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**LANNETT COMPANY SIGNS RESEARCH AGREEMENT WITH PHARMASEED
BIOSERVICES FOR TOPICAL PHARMACEUTICAL PRODUCT**

Philadelphia, PA – January 3, 2006 – Lannett Company, Inc. (AMEX:LCI) today announced that it has signed a research agreement with PharmaSeed Bioservices, a drug development company based in Israel.

Under the agreement, PharmaSeed will formulate a certain topical pharmaceutical product, sales of which were more than \$300 million in 2005, according to Wolters Kluwer. Lannett will assemble, submit and own the Abbreviated New Drug Application (ANDA) for this product and, upon approval, market the product in the U.S. Lannett also has worldwide distribution rights to this product and will begin submitting applications with appropriate regulatory authorities in international markets.

Currently, this product is covered by a patent, which Lannett may challenge by notifying the innovator company through a Notice of Paragraph IV Certification.

“This product is a large market opportunity drug, with a significant barrier to entry,” said Arthur Bedrosian, president and chief executive officer of Lannett. “We look forward to partnering with PharmaSeed Bioservices on this important product and adding a new dosage form to our portfolio.”

Bedrosian added that Lannett expects to engage a manufacturer of topical pharmaceuticals to produce this product.

About PharmaSeed Bioservices:

PharmaSeed Bioservices is the operating arm of PharmaSeed Ltd., a bio-pharmaceutical company specializing in drug discovery and early development phases. The company provides pre-clinical and consulting services to companies in the fields of medical devices, biotechnology and pharmaceuticals.

About Lannett Company:

Lannett Company, founded in 1942, develops, manufactures, packages, markets and distributes generic pharmaceutical products for a wide range of indications. For more information, visit Lannett Company’s website at www.lannett.com.

This news release contains certain statements of a forward-looking nature relating to future events or future business performance. Any such statements, whether expressed or implied, are subject to risks and uncertainties which can cause actual results to differ materially from those currently anticipated due to a number of factors which include, but are not limited to, the difficulty in predicting the timing or outcome of FDA or other regulatory approvals or actions, the ability to successfully commercialize products upon approval, Lannett's estimated or anticipated future financial results, future inventory levels, future competition or pricing, future levels of operating expenses, product development efforts or performance, and other risk factors discussed in the company's Form 10-K and other documents filed with the Securities and Exchange Commission from time to time. These forward-looking statements represent the company's judgment as of the date of this news release. The company disclaims any intent or obligation to update these forward-looking statements.

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