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PERRIGO CO  
Form 10-Q  
October 27, 2005

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 24, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

COMMISSION FILE NUMBER 0-19725

PERRIGO COMPANY  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MICHIGAN  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

38-2799573  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

515 EASTERN AVENUE  
ALLEGAN, MICHIGAN  
(ADDRESS OF PRINCIPAL  
EXECUTIVE OFFICES)

49010  
(ZIP CODE)

(269) 673-8451  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NOT APPLICABLE  
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,  
IF CHANGED SINCE LAST REPORT)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  YES  NO

As of October 21, 2005 the registrant had 93,411,992 outstanding shares of common stock.

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PERRIGO COMPANY

FORM 10-Q

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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	232,818	163,006
	-----	-----

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Gross profit	86,916	64,713
	-----	-----
Operating expenses		
Distribution	7,150	4,193
Research and development	12,649	6,354
Selling and administration	46,388	27,540
	-----	-----
Total	66,187	38,087
Operating income	20,729	26,626
Interest and other, net	2,780	(840)
	-----	-----
Income before income taxes	17,949	27,466
Income tax expense	5,038	9,888
	-----	-----
Net income	\$ 12,911	\$ 17,578
	=====	=====
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

See accompanying notes to condensed consolidated financial statements.

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PERRIGO COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	September 24, 2005	June 25, 2005	Se
	-----	-----	---
	(unaudited)		(
Assets			
Current assets			
Cash and cash equivalents	\$ 25,118	\$ 16,707	
Investment securities	15,823	17,761	
Accounts receivable	212,433	210,308	
Inventories	269,695	272,980	
Current deferred income taxes	49,870	55,987	
Prepaid expenses and other current assets	39,270	35,064	
	-----	-----	
Total current assets	612,209	608,807	
Property and equipment	594,464	586,306	
Less accumulated depreciation	275,758	262,505	
	-----	-----	
	318,706	323,801	
Restricted cash	400,000	400,000	

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Goodwill	144,362	150,293
Other intangible assets	144,315	147,967
Non-current deferred income taxes	26,828	26,964
Other non-current assets	44,617	47,144
	-----	-----
	\$1,691,037	\$1,704,976
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 142,361	\$ 142,789
Notes payable	19,303	25,345
Payroll and related taxes	37,788	42,326
Accrued customer programs	40,129	41,666
Accrued liabilities	56,821	57,532
Accrued income taxes	25,903	21,225
Current deferred income taxes	10,980	9,659
	-----	-----
Total current liabilities	333,285	340,542
Non-current liabilities		
Long-term debt	670,814	656,128
Non-current deferred income taxes	56,586	74,379
Other non-current liabilities	37,715	43,090
	-----	-----
Total non-current liabilities	765,115	773,597
Shareholders' equity		
Preferred stock, without par value, 10,000 shares authorized	--	--
Common stock, without par value, 200,000 shares authorized	523,093	527,748
Accumulated other comprehensive income (loss)	(4,402)	(1,687)
Retained earnings	73,946	64,776
	-----	-----
Total shareholders' equity	592,637	590,837
	-----	-----
	\$1,691,037	\$1,704,976
	=====	=====
Supplemental Disclosures of Balance Sheet Information		
Allowance for doubtful accounts	\$ 10,207	\$ 10,370
Allowance for inventory	\$ 37,164	\$ 34,028
Working capital	\$ 278,924	\$ 268,265
Preferred stock, shares issued	--	--
Common stock, shares issued	93,561	93,903

See accompanying notes to condensed consolidated financial statements.

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

First Quarter  
-----  
2006      2005  
-----

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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

See accompanying notes to condensed consolidated financial statements.

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### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 24, 2005

(in thousands, except per share amounts)

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. The Company also develops and manufactures generic prescription (Rx) drugs, active pharmaceutical ingredients (API) and consumer products.

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The Company has reclassified certain amounts in the prior years to conform to the current year presentation.

An evaluation of the Company's classification of cash equivalents indicated that, due to their contractual maturity date, floating and adjustable rate securities were more appropriately classified as investment securities. Accordingly, the Company reclassified floating and adjustable rate securities of \$126,810 as of September 25, 2004 from cash and cash equivalents to investment securities in its consolidated balance sheets. The Company has also reclassified the purchases of and proceeds from sales of these securities in its consolidated statements of cash flows, which increased cash flows from investing activities by \$26,050 for the three months ended September 25, 2004.

Operating results for the quarter ended September 24, 2005 are not necessarily indicative of the results that may be expected for a full year. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended June 25, 2005.

##### Significant Events

Update on Pseudoephedrine Sales - The Company continued to be impacted by the legislative and market changes related to products containing pseudoephedrine, which have resulted from concerns over the use of pseudoephedrine in the production of methamphetamine, an illegal drug. Sales of these products in the first quarter of fiscal 2006 were approximately \$23,000 lower than the first quarter of fiscal 2005. The Company monitors this issue continuously and consequently, recorded an additional charge of \$2,400 in the first quarter of fiscal 2006 for estimated obsolete inventory on hand. Products containing pseudoephedrine generated approximately \$182,000 of the Company's revenues in fiscal 2005. Sales for fiscal 2006 are expected to be \$110,000 to \$120,000. Based on recent events in the retail market, legislative actions and the resulting lost sales, management believes that these issues will continue to have a significant adverse effect on the Company's results of operations in fiscal 2006.

Product Recall - In September 2005, the Company initiated a voluntary retail-level recall of all affected

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lots of mesalamine rectal suspension, an anti-inflammatory agent used to treat mild to moderate ulcerative colitis, following reports of leakage related to the bottle closure cap. The recall is not safety related and there have been no reports of injury or illness related to the leakage of this product. The cost to write off the Company's on-hand inventories and the cost of return and disposal are estimated to be \$2,750. The charge reduced operating income by \$2,750 and earnings per share by \$0.03 for the first quarter of fiscal 2006.

### New Accounting Pronouncements

During the first quarter of fiscal 2006, the Company adopted the provisions of the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) 123(R), "Share-Based Payment". All share-based compensation for employees, directors and others is granted under the Company's 2003 Long-Term Incentive Plan. The weighted average fair value per share for options granted was estimated using the Black-Scholes option pricing model. Share-based compensation costs are included in operating expenses. Since the Company began expensing stock-based compensation using the fair value based method of accounting as permitted under SFAS 123 in December 2002, the adoption of SFAS 123(R) did not have a significant impact on its consolidated financial statements or results of operations. In accordance with the disclosure requirements of the pronouncement, the Company reclassified unearned compensation to common stock in the Company's condensed consolidated balance sheets as of June 25, 2005 and September 25, 2004.

During the first quarter of fiscal 2006, the Company prospectively adopted the provisions of SFAS 151, "Inventory Costs - An amendment of ARB No. 43, Chapter 4". SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be expensed as incurred and not included in overhead. Further, SFAS 151 requires that allocation of fixed production overheads to conversion costs should be based on normal capacity of the production facilities. The Company's accounting policies align to the rules and the adoption of this statement did not impact the Company's consolidated financial position or results of operations.

In October 2004, the FASB issued FSP 109-1, "Application of FASB Statement 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004", effective upon issuance. The FSP provides guidance on the application of SFAS 109, "Accounting for Income Taxes", to the provision within the American Jobs Creation Act of 2004 that provides a tax deduction on qualified production activities. According to FSP 109-1, the deduction should be accounted for as a special deduction in accordance with SFAS 109. Based on preliminary evaluations of FSP 109-1, the Company does not anticipate a significant impact on fiscal 2006 results of operations.

### NOTE B - EARNINGS PER SHARE

A reconciliation of the numerators and denominators used in the basic and diluted earnings per share (EPS) calculation follows:

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First Quarter	
2006	2005
-----	-----

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Numerator:

Net income used for both basic and diluted EPS	\$12,911	\$17,578
	=====	=====

Denominator:

Weighted average shares outstanding for basic EPS	93,188	70,948
Dilutive effect of share-based awards	1,126	2,095
	-----	-----
Weighted average shares outstanding for diluted EPS	94,314	73,043
	=====	=====

Share-based awards outstanding that are anti-dilutive were 3,852 and 481 for the first quarter of fiscal 2006 and 2005, respectively. These share-based awards were excluded from the diluted EPS calculation.

NOTE C - INVENTORIES

Inventories are summarized as follows:

	September 24, 2005	June 25, 2005	September 25, 2004
	-----	-----	-----
Finished goods	\$133,347	\$135,955	\$ 75,045
Work in process	60,708	58,588	59,411
Raw materials	75,640	78,437	47,381
	-----	-----	-----
	\$269,695	\$272,980	\$181,837
	=====	=====	=====

The Company maintains an allowance for estimated obsolete or unmarketable inventory based on the difference between the cost of inventory and its estimated market value. The inventory balances stated above are net of an inventory allowance of \$37,164 at September 24, 2005, \$34,028 at June 25, 2005 and \$21,124 at September 25, 2004.

NOTE D - GOODWILL

There were no acquisitions, dispositions or impairments of goodwill during the first quarter of fiscal 2006. The Company recorded an adjustment to goodwill that was originally established in connection with the Company's acquisition of Agis Industries (1983) Ltd. (Agis) on March 17, 2005. The adjustment was for changes in tax-related assets and liabilities and additional termination liabilities for the Company's New York facility. A summary of goodwill, by reportable segment is as follows:

	Consumer Healthcare	Rx Pharmaceuticals	API	Total
	-----	-----	-----	-----
Balance as of June 25, 2005	\$35,919	\$65,608	\$48,766	\$150,293
Goodwill adjustment	--	(3,795)	(2,136)	(5,931)
	-----	-----	-----	-----
Balance as of September 24, 2005	\$35,919	\$61,813	\$46,630	\$144,362
	=====	=====	=====	=====



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NOTE E - OUTSTANDING DEBT

Total borrowings outstanding are summarized as follows:

	September 24, 2005	June 25, 2005	September 25, 2004
	-----	-----	-----
Short-term debt:			
Swingline loan	\$ 4,135	\$ 10,198	--
Bank loan - Germany subsidiary	8,651	8,652	--
Bank loan - U.K. subsidiary	2,161	2,188	\$3,927
Bank loans - Mexico subsidiary	4,356	4,307	5,538
	-----	-----	-----
Total	19,303	25,345	9,465
	-----	-----	-----
Long-term debt:			
Revolving line of credit	130,000	115,000	--
Term loan	100,000	100,000	--
Letter of undertaking - Israel subsidiary	400,000	400,000	--
Debenture - Israel subsidiary	40,814	41,128	--
	-----	-----	-----
Total	670,814	656,128	--
	-----	-----	-----
Total debt	\$690,117	\$681,473	\$9,465
	=====	=====	=====

The terms of the loan related to the letter of undertaking indicated above require that the Company maintain a deposit of \$400,000 in an uninsured account with the lender as security for the loan.

NOTE F - POSTRETIREMENT MEDICAL BENEFITS

The Company has an unfunded postretirement plan (plan) that provides medical benefits to eligible retired employees and their dependents. The cost of postretirement medical benefits is accrued by the Company over the service lives of the employees based on actuarial calculations for the plan. Effective January 1, 2004, the plan was modified to limit the amount of benefits the Company provides to retirees each year, adjusted annually for inflation.

	First Quarter	
	-----	-----
	2006	2005
	-----	-----
Components of expense as provided by the Company's actuary:		
Service cost	\$ 151	\$ 103
Interest cost	53	56
Amortization of prior year service cost	(112)	(111)
Amortization of unrecognized net actuarial loss	39	34

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Net expense	----- \$ 131 =====	----- \$ 82 =====
-------------	--------------------------	-------------------------

Retirement benefit claims paid for the first quarter of fiscal 2006 were \$25 and are expected to be approximately \$135 for the remainder of fiscal 2006.

NOTE G - SHAREHOLDERS' EQUITY

The Company has a common stock repurchase program. Purchases are made on the open market, subject to market conditions, and are funded by available cash or borrowings. All common stock repurchased is retired upon purchase. On April 22, 2005, the Board of Directors approved a plan to

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repurchase shares of common stock with a value of up to \$30,000. This plan will expire on April 26, 2006. On June 21, 2005, the Company announced the implementation of a 10b5-1 plan that allows brokers selected by the Company to repurchase shares on behalf of the Company at times when it would ordinarily not be in the market because of the Company's trading policies. The Company repurchased 606 shares of its common stock for \$8,558 and 7 shares for \$122 during the first quarter of fiscal 2006 and 2005, respectively. Private party transactions accounted for 110 shares in the first quarter of fiscal 2006 and 7 shares in the first quarter of fiscal 2005.

NOTE H - COMPREHENSIVE INCOME

Comprehensive income is comprised of all changes in shareholders' equity during the period other than from transactions with shareholders. Comprehensive income consists of the following:

	First Quarter	
	----- 2006 -----	----- 2005 -----
Net income	\$12,911	\$17,578
Other comprehensive income:		
Change in fair value of derivative instruments, net of tax	2,029	--
Foreign currency translation adjustments	(5,074)	(75)
Change in fair value of investment securities, net of tax	330	--
Comprehensive income	----- \$10,196 =====	----- \$17,503 =====

NOTE I - COMMITMENTS AND CONTINGENCIES

The Company is not a party to any litigation, other than routine litigation incidental to its business except for the litigation described below. The Company believes that none of the routine litigation, individually or in the aggregate, will be material to the business of the Company.

In August 2004, the Company agreed to settle with the FTC and states' attorneys general offices which had been investigating a 1998 agreement between Alpharma, Inc. and the Company related to a children's ibuprofen suspension product. The

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agreement between Alpharma, Inc. and the Company is no longer in effect. The consent order included payment of \$4,750 to resolve all claims by the FTC and state governments as well as certain restrictions on future contractual agreements of this nature. These restrictions are not expected to have a material impact on the Company's future results of operations. The \$4,750 charge was recorded in the fourth quarter of fiscal 2004 and paid in the first quarter of fiscal 2005.

In connection with the Alpharma, Inc. agreement and the related FTC settlement in fiscal 2004, the Company has been named as a defendant in three suits, two of which are class actions that have been consolidated with one another, filed on behalf of Company customers (i.e., retailers) and the other consisting of four class action suits filed on behalf of indirect Company customers (i.e., consumers), alleging that the plaintiffs overpaid for children's ibuprofen suspension product as a result of the Company's agreement with Alpharma, Inc. While the Company has been defending these claims, it has also participated in settlement negotiations with the plaintiffs. The most recent negotiations lead the Company to believe it may settle all of the lawsuits for a combination of cash payments and product donations, the aggregate value of which the Company anticipates will approximate \$4,500. The Company recorded a charge of \$4,500 in the fourth quarter of fiscal 2005 as its best estimate of the

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combined expected cost of the settlements. While the Company believes the estimates are reasonable, the amount of future payments cannot be assured and may be materially different than the recorded charge.

The Company is currently defending numerous individual lawsuits pending in various state and federal courts involving phenylpropanolamine (PPA), an ingredient used in the manufacture of certain OTC cough/cold and diet products. The Company discontinued using PPA in the U.S. in November 2000 at the request of the FDA. These cases allege that the plaintiff suffered injury, generally some type of stroke, from ingesting PPA-containing products. Many of these suits also name other manufacturers or retailers of PPA-containing products. These personal injury suits seek an unspecified amount of compensatory, exemplary and statutory damages. The Company maintains product liability insurance coverage for the claims asserted in these lawsuits. The Company believes that it has meritorious defenses to these lawsuits and intends to vigorously defend them. At this time, the Company cannot determine whether it will be named in additional PPA-related suits, the outcome of existing suits or the effect that PPA-related suits may have on its financial condition or operating results.

The Company's Israeli subsidiary has provided a guaranty to a bank to secure the debt of a 50% owned joint venture for approximately \$460, not to exceed 50% of the joint venture's debt, that is not recorded on the Company's condensed consolidated balance sheets as of September 24, 2005.

### NOTE J - SEGMENT INFORMATION

The Company has three reportable segments, aligned primarily by product: Consumer Healthcare, Rx Pharmaceuticals and API as well as an Other category. Prior year's segment information has been restated to conform to the current year presentation. The Consumer Healthcare segment, API segment and Other category include charges of \$318, \$1,747 and \$2,697, respectively, for the write-off of the step-up in the value of inventory resulting from the Agis acquisition. The write-off of the inventory step-up value was completed in the first quarter of fiscal 2006. The majority of corporate expenses, which generally represent shared services, are charged to operating segments as part of a corporate allocation. Unallocated expenses related to one-time acquisition integration costs and certain corporate services that are not allocated to the

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segments. Acquisition integration costs were \$600 for the first quarter of fiscal 2006.

	Consumer Healthcare	Rx Pharma- ceuticals	API	Other	Unallocated expenses	
	-----	-----	-----	-----	-----	-----
First Quarter 2006						
Net sales	\$228,633	\$29,094	\$26,791	\$ 35,216	--	\$3
Operating income (loss)	\$ 13,122	\$ 3,836	\$ 6,586	\$ (659)	\$ (2,156)	\$
Operating income (loss)%	5.7%	13.2%	24.6%	(1.9)%	--	
Amortization of intangibles	\$ 1,382	\$ 1,584	\$ 429	\$ 240	--	\$
First Quarter 2005						
Net sales	\$227,719	--	--	--	--	\$2
Operating income (loss)	\$ 27,925	\$ (1,299)				\$
Operating income %	12.3%	--	--	--	--	
Amortization of intangibles	\$ 178	--	--	--	--	\$

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### NOTE K - RESTRUCTURING

In connection with the Agis acquisition, the Company reviewed its Consumer Healthcare operating strategies. As a result, the Company approved a restructuring plan and recorded a charge to the Company's Consumer Healthcare segment. The implementation of the plan began on March 24, 2005 and is expected to be completed in its entirety by March 2006. The Company terminated 22 employees performing in certain executive and administrative roles. Accordingly, the Company recorded employee termination benefits of \$3,150 in the fourth quarter of fiscal 2005. The activity of the restructuring reserve is as follows:

	Fiscal 2005 Restructuring Employee Termination
	-----
Balance at June 25, 2005	\$2,152
Payments	(700)
	-----
Balance at September 24, 2005	\$1,452
	=====

In connection with the Agis acquisition, the Company accrued \$2,727 of restructuring costs, consisting of employee termination benefits for 60 employees and certain lease termination costs. The Company accrued an additional amount of \$1,206 for employee termination benefits in the first quarter of fiscal 2006. For accounting purposes, these restructuring costs were included in the allocation of the total purchase price. Employee termination benefits are expected to be paid over the next six to nine months. The activity related to these restructuring costs is as follows:

Fiscal 2005 Restructuring  
-----

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	Employee Termination -----	Lease Termination -----
Balance at June 25, 2005	\$ 374	\$1,592
Additions	\$1,206	--
	-----	-----
Balance at September 24, 2005	\$1,580	\$1,592
	=====	=====

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FIRST QUARTER FISCAL YEARS 2006 AND 2005  
(in thousands, except per share amounts)

### OVERVIEW

#### Acquisition

On March 17, 2005, the Company acquired Agis Industries (1983) Ltd. (Agis). The acquisition resulted in the establishment of new operating and reportable segments. The results of operations related to the Agis acquisition are distributed throughout all of the Company's reportable segments, as described below.

#### Segments

The Company has three reportable segments, aligned primarily by product: Consumer Healthcare, Rx Pharmaceuticals and API as well as an Other category. Segment information for prior periods has been restated to conform to the current year presentation. The Consumer Healthcare segment includes the U.S., U.K. and Mexico operations supporting the sale of OTC pharmaceutical and nutritional products worldwide. The Rx Pharmaceuticals segment supports the development and sale of prescription drug products. The API segment supports the development and manufacturing of API products in Israel and Germany, with sales to customers worldwide. The Other category consists of two operating segments, Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products, with sales primarily to the Israeli market, including cosmetics, toiletries, detergents, manufactured and imported pharmaceutical products and medical diagnostic products. Neither of these operating segments meets the quantitative thresholds required to be separately reportable segments.

#### Significant Factors Impacting Earnings

The Company continued to be impacted by the legislative and market concerns related to products containing pseudoephedrine, which have resulted from concerns over the use of pseudoephedrine in the production of methamphetamine, an illegal drug. Sales of these products in the first quarter of fiscal 2006 were approximately \$23,000 lower than the first quarter of fiscal 2005. The Company took an additional charge of \$2,400 in the first quarter of fiscal 2006 for estimated obsolete inventory on hand.

The Company recorded a charge of \$2,750 in the first quarter of fiscal 2006 as the Company initiated a voluntary retail-level recall of all affected lots of mesalamine rectal suspension, an anti-inflammatory agent used to treat mild to moderate ulcerative colitis, following reports of leakage related to the bottle closure cap.

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The Company's sales of OTC pharmaceutical and nutritional products are subject to the seasonal demands for cough/cold/flu and allergy products. Accordingly, operating results for the first quarter of fiscal 2006 are not necessarily indicative of the results that may be expected for a full year.

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### RESULTS OF OPERATIONS

#### CONSUMER HEALTHCARE

	First Quarter	
	2006	2005
Net sales	\$228,633	\$227,719
Gross profit	\$ 52,791	\$ 64,713
Gross profit %	23.1%	28.4%
Operating expenses	\$ 39,669	\$ 36,788
Operating expenses %	17.4%	16.2%
Operating income	\$ 13,122	\$ 27,925
Operating income %	5.7%	12.3%

#### Net Sales

First quarter net sales for fiscal 2006 increased \$914 compared to fiscal 2005. The increase included topical OTC products produced at the New York facility acquired in conjunction with the Agis acquisition of approximately \$19,000 and new product sales. This increase was largely offset by sales of pseudoephedrine-containing products that were \$23,000 lower in the first quarter of fiscal 2006 compared to the first quarter of fiscal 2005.

#### Gross Profit

First quarter gross profit for fiscal 2006 decreased 18% or \$11,922 compared to fiscal 2005 primarily due to the lower volume of pseudoephedrine-containing products. Inventory obsolescence expenses were higher than fiscal 2005, including a charge of \$2,400 for estimated obsolete pseudoephedrine inventory on hand, but were generally offset by lower production-related costs. The decrease in the first quarter gross profit percentage was primarily attributable to an unfavorable mix of products sold and the lower volume of pseudoephedrine-containing products, which were typically sold at a margin higher than the average product in the Consumer Healthcare segment.

#### Operating Expenses

First quarter operating expenses for fiscal 2006 increased 8% or \$2,881 during fiscal 2006 compared to fiscal 2005 primarily due to expenses related to the New York facility and amortization of intangible assets related to the Agis acquisition. Amortization expense in the first quarter was \$1,382 for fiscal 2006 and \$178 for fiscal 2005.

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RX PHARMACEUTICALS

	First Quarter	
	2006	2005
Net sales	\$29,094	--
Gross profit	\$11,625	--
Gross profit %	40.0%	--
Operating expenses	\$ 7,789	\$ 1,299
Operating expenses %	26.8%	--
Operating income (loss)	\$ 3,836	\$ (1,299)
Operating income %	13.2%	--

Net Sales and Gross Profit

First quarter net sales and gross profit for fiscal 2006 resulted almost entirely from the Agis acquisition. Gross profit includes a charge of \$1,584 for amortization of product-related intangible assets.

In September 2005, the Company initiated a voluntary retail-level recall of all affected lots of mesalamine rectal suspension, an anti-inflammatory agent used to treat mild to moderate ulcerative colitis, following reports of leakage related to the bottle closure cap. The recall is not safety related and there have been no reports of injury or illness related to the leakage of this product. The cost to write off the value of the Company's on-hand inventories and the cost of return and disposal are estimated to be \$2,750. The charge reduced operating income by \$2,750 and earnings per share by \$0.03 for the first quarter of fiscal 2006.

Operating Expenses

First quarter fiscal 2006 operating expenses increased \$6,490. Approximately 80% of the increase resulted from the Agis acquisition. Research and development spending in this segment increased \$4,243 from the first quarter of fiscal 2005.

ADDITIONAL INFORMATION

First Quarter 2006	API	Other	Unallocated Expenses
Net sales	\$26,791	\$ 35,216	--
Gross profit	\$12,004	\$ 10,496	--
Gross profit %	44.8%	29.8%	
Operating expenses	\$ 5,418	\$ 11,155	\$ 2,156
Operating expenses %	20.2%	31.7%	--
Operating income (loss)	\$ 6,586	\$ (659)	\$ (2,156)
Operating income (loss) %	24.6%	(1.9)%	--

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Three new operating segments were established as a result of the Agis acquisition. The API segment is a reportable segment. The remaining two operating segments, Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products, which comprise the Other category, do not meet the quantitative thresholds required to be separately reportable. Gross profit of the API segment and Other category include charges of \$1,747 and \$2,697, respectively, for the write-off of the step-up in the value of inventory resulting from the Agis acquisition. Amortization expense was \$429 and \$240 for the API segment and Other category, respectively. Unallocated expenses relate to one-time acquisition integration costs and certain corporate services that are not allocated to the segments. Acquisition integration costs were \$600 for the first quarter of fiscal 2006.

#### INTEREST AND OTHER (CONSOLIDATED)

First quarter fiscal 2006 net interest expense was \$3,869, which included interest expense of \$9,347 and interest income of \$5,478. Net interest income was \$357 for the first quarter of fiscal 2005. The overall higher interest expense in the first quarter of fiscal 2006 was due to the level of long-term debt held by the Company compared to the level of invested cash balances in the first quarter of fiscal 2005. The gross amounts of interest expense and income were high in the first quarter of fiscal 2005 due to the outstanding loan and restricted cash deposit of \$400,000 established in connection with the Agis acquisition. Other income was \$1,089 for the first quarter of fiscal 2006 compared to \$483 for the first quarter of fiscal 2005.

#### INCOME TAXES (CONSOLIDATED)

First quarter effective tax rate was 28.1% for fiscal 2006 and 36% for fiscal 2005. The Agis acquisition changed the relative composition of U.S. and Foreign income, which is expected to result in a lower effective tax rate than the Company has historically experienced. This tax rate will fluctuate from quarter to quarter depending on the composition of income before tax. Forty-seven percent of income before tax in the first quarter of fiscal 2006 was contributed by foreign entities, generally Israeli, with a tax rate lower than the U.S. statutory rate. The effective tax rate for succeeding quarters is expected to be higher as the Company's U.S. income is likely to be a higher percentage of the total income than in the first quarter. Additionally, due to its intended sale of an equity investment that will result in a capital gain, the Company released a valuation allowance of \$1,090 on a capital loss carry forward, which reduced income tax expense in the first quarter of fiscal 2006. The Company recorded additional tax expense of \$623 as certain deferred tax assets and liabilities were adjusted as a result of changes in statutory tax rates in Israel. The estimated annualized effective tax rate for fiscal 2006 is between 33% and 34%.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and investment securities decreased \$100,873 to \$40,941 at September 24, 2005 from \$141,814 at September 25, 2004. Working capital, including cash, decreased \$27,624 to \$278,924 at September 24, 2005 from \$306,548 at September 25, 2004. The Company's priorities for use of cash and investment securities include support of seasonal working capital demands, investment in capital assets, repurchase of common stock and acquisition of complementary businesses that could leverage retailer relationships, offer a product niche opportunity or support geographic expansion.

First quarter net cash provided from operating activities increased by \$40,699



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to \$17,722 for fiscal 2006 compared to cash used for operating activities of \$22,977 for fiscal 2005. The contribution of cash flow from operating income of the subsidiaries related to the Agis acquisition offset the reduction in operating income of the Consumer Healthcare segment. The decreased use of cash was primarily due to lower employee bonuses paid in fiscal 2006 and lower accounts receivable from the timing of sales in the Consumer Healthcare segment coupled with reductions in inventory and accounts

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payable from lower production volumes.

First quarter net cash used for investing activities increased \$29,950 to \$6,294 for fiscal 2006 compared to cash provided by investing activities of \$23,656 for fiscal 2005. In the first quarter of fiscal 2005, the Company liquidated securities held in the U.S. in support of seasonal working capital demands.

First quarter capital expenditures for facilities and equipment were for normal replacement and productivity enhancements. Capital expenditures are anticipated to be \$45,000 to \$50,000 for fiscal 2006.

First quarter net cash used for financing activities increased \$2,421 to \$1,903 for fiscal 2006 compared to cash provided by financing activities of \$518 for fiscal 2005. The increase was primarily due to an increase in repurchases of common stock of \$8,436, an increase in payments of short-term debt of \$6,012 and an increase in dividend payments of \$1,254 offset by borrowings of long-term debt of \$15,000.

The Company repurchased 606 shares of its common stock for \$8,558 and 7 shares for \$122 during the first quarter of fiscal 2006 and 2005, respectively. Private party transactions accounted for 110 shares in the first quarter of fiscal 2006 and 7 shares in the first quarter of fiscal 2005.

The Company paid quarterly dividends in the first quarter of \$3,741 and \$2,487, or \$0.04 and \$0.035 per share, for fiscal 2006 and 2005, respectively. The declaration and payment of dividends, if any, is subject to the discretion of the Board of Directors and will depend on the earnings, financial condition and capital and surplus requirements of the Company and other factors the Board of Directors may consider relevant.

### GUARANTIES AND CONTRACTUAL OBLIGATIONS

The Company's Israeli subsidiary has provided a guaranty to a bank to secure the debt of a 50% owned joint venture for approximately \$460, not to exceed 50% of the joint venture's debt that is not recorded on the Company's condensed consolidated balance sheets as of September 24, 2005.

During the first quarter of fiscal 2006, no material change in contractual obligations occurred.

### CRITICAL ACCOUNTING POLICIES

Determination of certain amounts in the Company's financial statements requires the use of estimates. These estimates are based upon the Company's historical experiences combined with management's understanding of current facts and circumstances. Although the estimates are considered reasonable, actual results could differ from the estimates. The accounting policies, discussed below, are considered by management to require the most judgment and are critical in the preparation of the financial statements. These policies are reviewed by the Audit Committee. Other significant accounting policies are included in Note A of the notes to the consolidated financial statements in the Company's annual

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report on Form 10-K for the fiscal year ended June 25, 2005.

Revenue Recognition and Customer Programs - The Company records revenues from product sales when the goods are shipped to the customer. For customers with Free on Board destination terms, a provision is recorded to exclude shipments estimated to be in-transit to these customers at the end of the reporting period. A provision is recorded and accounts receivable are reduced as revenues are

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recognized for estimated losses on credit sales due to customer claims for discounts, price discrepancies, returned goods and other items. A liability is recorded as revenues are recognized for estimated customer program liabilities, as discussed below.

The Company maintains accruals for customer programs that consist primarily of chargebacks, rebates and shelf stock adjustments.

A chargeback relates to an agreement the Company has with a wholesaler, a retail customer that will ultimately purchase product from a wholesaler or a pharmaceutical buying group for a contracted price that is different than the Company's price to the wholesaler. The wholesaler will issue an invoice to the Company for the difference in the contract prices. The accrual for chargebacks is based on historical chargeback experience and estimated wholesaler inventory levels, as well as expected sell-through levels by wholesalers to retailers.

Rebates are payments issued to the customer when certain criteria are met which may include specific levels of product purchases, introduction of new products or other objectives. The accrual for rebates is based on contractual agreements and estimated purchasing levels by customers with such programs. Medicaid rebates are payments made to states for pharmaceutical products covered by the program. The accrual for Medicaid rebates is based on historical trends of rebates paid and current period sales activity.

Shelf stock adjustments are credits issued to reflect decreases in the selling price of a product and are based upon estimates of the amount of product remaining in a customer's inventory at the time of the anticipated price reduction. In many cases, the customer is contractually entitled to such a credit. The accrual for shelf stock adjustments is based on specified terms with certain customers, estimated launch dates of competing products and estimated declines in market price.

Changes in these estimates and assumptions related to customer programs may result in additional accruals. The following table summarizes the activity for the balance sheet for accounts receivable allowances and customer program accruals:

	First Quarter 2006 -----	Fiscal Year 2005 -----	First Quarter 2005 -----
ACCOUNTS RECEIVABLE ALLOWANCES, excluding allowance for doubtful accounts			
Balance, beginning of period	\$ 10,403	\$ 3,691	\$ 3,691
Acquisition	--	5,038	--
Provision recorded	4,167	6,631	--
Credits processed	(4,620)	(4,957)	--

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Balance, end of the period	\$ 9,950	\$ 10,403	\$ 3,691
	=====	=====	=====
CUSTOMER PROGRAM ACCRUALS			
Balance, beginning of period	\$ 41,666	\$ 13,212	\$13,212
Acquisition	--	20,488	--
Provision recorded	29,812	49,612	8,342
Credits processed	(31,349)	(41,646)	(5,344)
	-----	-----	-----
Balance, end of the period	\$ 40,129	\$ 41,666	\$16,210
	=====	=====	=====

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Allowance for Doubtful Accounts - The Company maintains an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts. Changes in these conditions may result in additional allowances. The allowance for doubtful accounts was \$10,207 at September 24, 2005, \$10,370 at June 25, 2005 and \$7,971 at September 25, 2004.

Inventory - The Company maintains an allowance for estimated obsolete or unmarketable inventory based on the difference between the cost of the inventory and its estimated market value. In estimating the allowance, management considers factors such as excess or slow moving inventories, product expiration dating, products on quality hold, current and future customer demand and market conditions. Changes in these conditions may result in additional allowances. The allowance for inventory was \$37,164 at September 24, 2005, \$34,028 at June 25, 2005 and \$21,124 at September 25, 2004.

Goodwill - Goodwill is tested for impairment annually or more frequently if changes in circumstances or the occurrence of events suggest impairment exists. The test for impairment requires the Company to make several estimates about fair value, most of which are based on projected future cash flows. The estimates associated with the goodwill impairment tests are considered critical due to the judgments required in determining fair value amounts, including projected future cash flows. Changes in these estimates may result in the recognition of an impairment loss. The required annual testing is performed in the second quarter of the fiscal year. Goodwill was \$144,362 at September 24, 2005, \$150,293 at June 25, 2005 and \$35,919 at September 25, 2004.

Other Intangible Assets - Other intangible assets subject to amortization consist of developed product technology, distribution and license agreements, customer relationships and trademarks. Most of these assets are amortized over their estimated useful economic lives using the straight-line method. An accelerated method of amortization is used for customer relationships. For intangible assets subject to amortization, an impairment analysis is performed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset is not recoverable and its carrying amount exceeds its fair value. Other intangible assets were \$144,315 at September 24, 2005, \$147,967 at June 25, 2005 and \$8,039 at September 25, 2004.

Product Liability and Workers' Compensation - The Company maintains accruals to provide for claims incurred that are related to product liability and workers' compensation. In estimating these accruals, management considers actuarial

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valuations of exposure based on loss experience. These actuarial valuations include significant estimates and assumptions, which include, but are not limited to, loss development, interest rates, product sales, litigation costs, accident severity and payroll expenses. Changes in these estimates and assumptions may result in additional accruals. The accrual for product liability claims was \$2,182 at September 24, 2005, \$1,930 at June 25, 2005 and \$4,074 at September 25, 2004. The accrual for workers' compensation claims was \$2,703 at September 24, 2005, \$2,472 at June 25, 2005 and \$2,249 at September 25, 2004.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements in Management's Discussion and Analysis of Results of Operations and Financial Condition and other portions of this report are forward-looking statements within the meaning of Section

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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" in the Company's Form 10-K for the year ended June 25, 2005 for a discussion of certain important risk factors that relate to forward-looking statements contained in this report. 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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company is exposed to market risks due to changes in currency exchange rates and interest rates.

The Company is exposed to interest rate changes primarily as a result of interest expense on borrowings used to finance the Agis acquisition and working capital requirements and interest income earned on its investment of cash on hand. As of September 24, 2005, the Company had invested cash, cash equivalents and investment securities of approximately \$41,000 and short and long-term debt, net of restricted cash, of approximately \$290,000.

The Company enters into certain derivative financial instruments, when available on a cost-effective basis, to hedge its underlying economic exposure, particularly related to the management of interest rate risk. Because of the use of certain derivative financial instruments, the Company believes that a significant fluctuation in interest rates in the near future will not have a material impact on the Company's consolidated financial statements. These instruments are managed on a consolidated basis to efficiently net exposures and thus take advantage of any natural offsets. Derivative financial instruments are not used for speculative purposes. Gains and losses on hedging transactions are offset by gains and losses on the underlying exposures being hedged.

The Company has operations in the U.K., Israel, Germany and Mexico. These operations transact business in their local currency and foreign currencies,

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thereby creating exposures to changes in exchange rates. Significant currency fluctuations could adversely impact foreign revenues; however, the Company cannot predict future changes in foreign currency exposure.

### Item 4. Controls and Procedures

As of September 24, 2005, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, has performed an interim review on the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934. Based on that review, as well as an evaluation and consideration of the update described below, the Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures are not effective at a reasonable assurance level. Certain material weaknesses in internal control over financial reporting (ICFR) were identified in fiscal year 2005 in connection with integration and initial internal control assessment activities related to the Agis acquisition (this section of

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Item 4. Controls and Procedures should be read in conjunction with Item 9A. Controls and Procedures, included in the Company's Form 10-K for the fiscal year ended June 25, 2005). As of September 24, 2005, total assets subject to Agis' ICFR represented approximately 40% of the Company's consolidated total assets. Net sales subject to Agis' ICFR represented approximately 35% of the Company's consolidated total net sales for the quarter ended September 24, 2005.

The Company is actively seeking to remedy these material weaknesses. Other than the deficiencies related to the Agis entities, the Chief Executive Officer and Chief Financial Officer did not note any other material weaknesses in the Company's disclosure controls and procedures during their evaluation.

The following is an update on the Company's remediation plan:

- The New York location's information systems infrastructure and related policies were converted to align with the Company's existing infrastructure and policies. Additionally, significant progress has been made on converting this location to the Company's ERP system. This conversion is moving in accordance with the timeline of the plan with expected completion late in the second quarter of fiscal 2006.
- Formal policies to reflect the tone of top management have been introduced to the New York location.
- The Company still expects to report the ICFR for the New York and Germany locations will be effective by the end of fiscal 2006. These two locations represent approximately 18% of the Company's consolidated fiscal 2006 first quarter revenue.
- Limited progress has been made in modification of the Israel locations' information systems infrastructure to align with the Company's standards. However, several formal policies and internal control enhancements are expected to be in place late in the second quarter of fiscal 2006. The Company still anticipates completion of this aspect of the remediation plan in the fourth quarter of fiscal 2006.
- Company management is in the process of deploying certain formal policies to reflect the tone of top management at the Israel locations. This process is expected to be completed late in the second quarter of fiscal 2006.

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- The first stages of an ERP system implementation in Israel are underway.

In connection with the interim evaluation by the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the Company's ICFR pursuant to Rule 13a-15(d) of the Securities Exchange Act of 1934, no changes during the quarter ended September 24, 2005 were identified that have materially affected, or are reasonably likely to materially affect, the Company's ICFR, other than the infrastructure conversion and implementation of policies at the New York location described above.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

In August 2004, the Company agreed to settle with the FTC and states' attorneys general offices which had been investigating a 1998 agreement between Alpharma, Inc. and the Company related to a children's ibuprofen suspension product. The agreement between Alpharma, Inc. and the Company is no longer in effect. The consent order included payment of \$4,750 to resolve all claims by the FTC and state governments as well as certain restrictions on future contractual agreements of this nature. These restrictions are not expected to have a material impact on the Company's future results of operations. The \$4,750 charge was recorded in the fourth quarter of fiscal 2004 and paid in the first quarter of fiscal

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2005.

In connection with the Alpharma, Inc. agreement and the related FTC settlement in fiscal 2004, the Company has been named as a defendant in three suits, two of which are class actions that have been consolidated with one another, filed on behalf of Company customers (i.e., retailers) and the other consisting of four class action suits filed on behalf of indirect Company customers (i.e., consumers), alleging that the plaintiffs overpaid for children's ibuprofen suspension product as a result of the Company's agreement with Alpharma, Inc. While the Company has been defending these claims, it has also participated in settlement negotiations with the plaintiffs. The most recent negotiations lead the Company to believe it may settle all of the lawsuits for a combination of cash payments and product donations, the aggregate value of which the Company anticipates will approximate \$4,500. The Company recorded a charge of \$4,500 in the fourth quarter of fiscal 2005 as its best estimate of the combined expected cost of the settlements. While the Company believes the estimates are reasonable, the amount of future payments cannot be assured and may be materially different than the recorded charge.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 22, 2005, the Board of Directors approved a plan to repurchase shares of common stock with a value of up to \$30,000. This plan will expire on April 21, 2006. On June 21, 2005, the Company announced the implementation of a 10b5-1 plan that allows brokers selected by the Company to repurchase shares on behalf of the Company at times when it would ordinarily not be in the market because of the Company's trading policies. All common stock repurchased is retired upon purchase.

The table below lists the Company's repurchases of shares of common stock during its most recently completed quarter:

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Fiscal 2006	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Value of Shares Available for Purchase
				\$27,100
June 26 to July 30	231	\$13.95	231	\$23,882
July 31 to August 27	187	\$13.74	174	\$21,490
August 28 to September 24	188	\$14.70	91	\$20,160
	---		---	
Total	606		496	

(1) Private party transactions accounted for the purchase of 13 shares in the period from July 31 to August 27 and 97 shares in the period from August 28 to September 24.

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Item 6. Exhibits

Exhibit Number	Description
2(a)	Agreement and Plan of Merger dated as of November 14, 2004, among Registrant, Agis Industries (1983) Ltd. and Perrigo Israel Opportunities Ltd., incorporated by reference from Appendix A to the Registrant's Proxy Statement/Prospectus included in the Registrant's Registration Statement on Form S-4 (No. 333-121574), filed and declared effective on February 14, 2005.
10(a)	First Amendment to Credit Agreement, dated as of September 30, 2005, among Perrigo Company, the Foreign Subsidiary Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders, Bank Leumi USA, as Syndication Agent, and Bank of America, N.A., Standard Federal Bank N.A. and National City Bank of the Midwest, as Documentation Agents.
10(b)	Foreign Subsidiary Borrower Agreement, dated as of September 26, 2005, among Chemagis (Germany) GmbH, Perrigo Company and JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement, dated as of March 16, 2005, among Perrigo Company, the Foreign Subsidiary Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank Leumi USA, as Syndication Agent, and Bank of America, N.A., Standard Federal Bank N.A. and National City Bank of the Midwest, as Documentation Agents.
31	Rule 13a-14(a) Certifications.
32	Section 1350 Certifications.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERRIGO COMPANY  
(Registrant)

Date: October 26, 2005 By: /s/ David T. Gibbons

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David T. Gibbons  
Chairman, President and Chief Executive Officer

Date: October 26, 2005 By: /s/ Douglas R. Schrank

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Douglas R. Schrank  
Executive Vice President and Chief Financial Officer  
(Principal Accounting and Financial Officer)