of the loratadine syrup product recall in the second quarter of fiscal 2005 reduced sales by \$6.3 million and after-tax income by \$5.3 million. In the prior year, the Company reported a one-time tax benefit of \$13.1 million after-tax.

Excluding the write-off of in-process research and development, acquisition-related expenses and the expense of the product recall, net income was \$54.9 million, or \$0.76 per share. Excluding the one-time tax benefit of \$13.1 million, or \$0.18 per share, in the prior year period, comparable net income was \$59.4 million, or \$0.83 per share. A reconciliation of these non-GAAP measures is shown in Table II at the end of this press release.

Consumer Healthcare

Consumer Healthcare segment sales decreased six percent to \$194.0 million, compared with \$206.1 million in the third quarter of fiscal 2004. The decline reflected lower sales of loratadine products compared with strong initial sales a year ago. Sales were also lower in the vitamin category following our strong first half. We

received positive benefits from sales of new products for smoking cessation and feminine hygiene. Operating income was \$18.7 million, reflecting lower sales and production levels, as well as a \$6.4 million charge for asset impairment and acquisition-related restructuring expense. Excluding the \$6.4 million charge, operating income was \$25.1 million, compared with \$28.8 million last year.

For nine months of fiscal 2005, Consumer Healthcare sales were \$612.4 million, two percent below the \$623.9 million in the same period last year. Operating income was \$69.7 million, reflecting lower sales and production levels, an asset impairment charge, acquisition-related expenses and the expense of a product recall. Excluding the charge of \$6.4 million and the product recall expense of \$8.3 million, operating income was \$84.4 million, compared with \$91.5 million a year ago.

Pseudoephedrine

Mr. Gibbons also noted, "A number of major retailers have recently announced plans to move certain over-the-counter products that contain the active ingredient pseudoephedrine to a position behind the pharmacy counter. This is in reaction to new legislation in certain states to slow the misuse of pseudoephedrine-based products to create methamphetamine for illegal drug use. We are developing phenylephrine-based alternatives for the most popular solid dose products and expect to phase-in the reformulated products as soon as possible throughout the 2005/2006 season. We anticipate that the recent acceleration of the move behind the counter will have some negative impact on our cough/cold/allergy/sinus category sales in the next year. However, it is too early to accurately measure the effect."

Pharmaceuticals

In the third quarter, the Pharmaceutical Segment recorded an operating loss of \$1.9 million, compared with a loss of \$1.6 million a year ago as the Company continued to invest in its start-up pharmaceutical business. For nine months of fiscal 2005, Pharmaceutical operating loss was \$5.5 million, compared with a loss of \$3.0 million last year.

United Kingdom

Third quarter net sales for the United Kingdom operations decreased \$2.0 million, or nine percent, to \$19.8 million due to declines in contract and nutritional product sales, partially offset by favorable foreign exchange rates. Operating income for the third quarter was \$0.4 million compared with \$0.2 million last year.

Sales for nine months were \$67.5 million, compared with \$49.4 million in the year ago period, and operating income was \$2.3 million, compared with \$1.5 million a year ago.

Mexico

Sales for Perrigo's Mexico Operations increased \$0.9 million, or 18 percent, to \$5.9 million in the third quarter as a result of increased sales to the store brand and pharmaceutical distribution channels. Operating income for the quarter was \$0.2 million, compared with an operating loss of \$0.8 million last year. Sales for nine months were \$19.1 million, compared with \$18.7 million last year and operating income was \$1.7 million, compared with \$0.6 million for the comparable nine months a year ago.

Opening Balance Sheet

The attached condensed balance sheet includes the preliminary allocation of the purchase price for Agis into the components of fair value of the assets at acquisition, as well as adjustments related to the transaction financing.

At closing, Perrigo also entered into a loan agreement with an Israeli bank for \$400 million. Simultaneously, \$400 million was deposited by Perrigo with the same Israeli bank. As required, these amounts are reported separately on the consolidated balance sheet as long-term debt and restricted cash. Perrigo will pay interest expense on the loan and receive interest income on the deposit in subsequent periods. The purpose of this transaction is to provide an appropriate and efficient mechanism for inter-company financing.

Included in the fair value of the assets of Agis is a step-up in the value of inventory of \$27.6 million. This amount will be charged to cost of sales over the next three to six months, but is not expected to have any impact beyond that period.

Outlook

The year-to-date reported net loss of \$346.0 million included the write-off of in-process research and development of \$388.6 million, the loratadine recall of \$5.3 million and other acquisition-related costs of \$7.0 million. Adjusted net income was \$54.9 million, or \$0.76 per share, through nine months of fiscal 2005.

There will be an additional \$2 million in integration costs incurred in the fourth quarter. Further, the write-off of the inventory step-up that was recorded as part of the purchase price adjustment will approximate \$16 million.

Commenting on the outlook for the fourth quarter and full year, Mr. Gibbons stated, "Operating results for Agis will be consolidated for the first time in our fiscal fourth quarter and the shares outstanding will change to reflect the 22 million shares issued as part of the purchase price. Consistent with the historical seasonal pattern, we anticipate lower sequential sales and profits in our Consumer Healthcare business. The continuing ramp-up in sales of new nicotine gum products should help offset difficult comparisons on our loratadine products.

"We anticipate reported per share results for the full year to range from a loss

of \$4.45 to a loss of \$4.55 per share. On an operating basis, we expect income per share in the range of \$0.90 to \$0.94.”

Perrigo will host a conference call to discuss third 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, at 800-473-6123, International, 973-582-2745. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Thursday, May 5 until midnight Wednesday, May 11. To listen to the replay, call 877-519-4471, International 973-341-3080, access code 6009317.

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 and contract manufacturing markets. 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 topical OTC pharmaceuticals, prescription generic drugs, active pharmaceutical ingredients and consumer products, and operates manufacturing and logistics 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 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)

	Third Quarter		Year-To-Date	
	2005	2004	2005	2004
Net sales	\$ 220,093	\$ 232,863	\$ 699,560	\$ 692,079
Cost of sales	157,132	164,108	504,830	487,125
Gross profit	62,961	68,755	194,730	204,954
Operating expenses				
Distribution	4,032	4,117	12,130	11,472
Research and development	7,224	6,685	22,864	18,584
Selling and administration	32,552	31,441	89,808	84,271
Subtotal	43,808	42,243	124,802	114,327
Write-off of in-process research and development	388,600	-	388,600	-
Restructuring	6,382	-	6,382	-
Total	438,790	42,243	519,784	114,327
Operating (loss) income	(375,829)	26,512	(325,054)	90,627
Interest and other, net	(1,545)	(1,206)	(2,989)	(2,159)
(Loss) income before income taxes	(374,284)	27,718	(322,065)	92,786
Income tax expense	5,152	9,979	23,955	20,304
Net (loss) income	\$ (379,436)	\$ 17,739	\$ (346,020)	\$ 72,482
(Loss) Earnings per share				
Basic	\$ (5.15)	\$ 0.25	\$ (4.81)	\$ 1.03
Diluted	\$ (5.15)	\$ 0.24	\$ (4.81)	\$ 1.01
Weighted average shares outstanding				
Basic	73,660	70,296	71,970	70,103
Diluted	73,660	72,598	71,970	72,035
Dividends declared per share	\$ 0.04	\$ 0.035	\$ 0.115	\$ 0.095

PERRIGO COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>March 26,</u> 2005	<u>June 26,</u> 2004	<u>March 27,</u> 2004
	(unaudited)		(unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 40,735	\$ 8,392	\$ 30,692
Investment securities	33,200	163,308	125,725
Accounts receivable	203,849	86,040	102,299
Inventories	301,270	174,253	154,847
Current deferred income taxes	47,380	29,877	30,041
Prepaid expenses and other current assets	28,690	11,359	19,846
Total current assets	655,124	473,229	463,450
Property and equipment	576,049	462,185	468,056
Less accumulated depreciation	253,316	234,544	241,724
	322,733	227,641	226,332
Restricted cash	400,000	-	-
Goodwill	150,226	35,919	35,919
Other intangible assets	142,050	94	110
Non-current deferred income taxes	13,922	8,137	8,062
Other non-current assets	47,126	14,074	12,774
	\$ 1,731,181	\$ 759,094	\$ 746,647
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	\$ 141,621	\$ 88,858	\$ 89,289
Notes payable	22,334	9,528	9,746
Current maturities of long-term liabilities	20,000	-	-
Payroll and related taxes	48,160	41,387	35,530
Accrued customer programs	31,302	13,212	13,187
Accrued liabilities	74,496	30,477	36,121
Accrued income taxes	15,201	-	-
Current deferred income taxes	9,010	4,024	4,095
Total current liabilities	362,124	187,486	187,968
Long-term liabilities			
Long-term debt, less current maturities	666,706	-	-
Non-current deferred income taxes	59,740	29,606	26,315
Other non-current liabilities	33,637	5,770	5,490
Total long-term liabilities	760,083	35,376	31,805
Shareholders' equity			
Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	532,108	104,160	99,622
Unearned compensation	(4,888)	(514)	(631)
Accumulated other comprehensive income	6,275	2,892	3,801
Retained earnings	75,479	429,694	424,082
Total shareholders' equity	608,974	536,232	526,874
	\$ 1,731,181	\$ 759,094	\$ 746,647
Supplemental Disclosures of Balance Sheet Information			
Allowance for doubtful accounts	\$ 8,280	\$ 8,296	\$ 7,606
Allowance for inventory	\$ 27,841	\$ 22,888	\$ 22,493
Working capital	\$ 293,000	\$ 285,743	\$ 275,482
Preferred stock, shares issued	-	-	-
Common stock, shares issued	93,802	70,882	70,595

PERRIGO COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Year-To-Date	
	2005	2004
Cash Flows From Operating Activities		
Net income (loss)	\$ (346,020)	\$ 72,482
Adjustments to derive cash flows		
Write-off of in-process research and development	388,600	-
Depreciation and amortization	23,561	21,270
Share-based compensation	4,828	4,142
Deferred income taxes	(5,860)	35
Changes in operating assets and liabilities, net of acquisitions of businesses and assets		
Accounts receivable	(11,320)	(11,150)
Inventories	10,202	13,551
Accounts payable	(7,108)	13,074
Payroll and related taxes	(14,369)	(5,001)
Accrued income taxes	3,805	2,458
Accrued customer programs	(2,398)	7,421
Accrued liabilities	4,090	(5,572)
Other	6,381	(8,502)
Net cash from operating activities	54,392	104,208
Cash Flows For Investing Activities		
Purchase of securities	(81,070)	(122,325)
Proceeds from sales of securities	243,975	80,035
Additions to property and equipment	(15,576)	(18,638)
Acquisition of business, net of cash acquired	(381,569)	(12,061)
Acquisition of assets	(5,562)	-
Increase in restricted cash	(400,000)	-
Issuance of note receivable	-	(10,000)
Investment in equity subsidiaries	-	(2,000)
Net cash for investing activities	(639,802)	(84,989)
Cash Flows From Financing Activities		
Borrowings of short-term debt, net	3,622	789
Borrowings of long-term debt	615,000	-
Increase in deferred bond issue costs	(1,017)	-
Tax benefit of stock transactions	1,087	813
Issuance of common stock	6,137	7,911
Repurchase of common stock	(122)	(1,940)
Cash dividends	(8,195)	(6,664)
Net cash from financing activities	616,512	909
Net Increase in Cash and Cash Equivalents	31,102	20,128
Cash and cash equivalents, at beginning of period	8,392	10,392
Effect of exchange rate changes on cash	1,241	172
Cash and cash equivalents, at end of period	\$ 40,735	\$ 30,692
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 231	\$ 467
Income taxes	\$ 18,341	\$ 25,188

Table I
PERRIGO COMPANY
SEGMENT INFORMATION

(in thousands)
(unaudited)

	Third Quarter		Year-To-Date	
	2005	2004	2005	2004
Segment Sales				
Consumer Healthcare	\$ 194,009	\$ 206,087	\$ 612,390	\$ 623,917
Pharmaceuticals	403	-	567	-
UK Operations	19,809	21,789	67,526	49,417
Mexico Operations	5,872	4,987	19,077	18,745
Total	<u>\$ 220,093</u>	<u>\$ 232,863</u>	<u>\$ 699,560</u>	<u>\$ 692,079</u>
Segment Operating Income (loss)				
Consumer Healthcare	\$ 18,683	\$ 28,771	\$ 69,675	\$ 91,538
Pharmaceuticals	(1,887)	(1,647)	(5,537)	(3,004)
UK Operations	424	159	2,286	1,493
Mexico Operations	176	(771)	1,747	600
Write-off of in-process research and development	(388,600)	-	(388,600)	-
Acquisition and integration costs	(4,625)	-	(4,625)	-
Total	<u>\$ (375,829)</u>	<u>\$ 26,512</u>	<u>\$ (325,054)</u>	<u>\$ 90,627</u>

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

	Third Quarter		Year-To-Date	
	2005	2004	2005	2004
Reported net sales	\$ 220,093	\$ 232,863	\$ 699,560	\$ 692,079
Loratadine recall	-	-	6,300	-
Adjusted net sales	<u>\$ 220,093</u>	<u>\$ 232,863</u>	<u>\$ 705,860</u>	<u>\$ 692,079</u>
Reported gross profit	\$ 62,961	\$ 68,755	\$ 194,730	\$ 204,954
Loratadine recall	-	-	8,300	-
Adjusted gross profit	<u>\$ 62,961</u>	<u>\$ 68,755</u>	<u>\$ 203,030</u>	<u>\$ 204,954</u>
Reported operating income (loss)	\$ (375,829)	\$ 26,512	\$ (325,054)	\$ 90,627
Loratadine recall	-	-	8,300	-
Perrigo operational improvements	3,150	-	3,150	-
Perrigo asset impairments	3,232	-	3,232	-
Purchase accounting adjustment:				
Write off in-process R&D	388,600	-	388,600	-
Acquisition costs	4,625	-	4,625	-
Adjusted operating income	<u>\$ 23,778</u>	<u>\$ 26,512</u>	<u>\$ 82,853</u>	<u>\$ 90,627</u>
Reported net income (loss)	\$ (379,436)	\$ 17,739	\$ (346,020)	\$ 72,482
Loratadine recall (1)	-	-	5,300	-
One time tax benefit	-	-	-	(13,100)
Perrigo operational improvements (1)	2,016	-	2,016	-
Perrigo asset impairments (1)	2,068	-	2,068	-
Purchase accounting adjustment:				
Write off in-process R&D (2)	388,600	-	388,600	-
Acquisition costs (1)	2,960	-	2,960	-
Adjusted net income	<u>\$ 16,208</u>	<u>\$ 17,739</u>	<u>\$ 54,924</u>	<u>\$ 59,382</u>
Reported diluted earnings (loss) per share	\$ (5.15)	\$ 0.24	\$ (4.81)	\$ 1.01
Adjusted diluted earnings per share	\$ 0.22	\$ 0.24	\$ 0.76	\$ 0.83
Weighted average diluted shares outstanding	73,660	72,598	71,970	72,035

(1) Net of taxes at 36%

(2) Write-off of in-process research and development is a permanent difference for tax purposes and thus is not tax effected

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

	<u>Third Quarter</u>		<u>Year-To-Date</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Consumer Healthcare				
Reported net sales	\$ 194,009	\$ 206,087	\$ 612,390	\$ 623,917
Loratadine recall	-	-	6,300	-
Adjusted net sales	<u>\$ 194,009</u>	<u>\$ 206,087</u>	<u>\$ 618,690</u>	<u>\$ 623,917</u>
Consumer Healthcare				
Reported gross profit	\$ 58,296	\$ 64,997	\$ 178,346	\$ 192,735
Loratadine recall	-	-	8,300	-
Adjusted gross profit	<u>\$ 58,296</u>	<u>\$ 64,997</u>	<u>\$ 186,646</u>	<u>\$ 192,735</u>
Consumer Healthcare				
Reported operating income (loss)	\$ 18,683	\$ 28,771	\$ 69,765	\$ 91,538
Loratadine recall	-	-	8,300	-
Perrigo operational improvements	3,150	-	3,150	-
Perrigo asset impairments	3,232	-	3,232	-
Adjusted operating income	<u>\$ 25,065</u>	<u>\$ 28,771</u>	<u>\$ 84,447</u>	<u>\$ 91,538</u>