FOREST LABORATORIES INC
Form 10-K
May 29, 2009

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

_____

FORM 10-K

(Mark one)

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

For the Fiscal Year Ended March 31, 2009

oTRANSITION 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 (State or other jurisdiction of incorporation or organization)	11-1798614 (I.R.S. Employer Identification Number)
909 Third Avenue New York, New York (Address of principal executive offices)	10022-4731 (Zip code)

(212) 421-7850
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the act:

None

1

Table of Contents

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X .

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 X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the Proxy Statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ..

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2008 was $8,460,949,990.

Number of shares outstanding of the registrant's Common Stock as of May 28, 2009: 301,616,739.

The following documents are incorporated by reference herein:

Portions of the definitive proxy statement to be filed pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 in connection with the 2009 Annual Meeting of Stockholders of registrant have been incorporated by reference into Part III of this Form 10-K.

Portions of the registrant's Annual Report to Stockholders for the fiscal year ended March 31, 2009 have been incorporated by reference into Parts II and IV of this Form 10-K.

Table of Contents

TABLE OF CONTENTS

(Quick Links)

EXHIBIT 23
EXHIBIT 31.1
EXHIBIT 31.2
EXHIBIT 32.1
EXHIBIT 32.2
EXHIBIT 101.INS
EXHIBIT 101.SCH
EXHIBIT 101.PRE
EXHIBIT 101.CAL
EXHIBIT 101.LAB
EXHIBIT 101.DEF

Table of Contents

PART I

ITEM 1. BUSINESS

General

Forest Laboratories, Inc. and its subsidiaries develop, manufacture and sell both branded and generic forms of ethical drug products which require a physician's prescription. Our most important United States products consist of branded ethical drug specialties marketed directly, or "detailed," to physicians by our Forest Pharmaceuticals, Forest Therapeutics, Forest Healthcare, Forest Ethicare and Forest Specialty Sales salesforces. We emphasize detailing to physicians of those branded ethical drugs which we believe have the most potential for growth and benefit to patients, and the development and introduction of new products, including products developed in collaboration with licensing partners.

Our products include those developed by us and those acquired from other pharmaceutical companies and integrated into our marketing and distribution systems.

We are a Delaware corporation organized in 1956, and our principal executive offices are located at 909 Third Avenue, New York, New York 10022 (telephone number 212-421-7850). Our corporate website address is http://www.frx.com. We make all electronic filings with the Securities and Exchange Commission (or SEC), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those Reports available on our corporate website free of charge as soon as practicable after filing with or furnishing to the SEC.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report contains 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 impact of legislative and regulatory developments on the manufacture and marketing of pharmaceutical products and the uncertainty and timing of the development and launch of new pharmaceutical products. This report contains forward-looking statements that are based on Management's current expectations, estimates, and projections. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “forecasts,” variations of these words and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under “Item 1A. Risk Factors” of this report, may cause actual results to differ materially from current expectations, estimates, projections, forecasts and from past results. No assurance can be made that any expectation, estimate or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Forest undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments. We disclaim any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Table of Contents

Recent Developments

The following is a summary of selected key developments affecting our business during the fiscal year ended March 31, 2009, including developments regarding our marketed products and products in various stages of development.

Savella™: In January 2009 we received approval for the marketing of Savella (milnacipran HCl), a selective serotonin and norepinephrine reuptake inhibitor (or SNRI), for the management of fibromyalgia. Fibromyalgia is a chronic condition characterized by widespread pain and decreased physical function and affects as many as six million people in the United States. The safety and efficacy of Savella was established in two Phase III trials conducted in the United States and submitted with the New Drug Application (or NDA) involving more than 2,000 patients with fibromyalgia. We license the United States and Canadian rights to develop and commercialize Savella from Cypress Bioscience, Inc. (or Cypress). Pursuant to our collaboration agreement with Cypress, we made approximately $50 million in upfront and development milestone payments, as well as a $25 million milestone payment upon approval by the United States Food and Drug Administration (or FDA). We will also pay Cypress royalties based on net sales of Savella. We are responsible for sales and marketing activities, and Cypress will also perform a portion of details to specialty physicians on a fee-for-service basis. Our license agreement includes two patents covering the use of Savella as a treatment for fibromyalgia. These patents expire in 2021 and we filed for a patent term extension until 2023. In addition, as a new chemical entity not previously approved by the FDA, Savella will qualify for five years of marketing exclusivity under the Drug Price Competition and Patent Restoration Act of 1984, commonly known as the Hatch-Waxman Act. Savella became available to trade channels in April 2009 at which time we began detailing to physicians.

Dutogliptin: In October 2008, we entered into a collaboration agreement with Phenomix Corporation (or Phenomix) to develop and commercialize dutogliptin in North America. Dutogliptin is a proprietary orally administered, small molecule dipeptidyl-peptidase-4 (or DPP-4) inhibitor currently undergoing Phase III studies for the treatment of Type II diabetes mellitus. Under the terms of our collaboration agreement, we made an upfront payment to Phenomix of $75 million. Phenomix and Forest will jointly fund the development of dutogliptin in the United States and we will share profits and losses with Phenomix. Phenomix will be responsible for the promotion of dutogliptin to certain specialists, with Forest promoting to both primary care and specialty physicians. In Canada and Mexico, Forest has exclusive development and marketing rights and Phenomix will receive a royalty based upon net sales in these countries. Phenomix retains development and commercialization rights to the product outside of North America and Mexico and will pay Forest a royalty on net sales in these territories.

Dutogliptin inhibits DPP-4 enzymes from breaking down the incretin hormone glucagon-like peptide 1 (or GLP-1), thereby increasing the levels of this hormone in the digestive tract and the blood. The increased levels of GLP-1 stimulate insulin production by the pancreatic beta cells and reduce glucagon production by the pancreas, both of which result in reduced blood glucose levels.

In a double-blind, randomized 12-week, 422 patient, placebo-controlled Phase II(b) clinical trial, dutogliptin met all primary and secondary endpoints, including statistically significant reductions in HbA1c when administered once-daily in combination with metformin, a glitazone, or metformin and a glitazone for the treatment of Type II diabetes. Dutogliptin was also well tolerated. In addition to five years of Hatch-Waxman exclusivity that would be granted upon approval, dutogliptin is covered by a U.S. composition of matter patent that expires in 2024, subject to possible patent term extension.

Table of Contents

F2695: In December 2008, we entered into a collaboration agreement with Pierre Fabre Medicament (or Pierre Fabre) for the development and commercialization of F2695 in the United States and Canada. F2695 is a proprietary selective norepinephrine and serotonin reuptake inhibitor, two neurotransmitters known to play an essential role in regulating mood, and is being developed for the treatment of depression. Under the terms of our agreement, we made an upfront payment to Pierre Fabre of $75 million and are obligated to pay future development milestones. We have assumed responsibility for the clinical development and commercialization of F2695 in the United States and Canada, while Pierre Fabre will fund all pre-clinical development and drug substance manufacturing activities.

In a recently completed European placebo-controlled, double-blind Phase II study of F2695 in over 550 patients with major depressive disorder, the compound demonstrated statistically significant improvement compared to placebo ($p<0.0001$) on the primary endpoint, the change from baseline in total score on the Montgomery-Asberg Depression Rating Scale (or MADRS) and for a secondary endpoint, the Hamilton Depression Scale (or HAMD-17) as well as in response and remission rates using both the MADRS and HAMD-17. F2695 demonstrated symptom improvement compared to placebo within two weeks after treatment initiation. F2695 is an isomer of milnacipran and is protected by a method of use patent that extends through June 2023, subject to patent term extension. We also anticipate that under the Food and Drug Administration Amendments Acts of 2007, F2695 will qualify for five years of Hatch-Waxman exclusivity upon approval.

Bystolic®: In December 2007 we received approval from the FDA for the marketing of Bystolic for the treatment of hypertension. We commenced the sale and marketing of Bystolic in January 2008. Bystolic is a beta-1 selective beta-blocker with vasodilating properties. In its Phase III study program, Bystolic demonstrated significant reductions in sitting diastolic and systolic blood pressure in a general hypertension population. The studies also found that Bystolic was well tolerated, with a low incidence of side effects traditionally associated with beta-blockers. Bystolic has received five years of marketing exclusivity under the Hatch-Waxman Act and is also covered by a U.S. pharmaceutical composition of matter patent set to expire in 2020. We have filed for patent term extension until 2021. See “Business – Patents and Trademarks.” Hypertension affects approximately 72 million adults in the United States and a substantial number of patients diagnosed with hypertension have not reduced their blood pressure to an acceptable range.

In fiscal 2009, Bystolic achieved net sales of $69,238,000.

We recently filed a supplemental New Drug Application (or sNDA) for a congestive heart failure indication based on a single large Phase III study.

We license exclusive U.S. and Canadian rights to Bystolic from Mylan Inc. (or Mylan). In February 2008, we amended our license agreement with Mylan to terminate Mylan’s further commercial rights for Bystolic in the U.S. and Canada and to reduce future payment obligations to Mylan. Pursuant to the amendment, we made a one-time cash payment of $370 million to Mylan. Following such payment, we remain obligated to pay Mylan its original contractual royalties for a period of three years, after which our royalty rate will be reduced.

Cerexa, Inc.: On January 10, 2007, we acquired Cerexa, Inc. (or Cerexa), a biopharmaceutical company based in Oakland, California, in a cash merger pursuant to which Cerexa became a wholly-owned subsidiary of Forest.

Table of Contents

Pursuant to the merger, we acquired worldwide development and marketing rights (excluding Japan) to ceftaroline acetate (or ceftaroline), a next generation, broad-spectrum, hospital-based injectable cephalosporin antibiotic that exhibits bactericidal activity against the most resistant strains of gram-positive bacteria, including MRSA (methicillin resistant Staphylococcus aureus) in patients with complicated skin and skin structure infections (or cSSSI). Ceftaroline has also demonstrated bactericidal activity against penicillin resistant Streptococcus pneumonia and common gram-negative bacteria. Ceftaroline is being developed initially for the cSSSI indication and for the treatment of community acquired pneumonia (or CAP). In June 2008, we announced positive results from two globally conducted multi-center Phase III studies in the treatment of cSSSI. In both studies, ceftaroline as a monotherapy achieved the primary endpoint of non-inferiority versus a combination of vancomycin plus aztreonam. The studies also indicated that ceftaroline was generally well-tolerated. Additionally, two Phase III studies in CAP are on-going and we anticipate the CAP results in calendar 2009. Based on positive results from both indications, we anticipate submitting a New Drug Application to the FDA around the end of calendar 2009.

The rights to ceftaroline are in-licensed by Cerexa on an exclusive basis from Takeda Pharmaceutical Company. In addition to five years of Hatch-Waxman exclusivity that would be granted upon approval, ceftaroline is covered by a U.S. composition of matter patent that expires in 2018, subject to possible patent term extension. Ceftaroline is also covered by two U.S. patents that relate to the ceftaroline formulation that expire in 2021 and that may provide additional exclusivity.

We paid cash consideration of approximately $494 million in connection with the merger and certain related expenses. We are obligated to pay an additional $100 million in the event that annual United States sales of ceftaroline exceed $500 million during the five year period following product launch. The merger consideration paid at closing was expensed in fiscal 2007 as in-process research and development.

NXL104: In January 2008, we entered into an agreement with Novexel, S.A. (or Novexel) for the development, manufacture and commercialization of Novexel's novel intravenous beta-lactamase inhibitor, NXL104, in combination with our ceftaroline compound. NXL104 is designed to be co-administered with select antibiotics to enhance their spectrum of activity. Under the terms of the license, we received the exclusive rights to administer NXL104 with ceftaroline as a combination product in North America. We intend to initiate Phase I studies of the ceftaroline/NXL104 combination during the second half of calendar 2009. We also received a first negotiation right in North America to an additional NXL104 combination with ceftazidime, a cephalosporin antibiotic having a different spectrum of activity compared to ceftaroline. This combination is currently being studied in Phase II clinical trials conducted by Novexel.

NXL104 inhibits bacterial enzymes called beta-lactamases that break down beta-lactam antibiotics (in particular penicillins and cephalosporins). Beta-lactamase inhibition represents a mechanism for counteracting resistance and enhancing the broad-spectrum activity of beta-lactam antibiotics. A composition of matter patent which claims NXL104 would provide protection for the ceftaroline/NXL104 combination product until 2022, subject to possible patent term extension.

Under the terms of the agreement, we made an upfront license payment of approximately $110 million to Novexel. We will fund development and commercialization of the ceftaroline/NXL104 combination. Following the product's regulatory marketing approval, we will pay Novexel a low double digit royalty on net sales throughout North America.

Table of Contents

Linaclotide: In September 2007, we entered into a 50/50 partnership in the United States with Ironwood Pharmaceuticals, Inc. (or Ironwood) to co-develop and co-market Ironwood's first-in-class compound linaclotide. Linaclotide is currently being investigated for the treatment of constipation-predominant irritable bowel syndrome (or IBS-C) and chronic constipation (or CC).

Under the terms of the agreement, we initially paid Ironwood $70 million in licensing fees. Ironwood and Forest will jointly and equally fund development and commercialization of linaclotide in the United States, sharing profits equally. Additionally, we will have exclusive rights in Canada and Mexico and will pay Ironwood a royalty on net sales in these countries.

Linaclotide is an agonist of the guanylate cyclase type-C receptor found in the intestine and acts by a mechanism distinct from previously developed products for IBS-C and CC. Linaclotide is administered orally but acts locally in the intestine with no measurable systemic exposure.

One out of six adults in developed countries suffers from IBS, a chronic condition marked by abdominal pain and disturbed bowel function. IBS accounts for 12% of adult visits to primary care physicians and is the most common disorder diagnosed by gastroenterologists. Health care costs associated with IBS exceed $25 billion annually. IBS patients fall into three subgroups; constipation-predominant IBS-C, diarrhea-predominant (or IBS-D), and alternating (or IBS-A), and 30% to 40% of these patients suffer from IBS-C. There are currently few available therapies to treat the nine million U.S. patients diagnosed with IBS-C.

As many as 26 million Americans suffer from CC. The discomfort of CC significantly affects patients' quality of life by impairing their ability to work and participate in typical daily activities.

In March 2008, we announced positive top-line results from two Phase II(b) randomized, double-blind, placebo-controlled studies assessing the safety, therapeutic effect and dose response of four different once-daily doses of linaclotide: 75 mcg, 150 mcg, 300 mcg and 600 mcg. The first study examined the effects of linaclotide in patients with CC, while the second study examined its effects in patients with IBS-C. The analyses of the CC study data and the IBS-C study data indicate that each study met its primary endpoint in favor of linaclotide. Based on this data, we and Ironwood have initiated a comprehensive Phase III study program to evaluate linaclotide's safety and efficacy in patients with either IBS-C or CC. The program involves two Phase III double-blind studies in each condition.

In addition to five years of Hatch-Waxman exclusivity that would be granted upon approval, linaclotide is covered by a U.S. composition of matter patent that expires in 2025, subject to possible patent term extension.

Aclidinium: In April 2006, we entered into a collaboration and license agreement with Laboratorios Almirall, S.A. (or Almirall), a pharmaceutical company headquartered in Barcelona, Spain, for the development and exclusive United States marketing rights to aclidinium, Almirall's novel long-acting muscarinic antagonist. Aclidinium is being developed as an inhaled therapy for chronic obstructive pulmonary disease (or COPD). Aclidinium is designed to have specific action in the lungs and is believed to be rapidly metabolized in the lungs with limited systemic exposure. Studies to date support a favorable tolerability profile. The product is being developed in a Multi-Dose Dry Powder Inhaler (or MDPI) which we believe represents an improvement in drug delivery over currently available devices.

Table of Contents

COPD is a debilitating respiratory condition that includes two related lung diseases: chronic bronchitis and emphysema. It affects approximately 24 million Americans, a population even larger than the 20 million who suffer from asthma. However, COPD frequently goes undiagnosed and untreated because it is difficult to identify in its early stages. The primary cause of COPD is prolonged cigarette smoking. It is the fourth leading cause of death in the United States after heart disease, cancer and stroke. According to the National Heart, Lung and Blood Institute, COPD's prevalence and associated death rate are rising. In 2020, COPD is projected to become the third leading cause of death in the United States. Today, the economic burden of COPD on the U.S. healthcare system is substantial, estimated at over $30 billion annually.

Under the terms of the agreement, we made an upfront payment of $60 million to Almirall in May 2006, development milestone payments in May 2007 and September 2008 and may be obligated to pay future milestone payments. In addition, Almirall will receive royalty payments based on aclidinium sales. Forest and Almirall will jointly oversee the development and regulatory approval of aclidinium and share all expenses for current and future development programs. Almirall has granted us certain rights of first negotiation for other Almirall respiratory products that could be combined with aclidinium. Pursuant to such rights, we have commenced the development of a fixed-dose combination of aclidinium and the beta-agonist formoterol, which is currently in Phase II testing.

In September 2008, we and Almirall announced results from two global Phase III studies of aclidinium. In both trials, once-daily aclidinium showed a statistically significant difference versus placebo in the primary endpoint of trough FEV1, a measure of pulmonary function that is decreased in patients with moderate to severe COPD. After consultation with the FDA, we and Almirall have determined to conduct additional clinical trials of aclidinium to provide further support for a range of dosing regimens, including higher and more frequent dosing.

We will be responsible for sales and marketing of aclidinium in the U.S. and Almirall has retained an option to co-promote the product in the U.S. in the future while retaining commercialization rights for the rest of the world. In addition to five years of Hatch-Waxman exclusivity that would be granted upon approval, aclidinium is protected by an issued U.S. composition of matter patent expiring in 2020, subject to possible patent term extension.

Lexapro®: In September 2002, we launched Lexapro (escitalopram oxalate), a single isomer version of citalopram HBr for the treatment of major depression, following approval of the product by the FDA in August 2002. Citalopram is a racemic mixture with two mirror image molecules, the S- and R-isomers. The S-isomer of citalopram is the active isomer in terms of its contribution to citalopram's antidepressant effects, while the R-isomer does not contribute to the antidepressant activity. With Lexapro, the R-isomer has been removed, leaving only the active S-isomer. Clinical trials demonstrate that Lexapro is a more potent selective serotonin reuptake inhibitor (or SSRI) than its parent compound, and confirm the antidepressant activity of Lexapro in all major clinical measures of depression. During fiscal 2009, sales of Lexapro were $2,300,945,000. According to data published by IMS, an independent prescription audit firm, as of April 30, 2009, Lexapro's market share was 16.03% of total prescriptions for antidepressants in the SSRI/SNRI category.

In December 2003, Lexapro received FDA approval for the treatment of generalized anxiety disorder (or GAD), a disorder characterized by excessive anxiety and worry about everyday events or activities for a period of six months or more. The approval was based upon three GAD studies involving Lexapro which demonstrated significantly greater improvement in anxiety symptoms relative to placebo. Forest began marketing Lexapro for the treatment of GAD in January 2004.

Table of Contents

In March 2009, the FDA approved our supplemental NDA for the acute and maintenance treatment of Major Depressive Disorder (or MDD) in adolescents, 12-17 years of age. Lexapro is only the second antidepressant to be approved for the treatment of MDD in adolescents, a condition that affects approximately two million adolescents in the United States. The approval of Lexapro for the treatment of adolescent depression was supported by two placebo-controlled studies, one conducted in adolescent patients taking Lexapro and one conducted in children and adolescents taking citalopram. In an 8-week flexible-dose, placebo-controlled study that compared Lexapro 10-20 mg/day to placebo in 12 to 17 year old patients reported in 2008, Lexapro showed statistically significant greater mean improvement from baseline, compared to placebo, on the Children's Depression Rating Scale-Revised (CDRS-R). In another 8-week, flexible-dose, placebo-controlled study, children and adolescents 7 to 17 years of age treated with citalopram 20-40 mg/day showed statistically significant greater mean improvement from baseline on the CDRS-R compared to patients treated with placebo. The positive results for this trial largely came from the adolescent subgroup. The FDA's determination of the efficacy of Lexapro in the acute treatment of MDD in adolescents was established, in part, on the basis of extrapolation from this study. Two additional flexible-dose, placebo-controlled MDD studies were conducted: one Lexapro study in patients 7 to 17 and one citalopram study in adolescents. Neither study demonstrated statistically significant efficacy on the primary parameter. Although maintenance efficacy in adolescent patients has not been systematically evaluated, the FDA in its review concluded that maintenance efficacy can be extrapolated from adult data along with comparisons of escitalopram pharmacokinetic parameters in adults and adolescent patients.

Lexapro was developed by us and H. Lundbeck A/S (or Lundbeck), a Danish pharmaceutical firm which licenses to us the exclusive United States marketing rights to this compound, as well as Celexa®.

Lexapro is covered by a U.S. composition of matter patent which expires in March 2012, inclusive of additional exclusivity granted as a result of a pediatric study we performed. In September 2007, the United States Court of Appeals for the Federal Circuit affirmed a July 2006 decision by the United States District Court for the District of Delaware which determined that our composition of matter patent for Lexapro is valid and upheld our injunction against Teva Pharmaceuticals (or Teva) preventing Teva from launching a generic equivalent to Lexapro. During fiscal 2007, Caraco Pharmaceutical Laboratories (or Caraco), a generic manufacturer, filed an Abbreviated New Drug Application (or ANDA) seeking approval to market a generic version of Lexapro. We, together with Lundbeck, have commenced patent infringement litigation against Caraco which is pending in the United States District Court for the Eastern District of Michigan. Caraco has stipulated to infringing our patent leaving only Caraco's invalidity defenses to be litigated. A five day bench trial, originally scheduled to begin on April 27, 2009, was adjourned until June 1, 2009. See "Item 3. Legal Proceedings".

Namenda®: In October 2003, Namenda (memantine HC1) was approved for marketing and distribution by the FDA for the treatment of moderate and severe Alzheimer's disease. Namenda is a moderate-affinity, uncompetitive N-methyl-D-aspartate (or NMDA) receptor antagonist that modulates the effects of glutamate - a neurotransmitter found in the brain. Excessive levels of glutamate are hypothesized to contribute to the dysfunction and eventual death of brain cells observed in Alzheimer's disease. We believe that Namenda's mechanism of action is distinct from other drugs currently available to treat Alzheimer's disease. We obtained the exclusive rights to develop and market memantine in the United States by license agreement with Merz Pharma GmbH & Co. KgaA of Germany (or Merz), the originator of the product.

Table of Contents

Namenda achieved sales of $949,289,000 during our 2009 fiscal year and, according to data published by IMS, an independent prescription audit firm, as of April 30, 2009, Namenda achieved a 34.01% share of total prescriptions in the Alzheimer's market. Namenda is covered by a U.S. method of use patent which expires in 2010. In March 2009 the U.S. Patent and Trademark Office issued a Notice of Final Determination that Namenda is entitled to a patent term extension until April 2015. In January 2008, we and Merz commenced patent infringement litigation against several generic manufacturers who had filed ANDAs seeking FDA approval to market generic equivalents of Namenda. The actions are pending in the United States District Court for the District of Delaware. We intend to fully enforce our patent rights for Namenda.

In February 2008, we received preliminary results of a Phase III study of memantine HC1 in a novel once-daily formulation. The study evaluated the efficacy, safety and tolerability of an innovative, proprietary, 28 mg memantine extended-release, once-daily formulation compared to placebo in outpatients with moderate and severe Alzheimer's disease currently treated with an acetyl- cholinesterase inhibitor. The results indicated that patients treated with memantine 28 mg extended-release formulation experienced statistically significant benefits in cognition and clinical global status compared to placebo. Based on the results of this study, we intend to prepare a NDA for this new formulation.

Cariprazine: In November 2004, we entered into a collaboration and license agreement with Gedeon Richter Ltd. (or Richter), based in Budapest, Hungary, for the development of and exclusive United States rights to Richter's cariprazine (RGH 188) and related compounds, being developed as an atypical antipsychotic for the treatment of schizophrenia, bipolar mania and other psychiatric conditions.

In September 2008, we received positive preliminary top-line results from a Phase II study of cariprazine in patients with acute mania associated with bipolar disorder. A review of top-line results of a Phase II study in schizophrenia indicated that cariprazine demonstrated a nominally statistical significant (i.e., not adjusted for multiple comparisons) therapeutic effect compared to placebo in a low-dose arm and a numerical improvement compared to placebo in a high-dose arm that did not reach nominal statistical significance. Based on the review of the results, we and Richter initiated a Phase II(b) dose-ranging study in schizophrenia patients. This study is being performed in order to better determine an optimal dose to take into the planned Phase III program. We expect to report this data in the second half of calendar 2009. In addition, two Phase II studies to explore the safety and efficacy of cariprazine in bipolar depression and as adjunct therapy in major depressive disorder will begin later this year.

Upon execution of the collaboration agreement, we paid Richter an upfront license fee and we will be obligated to pay further milestone payments if development and commercialization are successfully completed. We are also obligated to pay Richter a royalty based on net sales and to purchase our requirements of the active pharmaceutical ingredient from them. Our license grants us exclusive development and commercialization rights in the United States and Canada. We will collaborate with Richter in product development and will jointly fund such development activities.

In addition to five years of Hatch-Waxman exclusivity which would be granted upon approval, Richter owns pending U.S. patent applications covering the cariprazine compound that if issued, will expire in 2024.

Radiprodil (RGH-896) and mGLUR1/5 Compounds: In November 2005, we entered into two new collaboration agreements with Richter with whom we are currently developing cariprazine for the treatment of schizophrenia and bipolar mania.

Table of Contents

The first collaboration will focus upon a group of compounds that target the NR2B receptor that will be developed for the treatment of chronic pain and other central nervous system (or CNS) conditions. Radiprodil is the first of this group and is currently in Phase II in patients with diabetic peripheral neuropathic pain with results expected in calendar year 2010. We paid Richter an upfront payment and will become obligated to pay milestone payments based upon achievement of development objectives. The two companies will jointly fund the development program. Forest has exclusive marketing rights in the United States and Canada and will pay Richter a royalty on net sales. In addition to five years Hatch-Waxman exclusivity that would be granted upon approval, radiprodil is covered by a U.S. composition of matter patent that expires in 2024, subject to possible patent term extension.

The second new collaboration will focus upon a series of novel compounds that target metabotropic glutamate receptors (or mGLUR1/5). mGLUR1/5 antagonists represent novel potential agents for the treatment of anxiety, depression and other CNS conditions. Forest and Richter intend to advance promising leads to clinical trials within the next two to three years. We paid Richter an upfront payment and will pay milestone payments based upon the achievement of development objectives in addition to royalties. We will have exclusive marketing rights in North America while Richter will retain exclusive rights in Europe and countries comprising the former Soviet Union. The two companies will share rights in other countries.

Oglemilast: In September 2004, we entered into a collaboration and license agreement with Glenmark Pharmaceuticals Ltd. (or Glenmark), of Mumbai, India, covering oglemilast (GRC 3886) Glenmark's PDE4 inhibitor. Oglemilast is a novel, orally available phosphodiesterase-IV (or PDE4) inhibitor in development for COPD and asthma, and may also have use in other conditions.

Bronchodilators and anticholinergics are the most commonly prescribed therapies in COPD, but do not address the underlying inflammation. PDE4 inhibitors represent a new class of drugs that are interesting because they have the potential to relax the smooth muscles of the airway resulting in bronchodilation, as well as inhibit inflammatory cell activity, thus providing both short-term relief and control over the progression of the disease.

We have commenced a Phase II study of this compound for the COPD indication with results expected in the second half of calendar 2009. Glenmark is conducting a Phase II study in adult patients with asthma. In addition to five years of Hatch-Waxman exclusivity that would be granted upon approval, oglemilast is covered by a U.S. composition of matter patent that expires in 2024, subject to possible patent term extension.

We will develop, register and commercialize oglemilast for the North American market, while Glenmark will retain commercialization rights for the rest of the world. We paid Glenmark an upfront payment upon initiation of the agreement and additional payments upon the successful completion of other development milestones. We will be required to pay future milestones if the development and commercialization of the product is successfully completed in the North American market. Additionally, after commercial launch, Glenmark will earn a royalty from us on net sales of the product, and will supply all of the active pharmaceutical ingredient required by us.

Co-Promotion of Benicar® with Daiichi Sankyo: In December 2001, we entered into a co-promotion agreement with Daiichi Sankyo (or Sankyo) for the co-promotion in the United States of Benicar (olmesartan medoxomil) an angiotensin receptor blocker (or ARB) discovered and developed by Sankyo for the treatment of hypertension. The NDA for Benicar was approved by the FDA in April 2002. In August 2003, the FDA approved Benicar HCT®, a combination of Benicar and hydrochlorothiazide, which was also jointly promoted by Forest and Sankyo.

Table of Contents

Pursuant to the co-promotion agreement with Sankyo, we shared with Sankyo in the detailing of the product to physicians, hospitals, managed care organizations and other institutional users of pharmaceutical products over a six-year period ended March 31, 2008 (we subsequently agreed to perform limited additional detailing through May 2008). We received co-promotion income based upon the relative contribution of the two companies to the co-promotion effort through fiscal year ended March 31, 2008, and will receive residual payments on a reduced basis following the end of the co-promotion period based on sales levels achieved through the fiscal year ending March 31, 2014. During fiscal 2009, we received co-promotion income of $195,563,000. According to market share data published by IMS, an independent prescription audit firm, as of April 30, 2009, Benicar and Benicar HCT achieved a combined 18.33% share of total prescriptions in the ARB market. Benicar and Benicar HCT are covered by a U.S. composition of matter patent that expires in 2016. Sankyo has sued a generic manufacturer for infringing this patent after an ANDA was submitted seeking FDA approval to distribute generic versions of Benicar. A bench trial in this lawsuit was completed in April 2009.

Effective July 1, 2008, we terminated our co-promotion agreement for Azor® (amlodipine and olmesartan medoxomil), Sankyo's fixed-dose combination of two antihypertensives, the calcium channel blocker amlodipine besylate and the angiotensin receptor blocker olmesartan medoxomil. In connection with this termination, we recorded a one-time charge of approximately $44,100,000 which is comprised of a one-time payment to Sankyo of approximately $26,600,000 related to the termination of the agreement and $17,500,000 related to the unamortized portion of the initial upfront payment. We determined that the resources we had allocated to the Azor co-promotion would be better utilized in providing additional support for our other currently marketed products.

Share Repurchase Program: On May 18, 2006 our Board of Directors (or the Board) authorized a share repurchase program for up to 25 million shares of our common stock (or the 2007 Repurchase Program). On August 13, 2007 the Board authorized the purchase of an additional 10 million shares of common stock. The authorizations became effective immediately and have no set expiration dates. We expect to make the repurchases from time to time on the open market, depending on market conditions. As of May 28, 2009, 29,346,700 shares have been repurchased and we continue to have authority to purchase up to an additional 5,653,300 shares under the 2007 Repurchase Program.

Principal Products

We actively promote in the United States those branded products which we believe have the most potential for growth and patient benefit, and which enable our salesforces to concentrate on groups of physicians who are high prescribers of our products. Such products include: Lexapro, our SSRI for the treatment of major depression and GAD; Namenda, our NMDA antagonist for the treatment of moderate and severe Alzheimer's disease; Bystolic, our beta-blocker for the treatment of hypertension; and Savella, our newest product, a dual reuptake inhibitor for the treatment of fibromyalgia.

Sales of Lexapro, launched in September 2002, accounted for 63% of our sales for the fiscal year ended March 31, 2009 and 66% of our sales for our fiscal years 2008 and 2007.

Sales of Namenda, launched in December 2003, accounted for 26% of our sales for the fiscal year ended March 31, 2009 and 24% and 21%, respectively, of our sales for fiscal years 2008 and 2007.

Our generic line, marketed by our Inwood Laboratories, Inc. subsidiary, includes generic equivalents to certain of our branded products, including Tiazac®, as well as products using our controlled release technology.

Table of Contents

Our United Kingdom and Ireland subsidiaries sell both ethical products and over-the-counter preparations. Their most important products include Sudocrem®, a topical preparation for the treatment of diaper rash; Colomycin®, an antibiotic used in the treatment of cystic fibrosis; Infacol®, used to treat infant colic; and Exorex®, used in the treatment of eczema and psoriasis.

Marketing

In the United States, we directly market our products through our domestic salesforces, Forest Pharmaceuticals, Forest Therapeutics, Forest Healthcare, Forest Ethicare and Forest Specialty Sales, currently numbering approximately 2,700 persons, which detail products directly to physicians, pharmacies, hospitals, managed care and other healthcare organizations. In the United Kingdom, our Forest Laboratories U.K. subsidiary's salesforce, currently 41 persons, markets its products directly. Our products are sold elsewhere through independent distributors.

Competition

The pharmaceutical industry is highly competitive as to the sale of products, research for new or improved products and the development and application of competitive drug formulation and delivery technologies. There are numerous companies in the United States and abroad engaged in the manufacture and sale of both proprietary and generic drugs of the kind which we sell. Many of these companies have substantially greater financial resources than we do. We also face competition for the acquisition or licensing of new product opportunities from other companies. In addition, the marketing of pharmaceutical products is increasingly affected by the growing role of managed care organizations in the provision of health services. Such organizations negotiate with pharmaceutical manufacturers for highly competitive prices for pharmaceutical products in equivalent therapeutic categories, including certain of our principal promoted products. Failure to be included or to have a preferred position in a managed care organization's drug formulary could result in decreased prescriptions of a manufacturer's products.

Government Regulation

The pharmaceutical industry is subject to comprehensive government regulation which substantially increases the difficulty and cost incurred in obtaining the approval to market newly proposed drug products and maintaining the approval to market existing drugs. In the United States, products which we develop, manufacture or sell are subject to regulation by the FDA, principally under the Federal Food, Drug and Cosmetic Act, as well as by other federal and state agencies. The FDA regulates all aspects of the testing, manufacture, safety, labeling, storage, record keeping, advertising and promotion of new and old drugs, including the monitoring of compliance with good manufacturing practice regulations. Non-compliance with applicable requirements can result in fines and other sanctions, including the initiation of product seizures, injunction actions and criminal prosecutions based on practices that violate statutory requirements. In addition, administrative remedies can involve voluntary recall of products as well as the withdrawal of approval of products in accordance with due process procedures. Similar regulations exist in most foreign countries in which our products are manufactured or sold. In many foreign countries, such as the United Kingdom, reimbursement under national health insurance programs frequently require that manufacturers and sellers of pharmaceutical products obtain government approval of initial prices and increases if the ultimate consumer is to be eligible for reimbursement for the cost of such products.

Table of Contents

During the past several years, the FDA, in accordance with its standard practice, has conducted a number of inspections of our manufacturing facilities. Following these inspections, the FDA called our attention to certain "Good Manufacturing Practices" compliance and record keeping deficiencies. We have responded to the FDA's comments and modified our procedures to comply with the requests made by the FDA.

The cost of human healthcare products continues to be a subject of investigation and action by governmental agencies, legislative bodies and private organizations in the United States and other countries. In the United States, most states have enacted generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's version of a drug for the one prescribed. Federal and state governments continue to press efforts to reduce costs of Medicare and Medicaid programs, including restrictions on amounts agencies will reimburse for the use of products. In addition, several states have adopted prescription drug benefit programs which supplement Medicaid programs and are seeking discounts or rebates from pharmaceutical manufacturers to subsidize such programs. Failure to provide such discounts or rebates may lead to restrictions upon the availability of a manufacturer's products in health programs, including Medicaid, run by such states. Under the Omnibus Budget Reconciliation Act of 1990 (or OBRA), manufacturers must pay certain statutorily-prescribed rebates on Medicaid purchases for reimbursement of prescription drugs under state Medicaid plans. Federal Medicaid reimbursement for drug products of original NDA-holders is denied if less expensive generic versions are available from other manufacturers. In addition, the Federal government follows a diagnosis related group (or DRG) payment system for certain institutional services provided under Medicare or Medicaid. The DRG system entitles a healthcare facility to a fixed reimbursement based on discharge diagnoses rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many healthcare products. Under the Prescription Drug User Fee Act of 1992, the FDA has imposed fees on various aspects of the approval, manufacture and sale of prescription drugs.

In April 2003, the Federal Office of the Inspector General published guidance for pharmaceutical manufacturers with respect to compliance programs to assure manufacturer compliance with Federal laws and programs relating to healthcare. In addition, several states have adopted laws and regulations requiring certain specific disclosures with respect to our compliance program and our practices relating to interactions with physicians and other healthcare providers. We maintain a company-wide compliance program to assure compliance with applicable laws and regulations, as well as the standards of professional bodies governing interactions between pharmaceutical manufacturers and physicians, and believe we are in compliance with all material legal requirements and standards.

A prescription-drug benefit for Medicare beneficiaries was established pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Under the program, pharmaceutical benefit managers and health programs offer discounted prices on prescription drugs to qualified Medicare recipients reflecting discounts negotiated with manufacturers. The failure of a manufacturer to offer discounts to these programs could result in reduced use of the manufacturer's products.

Table of Contents

From time to time, we have implemented revised product labeling in accordance with FDA requirements. There can be no assurance that such labeling changes or changes which may be required by subsequent rulemaking will not have an adverse effect upon the marketing of our products. In addition, the FDA continues to review various aspects of our NDAs and product labeling for approved products as we submit supplements seeking approval for new indications or dosage forms, labeling changes or to comply with FDA requests, and at the agency's own initiative in light of post-marketing experience. In connection with such reviews, the FDA may request labeling changes based on the data submitted by us or from other sources, including post-marketing experience data. Sometimes those requested changes may apply to an entire class of drugs which includes one of our products, and sometimes the changes requested may apply only to our product. In some cases, the labeling changes requested, if implemented, might adversely affect the prescribing of our products by physicians. If we believe changes requested by the FDA are not correct, we may submit further data and analyses to the FDA which may modify the agency's position. There can be no assurance, however, that the FDA will ultimately agree with our position or that post-marketing clinical experience will not require labeling changes, either initiated by us or by the FDA, which may adversely affect our products' acceptance and utilization.

We expect that competing healthcare reform proposals will continue to be introduced and debated. The adoption of any such proposal may entail new regulatory requirements and may affect the marketing of prescription drugs. We cannot predict the outcome or effect on the marketing of prescription drug products of the legislative and political process.

Principal Customers

The following sets forth information with respect to the percentage of net sales accounted for by our principal customers:

Customer	2009	2008	2007
McKesson Drug Company	37%	38%	37%
Cardinal Health, Inc.	33%	30%	27%
AmeriSource Bergen Corporation	19%	15%	13%

No other customer accounted for 10% or more of our net sales for the fiscal years presented.

Financial Information About Segments and Geographic Area

The Company and its subsidiaries, which are located in the U.S., Ireland and the United Kingdom, operate in only one segment: the manufacture and marketing of ethical and other pharmaceutical products. Data regarding revenues from principal customers, net sales and long-lived assets for each of the last three fiscal years, where applicable, and information concerning the geographic areas in which we operate is presented in "Note 3 – Business Operations" in the accompanying "Notes to Consolidated Financial Statements" incorporated by reference herein.

Environmental Standards

We anticipate that the effects of compliance with federal, state and local laws and regulations relating to the discharge of materials into the environment will not have any material effect on our capital expenditures, earnings or competitive position.

16

Table of Contents

Raw Materials

The active pharmaceutical ingredients in our principal promoted products, including Lexapro, Namenda, Bystolic and Savella, are patented or otherwise available to us only pursuant to our contractual arrangements with our licensing partners. Other raw materials used by us are purchased in the open market. We have not experienced any significant shortage in supplies of active pharmaceutical ingredients or other raw materials.

Product Liability Insurance

We currently maintain $140 million of product liability coverage per "occurrence" and in the aggregate. Although in the past there have been product liability claims asserted against us, none for which we have been found liable, there can be no assurance that all potential claims which may be asserted against us in the future would be covered by our present insurance. See “Item 3. Legal Proceedings” and “Item 1A. Risk Factors”.

Research and Development

During the fiscal year ended March 31, 2009, we spent $661,294,000 for research and development, as compared to $670,973,000 and $941,003,000 in the fiscal years ended March 31, 2008 and 2007, respectively. Included in research and development expense are payments made pursuant to licensing and acquisition agreements for new product opportunities where FDA approval has not yet been received and accordingly payments made in connection with acquiring the product rights are charged to research and development. Research and development expenses for fiscal 2009 included an upfront payment of $75,000,000 to Phenomix in connection with acquiring product rights to dutogliptin and an upfront payment of $75,000,000 paid to Pierre Fabre in connection with acquiring product rights to F2695. Research and development expense for fiscal 2008 included an upfront payment of $70,000,000 in connection with the collaboration agreement with Ironwood for the rights to co-develop and co-market linaclotide and an upfront license payment of approximately $110,000,000 made to Novexel in connection with the acquisition of rights to develop, manufacture and commercialize NXL104 in combination with ceftaroline. Research and development expenses for fiscal 2007 included approximately $476,000,000 of acquisition and related costs incurred in the acquisition of Cerexa, which was treated as the acquisition of in-process research and development and approximately $60,000,000 in upfront license payments to Almirall for aclidinium. Other research and development expenditures consist primarily of the conduct of pre-clinical and clinical studies required to obtain approval of new products, as well as clinical studies designed to further differentiate our products from those of our competitors or to obtain additional labeling indications.

Employees

At March 31, 2009, we had a total of 5,225 employees.

Table of Contents

Patents and Trademarks

Forest seeks to obtain, where possible, patents and trademarks for Forest's products in the United States and all countries of major marketing interest to Forest. Forest owns or has licenses to a substantial number of patents and patent applications. Several of these patents, which expire during the period 2012 to 2021, are believed to be of material importance in the operation of Forest's business. Forest believes that patents, licenses and trademarks (or related group of patents, licenses, or trademarks) covering our marketed products are material in relation to Forest's business as a whole.

The following patents, licenses and trademarks are significant for Forest's business: those related to Lexapro (escitalopram oxalate), those related to Namenda (memantine hydrochloride), those related to Benicar (olmesartan medoxomil) and Benicar HCT (olmesartan medoxomil and hydrochlorothiazide), those related to Bystolic (nebivolol hydrochloride) and those related to Savella (milnacipran hydrochloride). The U.S. composition of matter patent covering Lexapro is licensed from Lundbeck and will expire in 2012. The principal U.S. method of use patent related to Namenda is licensed from Merz and expires in 2015. The U.S. composition of matter patent covering Benicar and Benicar HCT is owned by Sankyo and expires in 2016. A U.S. method of use patent related to Benicar HCT expires in 2021. Forest and Sankyo are parties to a co-promotion agreement with respect to Benicar and Benicar HCT pursuant to which Forest will continue to receive contract revenues through March 2014. The U.S. pharmaceutical composition of matter patent covering Bystolic is licensed from Mylan (which in turn licensed the patent from Janssen Pharmaceutica N.V.) and expires in 2020 (Forest has submitted a patent term extension application to extend this patent until 2021). In November 2008, the United States Patent and Trademark Office closed the prosecution of the merits of reexamination proceedings for the patents covering Bystolic and confirmed the validity of the previously granted claims. The principal method of use patent covering Savella is licensed from Cypress and expires in 2021 (Forest has submitted a patent term extension application to extend this patent until 2023). Litigation involving Forest's patents covering Lexapro and Namenda is discussed at "Item 3. Legal Proceedings".

When a product patent expires, the patent holder often loses effective market exclusivity for the product. This can result in a severe and rapid decline in sales of the formerly patented product, particularly in the United States. However, in some cases the innovator company may achieve exclusivity beyond the expiry of the product patent through manufacturing trade secrets, later-expiring patents on methods of use or formulations, or data-based exclusivity that may be available under pharmaceutical regulatory laws.

We own or exclusively license various trademarks and trade names which we believe are of significant benefit to our business.

Backlog - Seasonality

Backlog of orders is not considered material to our business prospects. Our business is not seasonal in nature.

ITEM 1A. RISK FACTORS

We operate in an industry which involves a number of significant risks, some of which are beyond our control. The following discussion highlights some of these risks and others are discussed elsewhere in this Form 10-K. The risks discussed herein and other risks could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows. Additional risks not currently known to the Company or that the Company presently deems immaterial may also impair our business operations. You should carefully consider all of the information set forth in this Form 10-K, including the following risk factors, before making an investment decision with respect to the Company's securities. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. The Company's results could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks it faces as described below and elsewhere. See "Item 1.

Business" Cautionary Statement Regarding Forward-Looking Statements.

Table of Contents

We are Substantially Dependent on Sales of Our Two Principal Products.

For the 2009 fiscal year, sales of Lexapro and Namenda accounted for 63% and 26%, respectively, of our net sales. Any unexpected negative development with respect to such products (for example, loss of market exclusivity or an unexpected safety or efficacy concern) would have a material adverse effect on our results of operations, financial condition and liquidity. While the validity and enforceability of our patent covering escitalopram, the active ingredient in Lexapro, were upheld in September 2007 by decision of the United States Court of Appeals for the Federal Circuit, we are currently prosecuting patent infringement litigation against a generic manufacturer who is seeking FDA approval to market a generic equivalent to Lexapro. A bench trial in this litigation, originally scheduled to begin April 27, 2009, was adjourned until June 1, 2009. In addition, we have instituted patent infringement litigation against multiple generic manufacturers who are seeking FDA approval to market generic versions of Namenda. See “Item 3. Legal Proceedings”.

If We Are Unable to Successfully Develop or Commercialize New Products, Our Operating Results May Suffer.

Our future results of operations will depend to a significant degree upon our ability to successfully develop and commercialize new products. New product development is subject to a great deal of uncertainty, risk and expense. Promising pharmaceutical candidates may fail at various stages of the research and development process, often after a great deal of financial and other resources have been invested in their exploration and development. Even where pharmaceutical development is successfully completed, a product may fail to reach the market or have limited commercial success because the safety and efficacy profile achieved during the course of development is not as favorable as originally anticipated or is viewed by the marketplace as less favorable in comparison to new and competing therapies which may become available during the lengthy period of drug development.

The Company cannot state with certainty when or whether any of its products now under development will be approved or launched; whether it will be able to develop, license or otherwise acquire compounds, product candidates or products; or whether any products, once launched, will be commercially successful. The Company must maintain a continuous flow of successful new products and successful new indications or brand extensions for existing products sufficient both to cover its substantial research and development costs and to replace sales that are lost as profitable products lose patent protection or are displaced by competing products or therapies. Failure to do so in the short-term or long-term would have a material adverse effect on the Company’s business, results of operations, cash flow, financial position and prospects.

Table of Contents

Regulatory Compliance Issues Could Materially Affect Our Financial Position and Results of Operations.

The marketing and promotional practices of pharmaceutical manufacturers, as well as the manner in which manufacturers interact with prescribers of pharmaceutical products and other healthcare decision makers, are subject to extensive regulation by numerous federal, state and local governmental authorities in the United States, including the FDA, and by foreign regulatory authorities. Such regulation takes the form of explicit governmental regulation and guidance, as well as practices established by healthcare and industry codes of conduct. In addition, federal, state, local and foreign governmental authorities actively seek to enforce such regulations and can assert both civil and criminal theories of enforcement not specifically prescribed by published regulations or standards and accordingly with little objective guidance to permit voluntary industry compliance. Such enforcement can include actions initially commenced by "whistleblowers" under the Federal False Claims Act which provides incentives to whistleblowers based upon penalties successfully imposed as a result of the investigation or related legal proceedings or settlements. There can be no assurance that the resolution of pending or future claims, as well as the resolution of private party (such as consumers or third-party payers) litigation which may be associated with any such claims or their resolution, will not entail material fines, penalties or settlement payments. See "Item 3. Legal Proceedings" for information about pending government investigations and litigation concerning our marketing and promotional practices and certain third-party payor litigation pending against the Company. In addition, the manufacturing, testing, storage and shipment of pharmaceutical products is highly regulated and the failure to comply with regulatory standards can lead to product withdrawals or seizures or to delays in FDA approval of products pending resolution of such issues. Moreover, even when a manufacturer has fully complied with applicable regulatory standards, products manufactured and distributed may ultimately fail to comply with applicable specifications, leading to product withdrawals or recalls.

Our Business Depends on Intellectual Property Protection.

Our ability to generate the revenue necessary to support our investment in acquiring and developing new product opportunities, as well as the commitment of resources to successfully market our products, greatly depends on effective intellectual property protection to ensure we can take advantage of lawful market exclusivity. Manufacturers of generic products have strong incentives to challenge the patents which cover our principal products. While we believe that our patent portfolio, together with market exclusivity periods granted by the Hatch-Waxman Act, offers adequate exclusivity protection for our current products, there can be no assurance that some of our patents will not be determined to be invalid or unenforceable, resulting in unanticipated early generic competition for the affected product. See "Item 3. Legal Proceedings" for a description of pending patent litigation involving Lexapro and Namenda, our two principal products.

We also rely on trade secrets and proprietary know-how that we seek to protect, in part, through confidentiality agreements with our partners, customers, employees and consultants. It is possible that these agreements will be breached or that they will not be enforceable in every instance, and that we will not have adequate remedies for any such breach. It is also possible that our trade secrets will become known or independently developed by our competitors.

Loss of patent protection for a product typically is followed promptly by generic substitutes, reducing the Company's sales of that product. Availability of generic substitutes for the Company's drugs may adversely affect its results of operations and cash flow. In addition, proposals emerge from time to time in the United States and other countries for legislation to further encourage the early and rapid approval of generic drugs.

Table of Contents

If we are unable to adequately protect our technology, trade secrets or propriety know-how, or enforce our patents, our results of operations, financial condition and cash flows could suffer.

Our Business Model Currently Depends on the Successful In-Licensing or Acquisition of New Product Opportunities.

In order to remain competitive, we must continue to develop and launch new pharmaceutical products. Our pipeline of new products is currently dependent on the licensing and acquisition of new product opportunities. To successfully accomplish these transactions, we commit substantial effort and expense to seeking out, evaluating and negotiating collaboration arrangements and acquisitions. The competition for attractive product opportunities may require us to devote substantial resources to an opportunity with no assurance that such efforts will result in a commercially successful product.

Our Business Could be Negatively Affected by the Performance of Our Collaboration Partners.

Our principal products, as well as certain of our principal product development opportunities, involve strategic alliances with other companies. Our alliance partners typically possess significant patents or other technology which are licensed to us and remain significantly involved in product research and development activities and in the exclusive manufacture and supply of active pharmaceutical ingredients upon which our products are based. While some of our collaboration partners are large well-established companies, others are smaller companies, often in the "start-up" stage. A failure or inability of our partners to perform their collaboration obligations could materially negatively affect our operations or business plans. In addition, while our relationships with our strategic partners have been good, differences of opinion upon significant matters arise from time to time. Any such differences of opinion, as well as disputes or conflicting corporate priorities, could be a source of delay or uncertainty as to the expected benefits of the alliance.

Pharmaceutical Cost-Containment Initiatives May Negatively Affect Our Net Income.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 included a prescription drug benefit for Medicare participants. Companies that negotiate prices on behalf of Medicare drug plans will have a significant degree of purchasing power and we expect pricing pressure as a result. In addition, our net income continues to be impacted by cost-containment initiatives adopted by managed care organizations and pharmaceutical benefit managers which negotiate discounted prices from pharmaceutical manufacturers in order to secure placement on formularies adopted by such organizations or their health-plan or employer customers. Failure to be included in such formularies or to achieve favorable formulary status may negatively impact the utilization of our products. We expect that competing healthcare reform proposals will continue to be introduced and debated. The adoption of any such proposal may entail new regulatory requirements and may affect the marketing of prescription drugs. We cannot predict the outcome or effect on the marketing of prescription drug products of the legislative and political process.

We Face Substantial Competition from Other Pharmaceutical Manufacturers and Generic Product Distributors.

Our industry is characterized by significant technological innovation and change. Many of our competitors are conducting research and development activities in therapeutic areas served by our products and our product-development candidates. The introduction of novel therapies as alternatives to our products may negatively impact our revenues or reduce the value of specific product development programs. In addition, generic alternatives to branded products, including alternatives to brands of other manufacturers in therapeutic categories where we market products, may be preferred by doctors, patients or third-party payors.

Table of Contents

Our Business, and in Particular the Treatment of CNS Disorders, Presents Risk of Product Liability Claims.

As more fully discussed in "Item 3. Legal Proceedings", we are subject to approximately 75 legal actions asserting product liability claims relating to the use of Celexa or Lexapro. These cases include claims for wrongful death from suicide or injury from suicide attempts while using Celexa or Lexapro as well as claims that Celexa or Lexapro caused birth defects or persistent pulmonary hypertension in newborns. We believe that suicide and related events are inherent in the symptoms and consequences of major depressive disorder and therefore these types of occurrences are not unexpected from patients who are being treated for such condition, including patients who may be using our products. While we believe there is no merit to the cases which have been brought against us, litigation is inherently subject to uncertainties and there can be no assurance that we will not be required to expend substantial amounts in the defense or resolution of some of these matters.

The Effective Rate of Taxation upon Our Results of Operations is Dependent on Multi-National Tax Considerations.

A portion of our earnings is taxed at more favorable rates applicable to the activities undertaken by our subsidiaries based or incorporated in the Republic of Ireland. Changes in tax laws or in their application or interpretation, such as to the transfer pricing between Forest's non-U.S. operations and the U.S., could increase our effective tax rate and negatively affect our results of operations. Our transfer pricing is the subject of an ongoing audit by the U.S. Internal Revenue Service (or IRS). In connection with such audit, the IRS has issued a Revenue Agent Report which seeks to assess approximately $206.7 million of additional corporation income tax with respect to the 2002 and 2003 fiscal years, excluding interest and penalties. We continue to disagree with the IRS position and have filed a formal written protest of the proposed adjustment. If the IRS prevails in a position that increases the U.S. tax liability in excess of established reserves, it is likely that the IRS could make similar claims for years subsequent to fiscal 2003 which could be material. See Note 15 to our Consolidated Financial Statements incorporated by reference herein.

Many of Our Principal Products and Active Pharmaceutical Ingredients are Only Available From a Single Manufacturing Source.

As described immediately above, many of the proprietary active ingredients in our principal products are available to us only pursuant to contractual supply arrangements with our collaboration partners. In addition, our manufacturing facilities in the Republic of Ireland are the exclusive qualified manufacturing facilities for finished dosage forms of our principal products, including Lexapro and Namenda. Difficulties or delays in product manufacture, both within and outside of our control, or the inability to locate and qualify third party alternative sources, if necessary, in a timely manner, could lead to shortages or long-term product unavailability, which could have a material adverse effect on our results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

We own a 387,000 square foot building on 28 acres in Commack, New York. This facility is used for packaging, warehousing, administration and sales training. In addition, we lease a portion of a hotel facility in Hauppauge, New York, for the purpose of housing sales representatives during sales training. We also own a 105,000 square foot facility in Hauppauge, which is used for warehousing, administrative offices and clinical packaging. We lease an additional 57,000 square foot facility in Hauppauge, which is used for our information technology departments.

We own buildings of 180,000, 100,000 and 20,000 square feet in Commack, New York, which are or will be part of our research and development complex. The 100,000 and 20,000 square foot facilities are operational; the 180,000 square foot facility (on 11 acres) is currently sub-leased to a tenant through fiscal 2014. We also lease 28,000 square feet in Hauppauge, as well as approximately 59,000 square feet in Farmingdale, New York, both of which facilities are used as laboratory testing facilities.

We presently lease approximately 120,000 square feet of executive office space at 909 Third Avenue, New York, New York. The lease expires in 2010.

We also lease approximately 238,000 square feet of office space in Jersey City, New Jersey, which is used by certain of our medical, scientific and regulatory personnel. The lease expires in 2017.

Forest Pharmaceuticals, Inc. (or FPI), our wholly-owned subsidiary, owns two facilities in Cincinnati, Ohio, aggregating approximately 150,000 square feet used for manufacturing, warehousing and administration. In St. Louis, Missouri, FPI owns a 495,000 square foot facility on 26 acres of land. This facility is being used for manufacturing, warehousing, distribution and administration. FPI also owns a 40,000 square foot facility near its distribution center, which is being used as offices and a data center.

Cerexa, Inc., our wholly-owned subsidiary, leases approximately 38,000 square feet of office space in Oakland, California, which is used by research and administrative personnel. The lease expires in 2016.

Forest Laboratories UK, our wholly-owned subsidiary, owns an approximately 95,000 square foot complex in the London suburb of Bexley, England and leases approximately 7,500 square feet of office space in Dartford Crossing, also a suburb of London.

Our wholly owned subsidiary, Forest Tosara Ltd., owns a 33,000 square foot manufacturing and distribution facility located in an industrial park in Dublin, Ireland. Forest Ireland Limited, a wholly-owned subsidiary, owns two plants in Clonshaugh, Dublin totaling 220,000 square feet which are used principally for the manufacture and distribution to the United States of Lexapro, Namenda, Bystolic and Savella tablets.

We believe that our current facilities will adequately meet our operating needs for the foreseeable future.

Net rentals for leased space for the fiscal year ended March 31, 2009 aggregated approximately $17,790,000 and for the fiscal year ended March 31, 2008 aggregated approximately $17,694,000.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

We remain a defendant in actions filed in various federal district courts alleging certain violations of the federal anti-trust laws in the marketing of pharmaceutical products. In each case, the actions were filed against many pharmaceutical manufacturers and suppliers and allege price discrimination and conspiracy to fix prices in the sale of pharmaceutical products. The actions were brought by various pharmacies (both individually and, with respect to certain claims, as a class action) and seek injunctive relief and monetary damages. The Judicial Panel on Multi-District Litigation ordered these actions coordinated (and, with respect to those actions brought as class actions, consolidated) in the Federal District Court for the Northern District of Illinois (Chicago) under the caption "In re Brand Name Prescription Drugs Antitrust Litigation."

On November 30, 1998, the defendants remaining in the consolidated federal class action (which proceeded to trial beginning in September 1998), including Forest, were granted a directed verdict by the trial court after the plaintiffs had concluded their case. In ruling in favor of the defendants, the trial judge held that no reasonable jury could reach a verdict in favor of the plaintiffs and stated "the evidence of conspiracy is meager, and the evidence as to individual defendants paltry or non-existent." The Court of Appeals for the Seventh Circuit subsequently affirmed the granting of the directed verdict in the federal class case in our favor.

Following the Seventh Circuit's affirmation of the directed verdict in our favor, we have secured the voluntary dismissal of the conspiracy allegations contained in all of the federal cases brought by individual plaintiffs who elected to "opt-out" of the federal class action, which cases were included in the coordinated proceedings, as well as the dismissal of similar conspiracy and price discrimination claims pending in various state courts. We remain a defendant, together with other manufacturers, in many of the federal opt-out cases included in the coordinated proceedings to the extent of claims alleging price discrimination in violation of the Robinson-Patman Act. While no discovery or other significant proceedings with respect to us have been taken to date in respect of such claims, there can be no assurance that we will not be required to actively defend such claims or to pay substantial amounts to dispose of such claims. However, by way of a decision dated January 25, 2007, the judge handling the Robinson-Patman Act cases for certain of a smaller group of designated defendants whose claims are being litigated on a test basis, granted summary judgment to those designated defendants due to plaintiffs' failure to demonstrate any antitrust injury. Subsequently, the Court also granted the designated defendants' motion for summary judgment with respect to plaintiffs' effort to obtain injunctive relief. It is likely that the plaintiffs will pursue an appeal of both rulings.

Table of Contents

In December 2008, we entered into a definitive Stipulation of Settlement with respect to consolidated securities class action cases pending against us and certain of our executive officers in the United States District Court for the Southern District of New York under the caption "In re Forest Laboratories, Inc. Securities Litigation" pursuant to which we paid $65 million to settle these actions. The cases alleged that defendants made materially false and misleading statements and omitted to state material facts with respect to our drugs for the treatment of depression. The settlement was approved by the Court following a hearing held in April 2009. While we believe a majority of the settlement will be covered by our insurance and we are engaged in discussions with the carriers concerning their liability for payment, we have recorded a $25 million expense in connection with this settlement. In addition, our directors and certain of our officers have been named as defendants in two derivative actions purportedly brought on behalf of the Company, filed in the same Court and consolidated under the caption "In re Forest Laboratories, Inc. Derivative Litigation, 05-CV-3489 (RJH)." The complaints in these derivative actions allege that the defendants have breached their fiduciary duties by, among other things, causing Forest to misrepresent its financial results and prospects, selling shares of our common stock while in possession of proprietary non-public information concerning our financial condition and future prospects, abusing our control and mismanaging the Company and wasting corporate assets. The complaint seeks damages in an unspecified amount and various forms of equitable relief. In September 2006, the Court granted our motion to dismiss this case on the ground that the plaintiffs failed to make a pre-suit demand on our Board of Directors. By stipulation, plaintiffs appeal of this decision to the United States Court of Appeals for the Second Circuit and any other actions in this litigation have been stayed until June 30, 2009.

In April 2009, a new derivative action captioned Arnold Wandel, derivatively, Plaintiff vs. Howard Solomon, Lawrence S. Olanoff, et al, Defendants and Forest Laboratories, Inc. and Forest Pharmaceuticals, Inc., Nominal Defendants was filed in New York State Supreme Court, alleging that our directors and certain officers breached their fiduciary duties to the Company in connection with disclosure of Celexa and Lexapro pediatric studies and alleged improper marketing of Celexa and Lexapro, and thereby caused Forest to be harmed by incurring the $65 million settlement of the securities class action described above and exposed Forest to possible damages and fines in connection with the matters alleged in the amended complaint filed by the United States Government in the qui tam actions described below. The complaint also alleges that some defendants sold shares of Forest stock at inflated prices and thereby harmed the Company (even though the shares were not purchased by the Company). Most of the substantive allegations in this complaint (other than those relating specifically to the recently filed amended complaint in the qui tam actions described below) were also made in the derivative action in federal court described above which was dismissed because the plaintiffs did not make a pre-suit demand on our Board of Directors. We intend to vigorously defend this action.

Table of Contents

Forest Laboratories, Inc. and Forest Pharmaceuticals, Inc. are named, in one capacity or another, as defendants, along with numerous other manufacturers of pharmaceutical products in various actions which allege that the plaintiffs (all governmental entities) were overcharged for their share of Medicaid drug reimbursement costs as a result of reporting by manufacturers of "average wholesale prices" (or AWP) which did not correspond to actual provider costs of prescription drugs. Actions brought by nearly all of the counties of the State of New York (first action commenced January 14, 2003) and by the State of Iowa (commenced October 9, 2007) are pending in the United States District Court for the District of Massachusetts under the caption "In re Pharmaceutical Industry AWP Litigations" for coordinated treatment. In addition, various state court actions are pending in actions brought by the States of Alabama (commenced January 26, 2005), Alaska (commenced October 6, 2006), Hawaii (commenced April 27, 2006), Idaho (commenced June 8, 2007), Illinois (commenced February 7, 2005), Mississippi (commenced October 20, 2005) and Kansas (commenced November 3, 2008), as well as actions brought by the Commonwealth of Kentucky (commenced November 4, 2004) and the State of Utah (commenced in May 2008). Furthermore, state court actions pending in the State Court of New York were brought by three of the New York counties, Erie (commenced March 8, 2005), Schenectady (commenced May 10, 2006) and Oswego (commenced May 11, 2006).

Motions to dismiss have been filed with respect to most of the actions. While the motions to dismiss largely have been denied, some claims have been dismissed, including RICO claims brought by various New York counties whose remaining claims are pending in the MDL proceeding in Massachusetts. The Utah motion was granted with leave to replead. Discovery is ongoing. As of the date of this report, a trial is scheduled with respect to Forest in Hawaii on July 5, 2010. In May 2009, several defendants, including Forest, reached an agreement in principle to settle the action brought by the State of Alabama. Forest's share of the settlement payment is not material to Forest's financial condition or results of operations and is fully covered by established reserves. It is not anticipated that any other trials involving Forest will take place before the end of calendar 2010.

The United States Attorney's Office for the District of Massachusetts is investigating whether we may have committed civil or criminal violations of the federal "Anti-Kickback" laws and laws and regulations related to "off-label" promotional activities in connection with our marketing of Celexa, Lexapro and other products. As part of this investigation, we received a subpoena from the Office of Inspector General of the Federal Office of Personnel Management requesting documents relating to Celexa and have subsequently received further subpoenas from the United States Attorney's Office concerning Lexapro and other products, including Namenda and Combunox. The subpoenas request documents relating to a broad range of our marketing and promotional activities during the period from January 1, 1997 to the present. In April 2006, we received an additional subpoena from the United States Attorney's Office for the District of Massachusetts requesting documents concerning our manufacture and marketing of Levothroid, our levothyroxine supplement for the treatment of hypothyroidism. We understand that this subpoena was issued in connection with that office's investigation of potential civil or criminal violation of federal health laws in connection with Levothroid. In connection with this investigation, in February 2009 the United States Attorney's Office filed an amended complaint against the Company in two qui tam lawsuits relating to our marketing practices which had been filed under seal. The amended complaint, under the caption "United States of America ex rel. Christopher R. Gobble, et al. v. Forest Laboratories, Inc. and Forest Pharmaceuticals, Inc.; United States of America ex rel. Joseph Piacentile, et al. v. Forest Laboratories, Inc." was made publicly available in February 2009. The amended complaint details allegations of the government's view of Forest's conduct and includes allegations with respect to off-label promotion, activities deemed to be "kickbacks" and disclosure issues relating to a failed pediatric trial of Lexapro. We are continuing to cooperate with this investigation and to discuss these issues with the government. During fiscal 2009, we recorded an expense of $170 million in connection with this investigation and litigation. There can be no assurance that a negotiated resolution of these matters can be achieved or that any such resolution will not require payments in excess of this amount.

Table of Contents

In March 2009, Forest was named as a defendant in two actions purportedly brought as class actions on behalf of various persons and entities that purchased or reimbursed the purchase of Celexa or Lexapro from 1998 to the present for use by a minor. One such action, captioned "Universal Care, Inc., Angela Jaeckel and Melvin M. Fullmer v. Forest Pharmaceuticals, Inc. and Forest Laboratories, Inc.", was brought in the United States District Court for the Eastern District of Missouri; the other action is captioned "New Mexico UFCW Union's and Employers' Health and Welfare Trust Fund v. Forest Laboratories, Inc., Forest Pharmaceuticals, Inc., Pfizer, Inc. and Warner Lambert Company" and was brought in the United States District Court for the Eastern District of New York. The cases allege Federal and state law causes of action arising from Forest's marketing of Celexa and Lexapro. Forest intends to vigorously defend against these actions, which are in the preliminary stage. We have initially filed a motion to consolidate these actions, together with any similar actions which may be filed in the future, in a multi-district proceeding.

We received a subpoena dated January 26, 2006 from the United States Attorney's Office for the District of Massachusetts requesting documents related to our commercial relationship with Omnicare, Inc. (or Omnicare), a long-term care pharmacy provider, including but not limited to documents concerning our contracts with Omnicare, and rebates and other payments made by us to Omnicare. We understand that the subpoena was issued in connection with that office's investigation of potential criminal violations of federal healthcare laws by Omnicare and potentially others. We are cooperating in this investigation.

In September 2007, the United States Court of Appeals for the Federal Circuit upheld the validity of our composition of matter patent covering Lexapro and the decision of the United States District Court for the District of Delaware granting us an injunction preventing Teva from marketing a generic version of Lexapro. In July 2006, we and Lundbeck commenced similar patent infringement litigation against Caraco Pharmaceutical Laboratories, Ltd., who had filed an ANDA with the FDA seeking to market a generic equivalent to Lexapro, in the United States District Court for the Eastern District of Michigan under the caption Forest Laboratories, Inc. et al. v. Caraco Pharmaceutical Laboratories, Ltd. et al. Caraco has stipulated to infringing our patent leaving only its invalidity defenses to be litigated. A five day bench trial originally scheduled to begin on April 27, 2009 was adjourned until June 1, 2009.

In February 2007, Caraco filed a single-count declaratory judgment action against us and Lundbeck in the United States District Court for the Eastern District of Michigan for non-infringement of a different patent for Lexapro that is listed in the FDA's Orange Book. After Forest and Lundbeck granted Caraco an irrevocable covenant not to sue, Chief Judge Freidman dismissed Caraco's action for lack of subject matter jurisdiction. On April 1, 2008, a three-judge panel of the United States Court of Appeals for the Federal Circuit reversed and remanded Chief Judge Freidman's decision. Our requests for panel rehearing and rehearing en banc at the Federal Circuit and certiorari at the Supreme Court were unsuccessful. Accordingly, the case is proceeding in the district court with a trial scheduled to begin on October 27, 2009.

In January 2009, Caraco also filed a single-count declaratory judgment action against us and Lundbeck in the United States District Court for the Eastern District of Michigan for non-infringement of a third patent for Lexapro that is listed in the FDA's Orange Book. In March 2009, Forest filed its Answer denying Caraco's claim and counterclaiming for patent infringement. No case schedule or trial date has been set.

Table of Contents

Beginning in January 2008, Forest and Merz, our licensor for Namenda, commenced a series of patent infringement lawsuits in the United States District Court for the District of Delaware and other districts, including the United States District Court for the Eastern District of North Carolina, against several companies (including Teva, Mylan and Barr Laboratories, Inc.) who have notified us that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Namenda. The lawsuits filed in districts other than Delaware were withdrawn after all but two defendants consented to jurisdiction in Delaware. The cases in Delaware have been consolidated under the caption Forest Laboratories, Inc. et al. v. Cobalt Laboratories Inc. et al. Two defendants have contested jurisdiction in such court and have moved to dismiss for lack of personal jurisdiction. The magistrate judge issued a Report and Recommendation in March 2009, finding that the cases against those defendants should be transferred to the District of New Jersey. The issue will now be considered by the district court judge. This action is currently in the discovery phase, with fact discovery currently scheduled to close on June 1, 2009 and expert discovery scheduled to be completed by September 11, 2009. A trial date has been set for April 5, 2010.

On July 14, 2006, we were named as a defendant, together with approximately 20 other pharmaceutical manufacturers and wholesalers in an action brought by RxUSA Wholesale, Inc. in the United States District Court for the Eastern District of New York under the caption RxUSA Wholesale, Inc. v. Alcon Laboratories, et al. The action alleges various antitrust and related claims arising out of an alleged concerted refusal by the defendant manufacturers and wholesalers to sell prescription drugs to plaintiff, a secondary drug wholesaler. Motions to dismiss have been filed by all of the defendants, and those motions are now sub judice before the court.

In April 2006, an action was commenced in the United States District Court for the Southern District of New York against us and Lundbeck under the caption Infosint S.A. v. H. Lundbeck A/S, H. Lundbeck Inc. and Forest Laboratories, Inc. In the action, the plaintiff alleges that the importation and sale in the United States of “citalopram products” by Lundbeck and us infringes certain claims of a manufacturing process patent owned by plaintiff. The action seeks injunctive relief as well as damages under U.S. patent laws. We believe that the plaintiff’s claim is without merit. Further, we believe that our license agreements with Lundbeck require Lundbeck to indemnify us from the cost of defending this action and from any associated damages or awards. A trial is scheduled to begin on September 28, 2009.

We have been named in approximately 75 product liability lawsuits that remain active. Most of the lawsuits allege that Celexa or Lexapro caused or contributed to individuals committing or attempting suicide. Twenty-seven of these lawsuits allege that Celexa or Lexapro caused birth defects or persistent pulmonary hypertension in newborns. The suits seek substantial compensatory and punitive damages. We are vigorously defending these suits. A multi-district proceeding (or MDL) has been established for the suicidality-related litigation, with the federal court cases being transferred to Judge Rodney Sippel in the United States District Court for the Eastern District of Missouri. Except for two federal court cases, the birth defect cases have been consolidated in Cole County Circuit Court in Missouri.

We expect the MDL will ease the burden of defending these cases. While litigation is inherently subject to uncertainty and accordingly we cannot predict or determine the outcome of this litigation, we believe there is no merit to these actions and that the consolidated proceedings will promote the economical and efficient resolution of these lawsuits and provide us with a meaningful opportunity to vindicate our products. We currently maintain $140 million of product liability coverage per “occurrence” and in the aggregate.

Table of Contents

We received two subpoenas dated April 27, 2007 from the Office of the Attorney General of the State of Delaware requesting documents relating to our use of the "nominal price" exception to the Medicaid program's "Best Price" rules. We understand that comparable subpoenas have been or will be issued to other pharmaceutical manufacturers as part of that office's investigation of the use of the "nominal price" exception. We have complied with the subpoenas.

We are also subject to various legal proceedings that arise from time to time in the ordinary course of our business. Although we believe that the proceedings brought against us, including the product liability cases described above, are without merit and we have product liability and other insurance, litigation is subject to many factors which are difficult to predict and there can be no assurance that we will not incur material costs in the resolution of these matters.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Performance Graph

The information required by this item is incorporated by reference to the information under the heading Stock Market Data in our Annual Report to Stockholders for the fiscal year ended March 31, 2009 (or 2009 Annual Report).

Dividends

We have never paid cash dividends on our common stock. We presently intend to retain all available funds for the development of our business, for use as working capital and for the share repurchase program. Future dividend policy will depend upon our earnings, capital requirements, financial condition and other relevant factors.

Issuer Repurchases of Equity Securities

On May 18, 2006 the Board authorized a share repurchase program (or 2007 Repurchase Program) for up to 25 million shares of our common stock. On August 13, 2007 the Board authorized the purchase of an additional 10 million shares of common stock. The authorizations became effective immediately and have no set expiration dates. We expect to make the repurchases from time to time on the open market, depending on market conditions and as permitted by applicable securities laws (including SEC Rule 10b-18) and New York Stock Exchange requirements. As of May 28, 2009, 29,346,700 shares have been repurchased and we continue to have authority to purchase up to an additional 5,653,300 shares under the 2007 Repurchase Program.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to the information under the heading Selected Financial Data in our 2009 Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated by reference to the information under the heading Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2009 Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated by reference to the information under the heading Quantitative and Qualitative Disclosures About Market Risk in our 2009 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated by reference to the Consolidated Financial Statements and Notes to Consolidated Financial Statements and the related Reports of Independent Registered Public Accounting Firm in our 2009 Annual Report.

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (or Exchange Act)). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

Management's report on internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are included in our 2009 Annual Report under the headings Management's Report on Internal Control Over Financial Reporting and Reports of Independent Registered Public Accounting Firm, respectively, and are incorporated by reference.

Changes in Internal Control Over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

In accordance with General Instruction G(3), and except for certain of the information called for by Items 10 and 12 which is set forth below, the information called for by Items 10 through 14 of Part III of this Form 10-K is incorporated by reference from Forest's definitive proxy statement to be filed with the SEC not later than 120 days after our fiscal year ended March 31, 2009, (or the Proxy Statement) pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 in connection with Forest's 2009 Annual Meeting of Stockholders.

ITEM 10. DIRECTORS AND OFFICERS OF THE REGISTRANT

The information required by this item will be incorporated by reference from the Proxy Statement under the headings “Election of Directors,” “Named Executive Officers of Forest,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance”.

Code of Ethics

We have adopted a written code of business conduct and ethics that applies to our Chief Executive Officer, Chief Financial Officer and all of our officers and employees and can be found on our website, which is located at www.frx.com under the "Investors" link. We will also provide a copy of our code of ethics to any person without charge upon his or her request. Any such request should be directed to our Corporate Secretary at 909 Third Avenue, New York, New York 10022. We intend to make all required disclosures concerning any amendments to or waivers from our code of business conduct and ethics on our website.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following sets forth certain information as of March 31, 2009 with respect to our compensation plans under which Forest securities may be issued:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	18,853,356	$38.58	6,292,990
Equity compensation plans not		N/A	

approved by security holders			
Total	18,853,356	$38.58	6,292,990

Additional information required by this item is incorporated by reference to the section entitled “Security Ownership of Principal Stockholders and Management” in the Proxy Statement.

Table of Contents

PART IV

ITEM 15EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial statements. The following consolidated financial statements of Forest Laboratories, Inc. and its subsidiaries are incorporated by reference to the 2009 Annual Report, as provided in Item 8 hereof:

Management's report on internal control over financial reporting

Reports of Independent Registered Public Accounting Firm

Consolidated balance sheets –
March 31, 2009 and 2008

Consolidated statements of income –
years ended March 31, 2009, 2008 and 2007

Consolidated statements of comprehensive income –
years ended March 31, 2009, 2008 and 2007

Consolidated statements of stockholders' equity –
years ended March 31, 2009, 2008 and 2007

Consolidated statements of cash flows –
years ended March 31, 2009, 2008 and 2007

Notes to consolidated financial statements

2. Financial statement schedules. The following consolidated financial statement schedules of Forest Laboratories, Inc. and its subsidiaries are included herein:

Report of Independent Registered Public Accounting Firm		S-1
Schedule II	Valuation and Qualifying Accounts	S-2

All other schedules for which provision is made in the applicable accounting regulations of the
Securities and Exchange Commission are not required under the related instructions or are
inapplicable, and therefore have been omitted.

3. Exhibits:

(3)(a) Articles of Incorporation of Forest, as amended and restated. Incorporated by reference to Forest’s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2008.

(3)(b) Bylaws of Forest, as amended. Incorporated by reference to Forest's Current Report on Form 8-K dated March 2, 2009.

33

Table of Contents

(10) Material Contracts

10.1 Benefit Continuation Agreement dated as of December 1, 1989 between Forest and Howard Solomon. Incorporated by reference to Forest's Annual Report on Form 10-K for the fiscal year ended March 31, 1990 (or 1990 l0-K).

10.2 Benefit Continuation Agreement dated as of May 27, 1990 between Forest and Kenneth E. Goodman. Incorporated by reference to the 1990 10-K.

10.3 Amended and Restated Change of Control Employment Agreement between Forest and Howard Solomon dated October 29, 2008. Incorporated by reference to Forest's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2008 (or December 31, 2008 10-Q).

10.4 Amended and Restated Change of Control Employment Agreement between Forest and Elaine Hochberg dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.5 Letter Agreement dated as of September 6, 2004 between Forest and Francis I. Perier, Jr. Incorporated by reference to Forest's Current Report on Form 8-K dated September 30, 2004.

10.6 Amended and Restated Change of Control Employment Agreement between Forest and Francis I. Perier, Jr. dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.7 Letter Agreement dated as of January 30, 2006 between Forest and Herschel S. Weinstein. Incorporated by reference to Forest's Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

10.8 Amended and Restated Change of Control Employment Agreement between Forest and Herschel Weinstein dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.9 Letter Agreement dated September 5, 2006 between Forest and Dr. Lawrence S. Olanoff. Incorporated by reference to Forest's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2006.

10.10 Amended and Restated Change of Control Employment Agreement between Forest and Lawrence S. Olanoff, M.D., Ph.D dated October 29, 2008. Incorporated by reference to the

December 31, 2008 10-Q.

10.11 Letter Agreement dated June 15, 2007 between Forest and Dr. Marco Taglietti.

10.12 Amended and Restated Change of Control Employment Agreement between Forest and Marco Taglietti, M.D. dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

Table of Contents

10.13 Amended and Restated Change of Control Employment Agreement between Forest and Frank Murdolo dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.14 Amended and Restated Change of Control Employment Agreement between Forest and David Solomon dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.15 Amended and Restated Change of Control Employment Agreement between Forest and Raymond Stafford dated October 29, 2008. Incorporated by reference to the December 31, 2008 10-Q.

10.16 1998 Stock Option Plan of Forest Laboratories, Inc. Incorporated by reference to Forest's Proxy Statement for the fiscal year ended March 31, 1998.

10.17 2000 Stock Option Plan of Forest Laboratories, Inc. Incorporated by reference to Forest's Proxy Statement for the fiscal year ended March 31, 2000.

10.18 2004 Stock Option Plan of Forest Laboratories, Inc. Incorporated by reference to Forest's Proxy Statement for the fiscal year ended March 31, 2004.

10.19 2007 Equity Incentive Plan of Forest Laboratories, Inc. Incorporated by reference to Forest’s Proxy Statement for the fiscal year ended March 31, 2007.

10.20 Form of Director Restricted Stock Agreement under the 2007 Equity Incentive Plan of Forest Laboratories, Inc. Incorporated by reference to Forest’s Form S-8 on Registration Statement No. 333-145415, dated August 13, 2007.

10.21 Form of Director Stock Option Agreement under the 2007 Equity Incentive Plan of Forest Laboratories, Inc. Incorporated by reference to Forest’s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2007 (or September 30, 2007 10-Q).

10.22 Form of Employee Restricted Stock Agreement (Time-Based) under the 2007 Equity Incentive Plan of Forest Laboratories, Inc. Incorporated by reference to Forest’s Annual Report on Form 10-K for the fiscal year ended March 31, 2008 (or 2008 10-K).

10.23

Form of Employee Stock Option Agreement under the 2007 Equity Incentive Plan of Forest Laboratories, Inc. Incorporated by reference to September 30, 2007 10-Q.

10.24 Co-Promotion Agreement dated December 10, 2001 by and between Sankyo Pharma Inc. and Forest Laboratories, Inc. Incorporated by reference to Forest's Annual Report on Form 10-K for the fiscal year ended March 31, 2002 (or 2002 10-K).*

10.25 S-Enantiomer License Agreement dated May 29, 2002 by and between Forest Laboratories Ireland Limited and H. Lundbeck A/S. Incorporated by reference to the 2002 10-K.*

Table of Contents

10.26 S-Enantiomer Supply Agreement dated May 29, 2002 by and between Forest Laboratories Ireland Limited and H. Lundbeck A/S. Incorporated by reference to the 2002 10-K.*

10.27 License and Cooperation Agreement dated June 28, 2000 by and between Merz & Co. GmbH and Forest Laboratories Ireland Limited. Incorporated by reference to Forest's Annual Report on Form 10-K for the fiscal year ended March 31, 2004.*

10.28 Settlement Agreement by and between Forest Laboratories, Inc., Forest Laboratories Holdings Limited and H. Lundbeck A/S and Alphapharm Pty Ltd. effective October 3, 2005. Incorporated by reference to Forest's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005.*

10.29 Agreement and Plan of Merger dated December 13, 2006 by and among Forest Laboratories, Inc., FL Acquisition Corp., Cerexa, Inc. and Dennis Podlesak and Eckard Weber, M.D., as Shareholders' Agents. Incorporated by reference to Forest's Quarterly Report on Form 10-Q for the quarter ended December 31, 2006.*

10.30 Nebivolol Development and Commercialization Agreement by and between Forest Laboratories Holdings Limited and Mylan Inc. dated as of January 6, 2006. Incorporated by reference to the 2008 10-K.*

10.31 Amendment Agreement, dated as of February 27, 2008, by and between Forest Laboratories Holdings Limited and Mylan Inc. to that certain Nebivolol Development and Commercialization Agreement dated as of January 6, 2006. Incorporated by reference to the 2008 10-K.

10.32 Credit Agreement, dated December 7, 2007, by and among Forest Laboratories, Inc., Forest Laboratories Holdings Limited, Forest Laboratories Ireland Limited, Forest Finance B.V., Forest Laboratories UK Limited, the lenders party thereto, and JPMorgan Chase Bank, N.A. Incorporated by reference to Forest's Current Report on Form 8-K dated December 7, 2007.

10.33 License and Collaboration Agreement (the "Cypress License") dated January 9, 2004 between the Registrant and Cypress Bioscience, Inc. ("Cypress") filed as Exhibit 10.26 to Cypress's Annual Report on the Form 10-K of Cypress for the year ended December 31, 2003 (or Cypress 2003 10-K).*

10.34 Side Letter dated January 9, 2004 among the Registrant, Cypress and Pierre Fabre Medicament filed as Exhibit 10.27 to the

Cypress 2003 10-K.*

10.35 Letter Agreement dated January 9, 2004 among the Registrant, Cypress and Pierre Fabre Medicament filed as Exhibit 10.28 to the Cypress 2003 10-K.*

10.36 Amendment to the Cypress License filed as Exhibit 10.1 to Cypress's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005*

13 Portions of the Registrant's 2009 Annual Report to Stockholders.

Table of Contents

21	List of Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.PRE	XBRL Taxonomy Presentation Linkbase Document**
101.CAL	XBRL Taxonomy Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Label Linkbase Document**
101.DEF	XBRL Taxonomy Definition Linkbase Document**

*Confidential treatment has been granted as to certain portions of these Exhibits.

**Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets – March 31, 2009 and 2008, (ii) Consolidated Statements of Income – years ended March 31, 2009, 2008 and 2007, (iii) Consolidated Statements of Comprehensive Income – years ended March 31, 2009, 2008 and 2007, (iv) Consolidated Statements of Stockholders' Equity – years ended March 31, 2009, 2008 and 2007, (v) Consolidated Statements of Cash Flows – years ended March 31, 2009, 2008 and 2007 and (vi) the Notes to Consolidated Financial Statements.

Users of this data are advised pursuant to Rule 401 of Regulation S-T that the financial and other information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of the Company. The purpose of submitting these XBRL formatted documents is to test the related format and technology and, as a result, investors should

continue to rely on the official filed version of the furnished documents and not rely on this information in making investment decisions.

In accordance with Rule 402 of Regulation S-T, the information in Exhibit 101 of this Annual Report on Form 10-K shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific references in such filing.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, Forest has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2009

FOREST LABORATORIES, INC.
By: /s/Howard Solomon
Howard Solomon,
Chairman of the Board,
Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Forest and in the capacities and on the dates indicated.

PRINCIPAL EXECUTIVE OFFICERS:

/s/ Howard Solomon Howard Solomon	Chairman of the Board, Chief Executive Officer and Director	May 29, 2009
/s/ Lawrence S. Olanoff Lawrence S. Olanoff	President, Chief Operating Officer and Director	May 29, 2009

PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER:

/s/ Francis I. Perier, Jr. Francis I. Perier, Jr.	Senior Vice President - Finance and Chief Financial Officer	May 29, 2009

DIRECTORS:

/s/ Nesli Basgoz Nesli Basgoz	Director	May 29, 2009
/s/ William J. Candee, III William J. Candee, III	Director	May 29, 2009
/s/ George S. Cohan George S. Cohan	Director	May 29, 2009
/s/ Dan L. Goldwasser	Director	May 29, 2009

Dan L. Goldwasser		
/s/ Kenneth E. Goodman Kenneth E. Goodman	Director	May 29, 2009
/s/ Lester B. Salans Lester B. Salans	Director	