

FOREST LABORATORIES INC
Form 10-Q
November 14, 2003

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the Quarterly Period Ended September 30, 2003

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

For the transition period from ____ to ____

Commission File No. 1-5438

FOREST LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

11-1798614

*(State or other jurisdiction of
incorporation or organization)*

*(I.R.S. Employer
Identification Number)*

909 Third Avenue
New York, New York

10022-4731

(Address of principal executive offices)

(Zip code)

(212) 421-7850

(Registrant's telephone number, including area code)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

Number of shares outstanding of Registrant's Common Stock as of November 14, 2003:
365,631,212.

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FOREST LABORATORIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(In thousands)	September 30, 2003 <u>(Unaudited)</u>	<u>March 31, 2003</u>
<u>Assets</u>		
Current assets:		
Cash (including cash equivalent investments of \$1,453,482 in September and \$1,263,156 in March)	\$1,454,580	\$1,265,508
Marketable securities	57,147	176,338
Accounts receivable, less allowance for doubtful accounts of \$18,747 in September and \$16,925 in March	227,537	192,067
Inventories, net	492,779	452,886
Deferred income taxes	149,058	156,957
Other current assets	<u>19,070</u>	<u>11,577</u>
Total current assets	<u>2,400,171</u>	<u>2,255,333</u>
Marketable securities	<u>272,307</u>	<u>114,639</u>
Property, plant and equipment	340,513	304,818
Less: accumulated depreciation	<u>96,717</u>	<u>86,820</u>
	<u>243,796</u>	<u>217,998</u>

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Other assets:		
Goodwill	14,965	14,965
License agreements, product rights and other intangibles, less accumulated amortization of \$232,667 in September and \$221,099 in March	260,217	279,171
Deferred income taxes	18,602	17,627
Other	<u>16,957</u>	<u>18,374</u>
Total other assets	<u>310,741</u>	<u>330,137</u>
Total assets	\$3,227,015 =====	\$2,918,107 =====

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2003	
(In thousands, except for par values)	<u>(Unaudited)</u>	<u>March 31, 2003</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 77,808	\$ 151,719
Accrued expenses	266,902	245,240
Income taxes payable	<u>117,078</u>	<u>167,438</u>
Total current liabilities	<u>461,788</u>	<u>564,397</u>
Deferred income taxes	<u>1,453</u>	<u>1,892</u>
Stockholders' equity:		
Series A junior participating preferred stock, \$1.00 par; shares authorized 1,000; no shares issued or outstanding		
Common stock, \$.10 par; shares authorized 500,000; issued 401,143 shares in September and 399,011 shares in March	40,114	39,901

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Capital in excess of par	731,118	687,905
Retained earnings	2,284,334	1,920,060
Accumulated other comprehensive income (loss)	3,081	(3,429)
Treasury stock, at cost (35,584 shares in September and 35,539 shares in March)	(<u>294,873</u>)	(<u>292,619</u>)
Total stockholders' equity	<u>2,763,774</u>	<u>2,351,818</u>
Total liabilities and stockholders' equity	\$3,227,015	\$2,918,107
	=====	=====

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net sales	\$619,157	\$531,599	\$1,224,905	\$ 998,788
Other income	<u>6,368</u>	<u>13,017</u>	<u>15,049</u>	<u>24,625</u>
	<u>625,525</u>	<u>544,616</u>	<u>1,239,954</u>	<u>1,023,413</u>
Costs and expenses:				
Cost of sales	137,835	119,833	278,503	230,506
Selling, general and administrative	191,042	184,895	382,536	339,820
Research and development	<u>61,820</u>	<u>51,318</u>	<u>115,167</u>	<u>101,585</u>
	<u>390,697</u>	<u>356,046</u>	<u>776,206</u>	<u>671,911</u>
Income before income tax expense	234,828	188,570	463,748	351,502

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Income tax expense	<u>50,371</u>	<u>45,728</u>	<u>99,474</u>	<u>84,832</u>
Net income	\$184,457 =====	\$142,842 =====	\$ 364,274 =====	\$ 266,670 =====
Net income per common and common equivalent share:				
Basic	\$0.51 =====	\$0.40 =====	\$1.00 =====	\$0.74 =====
Diluted	\$0.49 =====	\$0.38 =====	\$0.97 =====	\$0.72 =====
Weighted average number of common and common equivalent shares outstanding:				
Basic	365,081 =====	359,606 =====	364,451 =====	359,228 =====
Diluted	375,108 =====	371,446 =====	375,268 =====	371,498 =====

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income	\$184,457	\$142,842	\$364,274	\$266,670
Other comprehensive income (loss)	<u>1,947</u>	<u>(2,268)</u>	<u>6,510</u>	<u>11,522</u>
Comprehensive income	\$186,404 =====	\$140,574 =====	\$370,784 =====	\$278,192 =====

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Six Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 364,274	\$266,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,428	8,564
Amortization, impairments and write-offs	24,113	18,929
Deferred income tax benefit	(1,235)	(63,005)
Foreign currency translation loss (gain)	1,023	(379)
Tax benefit realized from the exercise of stock options by employees	29,034	24,295
Net change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable, net	(35,470)	(39,158)
Inventories, net	(39,893)	(46,181)
Refundable income taxes		12,733
Other current assets	(7,493)	(745)
Increase (decrease) in:		
Accounts payable	(73,911)	(6,215)
Accrued expenses	21,662	56,567
Income taxes payable	(50,360)	48,218
Decrease (increase) in other assets	<u>1,417</u>	<u>(102)</u>
Net cash provided by operating activities	<u>243,589</u>	<u>280,191</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment, net	(35,986)	(33,894)
Purchase of marketable securities	(405,431)	(521,876)
Redemption of marketable securities	366,954	638,163

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Purchase of license agreements, product rights and other intangibles	(5,000)	(43,960)
Net cash provided by (used in) investing activities	(79,463)	38,433
Cash flows from financing activities:		
Net proceeds from common stock options exercised by employees under stock option plans	19,858	13,967
Effect of exchange rate changes on cash	5,088	11,395
Increase in cash and cash equivalents	189,072	343,986
Cash and cash equivalents, beginning of period	1,265,508	459,861
Cash and cash equivalents, end of period	\$1,454,580	\$803,847
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$121,969	\$62,825

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 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 only normal recurring accruals) considered necessary for a fair presentation have been

date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied as required by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." The Company has never granted options below market price on the date of grant.

SFAS 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants for the three and six-month periods ended September 30, 2003 and September 30, 2002: dividend yield of zero; expected volatility of 35.04% and 31.29%, respectively; risk-free interest rate of 4.3%; and expected lives of 5 to 10 years.

Under the accounting provisions of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Net income:				
As reported	\$184,457	\$142,842	\$364,274	\$266,670
Deduct: Total stock-based employee compensation expense determined under fair value method	(8,661)	(6,199)	(17,118)	(12,059)
Pro forma	\$175,796	\$136,643	\$347,156	\$254,611
	=====	=====	=====	=====
Net income per common share:				
Basic:				
As reported	\$0.51	\$0.40	\$1.00	\$0.74
Pro forma	\$0.49	\$0.38	\$0.95	\$0.71
Diluted:				
As reported	\$0.49	\$0.38	\$0.97	\$0.72
Pro forma	\$0.47	\$0.36	\$0.92	\$0.69

FOREST LABORATORIES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies

The following accounting policies are important in understanding the Company's financial condition and results of operations and should be considered an integral part of the financial review. Refer to Notes 1 through 4 to the consolidated financial statements for additional policies.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses during the reporting period. Estimates are made when accounting for sales allowances, returns, rebates and other pricing adjustments, depreciation, amortization and certain contingencies. The Company is subject to risks and uncertainties, which may include but are not be limited to competition, federal or local legislation and regulations, litigation and overall changes in the healthcare environment that may cause actual results to vary from estimates. The Company reviews all significant estimates affecting the financial statements on a recurring basis and records the effect of any adjustments when necessary. Certain of these risks, uncertainties and assumptions are discussed further under the section entitled "Forward Looking Statements".

Goodwill and Other Intangible Assets

The Company has made acquisitions in the past that include goodwill, license agreements, product rights and other intangibles. Through fiscal 2001, these assets were amortized over their estimated useful lives, and were tested periodically to determine if they were recoverable from operating earnings on an undiscounted basis over their useful lives.

Effective with fiscal 2002, goodwill was no longer amortized but is subject to an annual impairment test based on its estimated fair value. License agreements, product rights and other intangibles will continue to be amortized over their useful lives and tested periodically to determine if they are recoverable from operating earnings on an undiscounted basis over their useful lives.

Revenue Recognition

Revenues are recorded in the period the merchandise is shipped. Provisions for estimated sales allowances, returns, rebates and other pricing adjustments are accrued at the time revenues are recognized as a direct reduction of such revenue. The accruals are estimated based on available information regarding the portion of sales on which rebates and discounts can be earned, adjusted as appropriate for specific known events, and the prevailing contractual discount rates. Provisions are reflected either as a direct reduction to accounts receivable or, to the extent that they are due to entities other than customers, as accrued expense. Adjustments to estimates, which have not been material, are recorded when customer credits are issued or payments are made to third parties.

Financial Condition and Liquidity

Net current assets increased by \$247,447,000 from March 31, 2003. Cash and cash equivalents increased by \$189,072,000 and marketable securities increased in total by \$38,477,000 during the period due to operating activities. During the period, the composition of marketable securities shifted in favor of longer term securities in order to receive more favorable rates of return. The increase in accounts receivable was the result of wholesaler ordering patterns which resulted in more sales which were not yet due for payment under our normal payment terms. Several major wholesalers purchase products on Monday and Tuesday and there were five Mondays and Tuesdays within our 30-day payment terms at the end of the quarter. The increase in inventories during the period was due to raw materials, which increased in volume to support increasing sales and included a change in the mix of materials held for sale and materials held for sampling. Under our licensing arrangements for Celexa™ (citalopram) and Lexapro™ (escitalopram oxalate), raw materials for sampling are purchased at a discount. Included in inventory are goods held for both sales and sampling. During its launch, samples of Lexapro comprised a greater proportion of inventory. In addition, subsequent to the launch of Lexapro, Celexa was no longer promoted and sampling has been minimal. The change in the mix of inventory has no impact on gross margin and sample expense is a component of selling, general and administrative expenses. The decrease in accounts payable resulted principally from the timing of deliveries of raw material for Celexa and Lexapro near the end of the March 31, 2003 period. As a result, payment for a larger portion of the deliveries through March 31, 2003 was not yet due under normal payment terms.

Property, plant and equipment increased as the result of the continuing expansion of the Company's facilities in order to meet current and future product and research and development demands. On Long Island, the Company is nearing completion of a 100,000 square foot research and development laboratory and has begun the expansion of its packaging and distribution facility, which will add approximately 185,000 square feet to that location. Further property expansions and acquisitions are planned in the future to meet the needs from increased sales and related production, warehousing and distribution and for products under development.

The Company is a party to several license agreements for products currently under development that may obligate Forest, in future periods, to pay additional amounts subject to the achievement of certain product development milestones, as defined. During the second quarter the Company announced that it has discontinued development of dexloxyglumide for irritable bowel syndrome ("IBS"), causing a write-off of the license agreement of \$12,545,000 to research and development expense.

Management believes that current cash levels, coupled with funds to be generated by ongoing operations, will continue to provide adequate liquidity to facilitate potential acquisitions of products and capital investments.

Results of Operations

Net sales for the three and six months ended September 30, 2003 increased \$87,558,000 and \$226,117,000, respectively, from the same periods of last year, primarily due to the launch of Lexapro. Lexapro, which was launched in September 2002 and included initial stocking of \$21,749,000, contributed \$210,682,000 and \$401,674,000, respectively, to the net sales change. A portion of Lexapro's market share has come from Celexa. Consequently sales of Celexa declined \$103,685,000 and \$170,403,000, respectively from the same periods of the prior year primarily due to volume. The Company anticipates further declines in Celexa sales as Lexapro continues to gain market share. At the end of the quarter, Lexapro had achieved a 12.6% share of total prescriptions in the SSRI market, while Celexa's share declined to 11.0% from a peak share of 17.5% in August 2002. Lexapro has patent protection until 2009 and the Company has applied for an extension to 2011. On August 11, 2003 the Company received notification from a generic manufacturer that it had filed an Abbreviated New Drug Application ("ANDA") with a Paragraph IV Certification with the Food and Drug Administration ("FDA") for a generic equivalent to Lexapro. The Company believes that its patents on Lexapro are valid and expects to defend its rights under those patents which would preclude the introduction of a generic product at least until after the expiration of our substance patent, including patent extension, which will be in 2011. The Company has commenced an action for patent infringement against the third party ANDA filer. Celexa has Hatch-Waxman marketing exclusivity through July 2003 and was granted a six-month extension based upon the submission of results of clinical studies in depressed pediatric patients. Therefore, January 2004 is the first date at which a generic competitor may file an ANDA for review by the FDA. In April 2003, a generic equivalent to the Company's Tiazac was introduced into the market, resulting in a decrease in sales of \$25,785,000 for the quarter and \$35,311,000 for the six months. The Company has ceased all promotional efforts for Tiazac as of September 2003 and expects further declines in sales of its Tiazac brand as generic substitution rates continue to increase. During the June 2003 quarter, the Company introduced its own generic version of Tiazac. Sales of that product in the September 2003 quarter were \$2,590,000 and for the six months were \$22,443,000, including initial stocking. The remainder of the net sales increase of \$3,756,000 and \$7,714,000 for the periods presented was comprised of price increases of \$21,925,000 and \$28,702,000 offset by volume declines of \$18,701,000 and \$22,917,000.

Other income for the three and six months ended September 2003 decreased over the same periods of last year as the prior year included capital gains on the liquidation of certain long-term investments, a gain on the sale of assets and interest on tax refunds. Interest income also decreased as the Company received lower rates of return on invested funds during the current periods.

Cost of sales as a percentage of net sales for the three and six-month periods ended September 2003, was 22% and 23%, respectively as compared to 23% for the same periods last year. The improvement was the result of an increase

in overall plant utilization and of product mix, as our antidepressant franchise, which has a relatively lower cost of goods, increased to 83% of the total consolidated net sales for the current quarter as compared to 77% for the same quarter of last year.

Selling, general and administrative expenses increased \$6,147,000 and \$42,716,000 for the three and six-month periods ended September 30, 2003, respectively, as compared to the same periods last year. The increase was due to expanded sales and marketing activities related in large part to ongoing promotion of Lexapro and pre-launch expenses for Namenda™ (memantine HCL). On October 17, 2003, the Company received FDA approval of Namenda for the treatment of moderate to severe Alzheimer's disease. The Company expects to begin shipping Namenda to its customers in December. In September 2003, the Company received an approvable letter from the FDA for its Generalized Anxiety Disorder ("GAD") indication for Lexapro. The Company is currently planning to launch and commence promotional activities for Lexapro's new GAD indication and Namenda in the fourth fiscal quarter. The Company will expand its salesforce in anticipation of those product launches and expects that the cost of the expanded salesforce, including initial hiring and training costs, together with the promotional costs will result in an increase in selling, general and administrative expenses in the second half of the year.

Research and development expense increased by \$10,502,000 and \$13,582,000 for the three and six-month periods ended September 30, 2003, respectively. The current quarter included a one-time write-off of dexlorglumide, after its phase III clinical program for the treatment of IBS failed to achieve statistically significant results. The Company continues to conduct clinical trials for additional indications for Lexapro. In September 2003 Lexapro received an approvable letter from the FDA for the treatment of GAD. In May 2003, a supplemental New Drug Application ("sNDA") was filed to expand Lexapro's labeling to include panic disorder. On October 17, 2003, the Company received FDA approval to market memantine for the treatment of moderate to severe Alzheimer's disease. The Company will market memantine for this indication under the trade name Namenda. Memantine is also being studied for the treatment of mild to moderate Alzheimer's disease as well as the additional indication for neuropathic pain. Other products currently in our pipeline for which clinical studies are being conducted include: neramexane, a follow-on NMDA receptor antagonist to memantine, which is currently in Phase II clinical trials and is being tested for various CNS disorders; Aerospan® for asthma and oxycodone/ibuprofen for moderate to severe pain, both of which received approvable letters and remain under review with the FDA. Forest received an approvable letter from the FDA in August 2002 regarding lercanidipine for the treatment of hypertension. In December 2002, the FDA indicated that it would require the Company to conduct additional clinical trials in order to approve the dosing regimen requested by Forest. The Company is presently re-formulating lercanidipine and developing a clinical program to support the requested dosing regimen. During fiscal 2003, the FDA determined that the NDA for acamprosate, for the treatment of alcohol dependence, was non-approvable. Subsequently, the FDA has agreed to accept a resubmission of the NDA with a re-analysis of existing safety and efficacy data. The Company anticipates further increases in research and development for the remainder of this fiscal year and beyond.

The effective income tax rate, as anticipated, declined to 21% in the quarter and six months ended September 30, 2003, as compared to 24% from the same period last year. The lower effective tax rate was a direct result of the increase in the proportion of income recognized by our Irish subsidiary, which is both the licensee and manufacturer of Lexapro, Celexa, and several other products under development, including Namenda which will be launched later this year. The Company's Irish subsidiary is subject to a significantly lower tax rate than the rate in effect in the United States.

The Company expects to continue its profitability during the current fiscal year with continued growth in its principal promoted products.

Inflation has not had a material effect on the Company's operations for the periods presented.

Forward Looking Statements

Except for the historical information contained herein, the Management Discussion and other portions of this Form 10-Q contain forward looking statements that involve a number of risks and uncertainties, including the difficulty of predicting FDA approvals, acceptance and demand for new pharmaceutical products, the impact of competitive products and pricing, the timely development and launch of new products and the risk factors listed from time to time in the Company's filings with the SEC, including the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, operations of the Company may be exposed to fluctuations in currency values and interest rates. These fluctuations can vary the costs of financing, investing and operating transactions. Because the Company had no debt and only minimal foreign currency transactions, there was no material impact on earnings due to fluctuations in interest and currency exchange rates.

Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

Reference is hereby made to the Company's Annual Report on Form 10-K (the "2003 Form 10-K") for the fiscal year ended March 31, 2003, for a description of certain legal proceedings to which the Company is a party.

During the quarter, the Company was named as a defendant in two additional actions which have been transferred to the United States District Court for the District of Massachusetts for coordination with the litigation captioned "In re Pharmaceutical Industry AWP Litigation". The additional actions were brought on behalf of Westchester and Rockland Counties, New York, alleging essentially identical claims to the action brought by Suffolk County, New York, described in the 2003 Form 10-K. Motions to dismiss are currently pending in this litigation.

In September 2003, the Company, together with H. Lundbeck A/S, filed an action for patent infringement against Ivax Pharmaceuticals, Inc. in the United States District Court for the District of Delaware under the caption "Forest Laboratories, Inc., Forest Laboratories Ireland, Ltd. and H. Lundbeck A/S v. Ivax Pharmaceuticals, Inc." The action is based upon the filing by Ivax with the Food and Drug Administration of an Abbreviated New Drug Application (an "ANDA") for a generic equivalent to the Company's Lexapro™ brand

escitalopram oxalate. The Ivax ANDA seeks approval to market the generic product prior to the expiration of the Company's Lexapro patent which the Company expects to extend until 2011. Ivax has denied that the manufacture or marketing of its generic product, if approved by the FDA, would infringe the Company's patent and has asserted a counterclaim to the effect that the Company's Lexapro patent is invalid.

The Company believes its patent is valid and intends to vigorously prosecute this action, including the defense of the Ivax counterclaim. This action is currently in its preliminary stages.

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The registrant held its annual meeting of stockholders on August 11, 2003.
- (b) N/A
- (c) At the annual meeting, holders of the registrant's Common Stock voted for the election of seven members of the registrant's Board of Directors to serve until the next annual meeting and until their successors are duly elected and qualified. The proposal to amend the Company's Certificate of Incorporation to authorize additional shares of the Company's Common Stock failed to receive the required majority of the issued and outstanding Common Stock and was not approved. Holders of the registrant's Common Stock voted for the ratification of BDO Seidman, LLP to serve as the registrant's independent certified public accountants for the fiscal year ending March 31, 2004.

At the meeting, the following votes for and against, as well as the number of abstentions and broker non-votes were recorded for each matter as set forth below:

Matter	For	Against	Abstain	Withhold Authority	Broker Non-Votes
Election of Directors:					
Howard Solomon	234,904,885			83,258,796	
Kenneth E. Goodman	232,514,760			85,648,921	
Phillip M. Satow	201,379,839			116,783,842	
William J. Candee III	280,599,093			37,564,588	
George S. Cohan	298,691,086			19,472,595	
Dan L. Goldwasser	296,853,066			21,310,615	
Lester B. Salans	298,789,662			19,374,019	
Ratification of Amendment of the Company's Certificate of Incorporation to authorize additional shares of the Company's Common Stock					
	164,639,037	151,555,347	1,969,297		

Ratification of Independent Public Accountants	311,923,865	4,387,298	1,852,518
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Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 31.1, Exhibit 31.2, Exhibit 32.1 and Exhibit 32.2
- (b) Reports on Form 8-K. On July 15, 2003 the Company furnished a current report on Form 8-K to file its earnings press release for the quarter ended June 30, 2003.

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.

Date: November 14, 2003

Forest Laboratories, Inc.

(Registrant)

/s/ Howard Solomon

Howard Solomon
Chairman of the Board,
Chief Executive Officer
and Director

/s/ John E. Eggers

John E. Eggers
Vice President - Finance and
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Howard Solomon, Chairman of the Board, Chief Executive Officer and Director, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forest Laboratories, Inc. ("the Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 14, 2003

/s/ Howard Solomon

Howard Solomon
Chairman of the Board,
Chief Executive Officer
and Director

Exhibit 31.2

CERTIFICATION

I, John E. Eggers, Vice President - Finance and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forest Laboratories, Inc. ("the Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the

Company's ability to record, process, summarize and report financial information; and

- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 14, 2003

/s/ John E. Eggers

John E. Eggers
Vice President - Finance and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Forest Laboratories, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard Solomon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Howard Solomon

Howard Solomon
Chairman of the Board,
Chief Executive Officer
and Director
November 14, 2003

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Forest Laboratories, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Eggers, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John E. Eggers

John E. Eggers
Vice President - Finance and
Chief Financial Officer
November 14, 2003