



FOR IMMEDIATE RELEASE

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**PERRIGO COMPANY REPORTS FIRST QUARTER
FISCAL 2006 FINANCIAL RESULTS**

ALLEGAN, Mich. – Oct. 27, 2005 – The Perrigo Company (Nasdaq: PRGO; TASE) today announced results for the first quarter of fiscal year 2006 ended Sept. 24, 2005.

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 consolidated results in the quarter ended June 25, 2005.

Perrigo Company
(in thousands, except per share amounts)

	Fiscal 2006 1 st Quarter Ended <u>9/24/05</u>	Fiscal 2005 1 st Quarter Ended <u>9/25/04</u>
Sales	\$319,734	\$227,719
Net Income	\$12,911	\$17,578
Diluted EPS	\$0.14	\$0.24
Diluted Shares	94,314	73,043

Net sales for the first quarter of fiscal 2006 were \$319.7 million, an increase of 40 percent from \$227.7 million last year, reflecting the addition of Agis' product sales. Net income was \$12.9 million, or \$0.14 per share, compared with \$17.6 million, or \$0.24 per share, a year ago.

Excluding the 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 including a charge for product recalls (\$3.3 million after-tax, or \$0.03 per share), net income in the quarter 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.

David T. Gibbons, Perrigo Chairman, President and Chief Executive Officer, stated, "As anticipated, we began to realize the impact of the market transition of certain pseudoephedrine-based cough/cold products moving to a merchandising position behind the pharmacy counter. We reacted early in the quarter to pull production volumes down to reduce our inventory exposure. The retailers' shift away from pseudoephedrine products on the shelf resulted in lower cough/cold product sales and put downward pressures on gross margin. As we work through the pseudoephedrine-related challenges this cough/cold and flu season, we

remain confident in the basic strength of our Consumer Healthcare business and encouraged by the results in our new Rx Pharmaceuticals and API businesses, which turned in strong results in the quarter.

Our balance sheet remains strong, with manageable debt and cash flow from operations of \$18 million this quarter versus a use of cash of \$23 million in the first quarter last year. We repurchased 496,000 shares for \$7.0 million during the first quarter as part of a previously announced stock repurchase plan."

Consumer Healthcare

Consumer Healthcare segment sales in the quarter were \$228.6 million compared with \$227.7 million in the first quarter last year. These results included topical OTC product sales of \$19 million related to the Agis acquisition and new product sales, primarily in the smoking cessation category, offset by a decline of \$23 million of pseudoephedrine-based cough and cold products.

Reported operating income was \$13.1 million, compared with \$27.9 million a year ago, reflecting the incremental sales of lower-margin topical OTC products acquired in the Agis acquisition and the sales decline of higher-margin pseudoephedrine-based products. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

Rx Pharmaceuticals

Results for the current quarter largely reflect the operations of the Agis business. The Rx Pharmaceuticals segment reported sales of \$29.1 million and operating income of \$3.8 million, which included a charge of \$2.8 million before-tax for the recall of mesalamine suspension product. Last year Rx Pharmaceuticals reported an operating loss of \$1.3 million as the Company invested in the start-up of the generics business.

API

The API segment reported sales of \$26.8 million and operating income of \$6.6 million. Excluding the write-off of the step-up in the value of inventory acquired of \$1.7 million, the API segment had operating income of \$8.3 million. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

Other

The Other category, which consists of Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products segments, reported sales of \$35.2 million and an operating loss of \$0.7 million. Excluding the write-off of the step-up in the value of inventory acquired of \$2.7 million, the Other category had an operating profit of \$2.0 million. A reconciliation of non-GAAP measure is shown in Table II at the end of this press release.

Unallocated expense was \$2.2 million including on-going corporate costs of \$1.6 million and one-time integration costs of \$0.6 million.

Perrigo will host a conference call to discuss fiscal 2006 first quarter results at 10 a.m. (ET) Thursday, Oct. 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 1-866-425-6195, International, 973-935-2981. A taped replay of the call will be available beginning at approximately 2:30 p.m. (ET) Thursday, Oct. 27 until midnight Wednesday, Nov. 2. To listen to the replay, call 1-877-519-4471, International 973-341-3080, access code 6603770.

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 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)

	First Quarter	
	2006	2005
Net sales	\$ 319,734	\$ 227,719
Cost of sales	<u>232,818</u>	<u>163,006</u>
Gross profit	<u>86,916</u>	<u>64,713</u>
Operating expenses		
Distribution	7,150	4,193
Research and development	12,649	6,354
Selling and administration	<u>46,388</u>	<u>27,540</u>
Total	<u>66,187</u>	<u>38,087</u>
Operating income	20,729	26,626
Interest and other, net	<u>2,780</u>	<u>(840)</u>
Income before income taxes	17,949	27,466
Income tax expense	<u>5,038</u>	<u>9,888</u>
Net income	<u>\$ 12,911</u>	<u>\$ 17,578</u>
Earnings per share		
Basic	\$ 0.14	\$ 0.25
Diluted	\$ 0.14	\$ 0.24
Weighted average shares outstanding		
Basic	93,188	70,948
Diluted	94,314	73,043

PERRIGO COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 24, 2005 <u>(unaudited)</u>	June 25, 2005 <u> </u>	September 25, 2004 <u>(unaudited)</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 25,118	\$ 16,707	\$ 9,734
Investment securities	15,823	17,761	132,080
Accounts receivable	212,433	210,308	112,624
Inventories	269,695	272,980	181,837
Current deferred income taxes	49,870	55,987	29,306
Prepaid expenses and other current assets	39,270	35,064	11,017
Total current assets	<u>612,209</u>	<u>608,807</u>	<u>476,598</u>
Property and equipment	594,464	586,306	463,241
Less accumulated depreciation	<u>275,758</u>	<u>262,505</u>	<u>240,144</u>
	318,706	323,801	223,097
Restricted cash	400,000	400,000	-
Goodwill	144,362	150,293	35,919
Other intangible assets	144,315	147,967	8,039
Non-current deferred income taxes	26,828	26,964	8,761
Other non-current assets	44,617	47,144	9,716
	<u>\$ 1,691,037</u>	<u>\$ 1,704,976</u>	<u>\$ 762,130</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable	\$ 142,361	\$ 142,789	\$ 83,516
Notes payable	19,303	25,345	9,465
Payroll and related taxes	37,788	42,326	20,857
Accrued customer programs	40,129	41,666	16,210
Accrued liabilities	56,821	57,532	28,541
Accrued income taxes	25,903	21,225	7,417
Current deferred income taxes	10,980	9,659	4,044
Total current liabilities	<u>333,285</u>	<u>340,542</u>	<u>170,050</u>
Non-current liabilities			
Long-term debt	670,814	656,128	-
Non-current deferred income taxes	56,586	74,379	29,259
Other non-current liabilities	37,715	43,090	6,898
Total non-current liabilities	<u>765,115</u>	<u>773,597</u>	<u>36,157</u>
Shareholders' equity			
Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	523,093	527,748	108,321
Accumulated other comprehensive income (loss)	(4,402)	(1,687)	2,817
Retained earnings	73,946	64,776	444,785
Total shareholders' equity	<u>592,637</u>	<u>590,837</u>	<u>555,923</u>
	<u>\$ 1,691,037</u>	<u>\$ 1,704,976</u>	<u>\$ 762,130</u>
Supplemental Disclosures of Balance Sheet Information			
Allowance for doubtful accounts	\$ 10,207	\$ 10,370	\$ 7,971
Allowance for inventory	\$ 37,164	\$ 34,028	\$ 21,124
Working capital	\$ 278,924	\$ 268,265	\$ 306,548
Preferred stock, shares issued	-	-	-
Common stock, shares issued	93,561	93,903	71,208

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

	First Quarter	
	2006	2005
Cash Flows From (For) Operating Activities		
Net income	\$ 12,911	\$ 17,578
Adjustments to derive cash flows		
Depreciation and amortization	14,296	7,092
Share-based compensation	2,403	1,578
Deferred income taxes	(1,072)	(410)
Changes in operating assets and liabilities		
Accounts receivable	(1,559)	(25,543)
Inventories	3,776	(6,676)
Accounts payable	(723)	(5,463)
Payroll and related taxes	(4,631)	(20,535)
Accrued customer programs	(1,537)	2,999
Accrued liabilities	(2,938)	(1,937)
Accrued income taxes	2,757	7,422
Other	(5,961)	918
Net cash from (for) operating activities	17,722	(22,977)
Cash Flows (For) From Investing Activities		
Purchase of securities	(19,438)	(29,900)
Proceeds from sales of securities	21,372	60,950
Additions to property and equipment	(8,228)	(2,394)
Acquisition of assets	-	(5,000)
Net cash (for) from investing activities	(6,294)	23,656
Cash (For) From Financing Activities		
Repayments of short-term debt, net	(6,104)	(92)
Borrowings of long-term debt	15,000	-
Tax (expense) benefit of stock transactions	(500)	118
Issuance of common stock	2,000	3,101
Repurchase of common stock	(8,558)	(122)
Cash dividends	(3,741)	(2,487)
Net cash (for) from financing activities	(1,903)	518
Net increase in cash and cash equivalents	9,525	1,197
Cash and cash equivalents, at beginning of period	16,707	8,392
Effect of exchange rate changes on cash	(1,114)	145
Cash and cash equivalents, at end of period	\$ 25,118	\$ 9,734
Supplemental Disclosures of Cash Flow Information		
Cash paid/received during the period for:		
Interest paid	\$ 9,210	\$ 141
Interest received	\$ 5,641	\$ 562
Income taxes paid	\$ 2,928	\$ 815
Income taxes refunded	\$ 4,866	\$ 4,062

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

	First Quarter	
	2006	2005
Segment Sales		
Consumer Healthcare	\$ 228,633	\$ 227,719
Rx Pharmaceuticals	29,094	-
API	26,791	-
Other	35,216	-
Total	<u>\$ 319,734</u>	<u>\$ 227,719</u>
Segment Operating Income (Loss)		
Consumer Healthcare	\$ 13,122	\$ 27,925
Rx Pharmaceuticals	3,836	(1,299)
API	6,586	-
Other	(659)	-
Unallocated expenses	(2,156)	-
Total	<u>\$ 20,729</u>	<u>\$ 26,626</u>

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

	First Quarter	
	2006	2005
Net sales	\$ 319,734	\$ 227,719
Reported gross profit	\$ 86,916	\$ 64,713
Inventory step-up	4,762	-
Adjusted gross profit	<u>\$ 91,678</u>	<u>\$ 64,713</u>
Adjusted gross profit %	28.7%	28.4%
Reported operating income	\$ 20,729	\$ 26,626
Inventory step-up	4,762	-
Adjusted operating income	<u>\$ 25,491</u>	<u>\$ 26,626</u>
Reported net income	\$ 12,911	\$ 17,578
Inventory step-up (1)	3,714	-
Adjusted net income	<u>\$ 16,625</u>	<u>\$ 17,578</u>
Diluted earnings per share		
Reported	\$ 0.14	\$ 0.24
Adjusted	\$ 0.18	\$ 0.24
Diluted weighted average shares outstanding	94,314	73,043

(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	
	2006	2005
Consumer Healthcare		
Net sales	\$ 228,633	\$ 227,719
Reported gross profit	\$ 52,791	\$ 64,713
Inventory step-up	318	-
Adjusted gross profit	<u>\$ 53,109</u>	<u>\$ 64,713</u>
Adjusted gross profit %	23.2%	28.4%
Reported operating income	\$ 13,122	\$ 27,925
Inventory step-up	318	-
Adjusted operating income	<u>\$ 13,440</u>	<u>\$ 27,925</u>
API		
Net sales	\$ 26,791	\$ -
Reported gross profit	\$ 12,004	\$ -
Inventory step-up	1,747	-
Adjusted gross profit	<u>\$ 13,751</u>	<u>\$ -</u>
Adjusted gross profit %	51.3%	-
Reported operating income	\$ 6,586	\$ -
Inventory step-up	1,747	-
Adjusted operating income	<u>\$ 8,333</u>	<u>\$ -</u>
Other		
Net sales	\$ 35,216	\$ -
Reported gross profit	\$ 10,496	\$ -
Inventory step-up	2,697	-
Adjusted gross profit	<u>\$ 13,193</u>	<u>\$ -</u>
Adjusted gross profit %	37.5%	-
Reported operating loss	\$ (659)	\$ -
Inventory step-up	2,697	-
Adjusted operating income	<u>\$ 2,038</u>	<u>\$ -</u>