

BN Forest's Quarterly Profit Falls on Celexa Competition (Update1)
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(Adds forecast in the seventh paragraph.)

By Kerry Dooley Young and Geraldine Ryerson-Cruz

Oct. 18 (Bloomberg) -- Forest Laboratories Inc. said its profit fell 31 percent in the fiscal second quarter as sales of its Celexa antidepressant, facing generic competition, plunged.

Net income declined to \$204.9 million, or 59 cents a share, from \$295.3 million, or 79 cents a share, from a year earlier, New York-based Forest said today in a statement. Sales fell 19.3 percent to \$691.6 million in the period ended Sept. 30.

Celexa sales fell by \$252 million in the second quarter from a year earlier, mirroring a similar drop in the first quarter. Celexa sales peaked at an annual \$1.8 billion before generic competition began last year. While second-quarter sales of antidepressant Lexapro grew 14 percent and revenue from contracts doubled, the company recently failed to develop a pain pill and expand use of an Alzheimer's drug.

"As much as they shot right into the sky with Celexa, they don't have anything on the horizon right now," said Michael Obuchowski, who helps manage \$35 million at New York-based Altanes Investments LLC, in an Oct. 12 telephone interview. His firm no longer holds Forest shares, he said.

Sales of Celexa dropped to \$4.39 million in the quarter, from \$256.4 million a year earlier. Lexapro sales rose to \$472 million. Revenue overall fell 16.4 percent, including income from contracts, interest and co-promotion agreements.

Shares of Forest rose 13 cents to \$36.35 in New York Stock Exchange composite trading yesterday. They have fallen 19 percent this year.

Forecast Affirmed

Forest today affirmed a previous forecast that it will have net income of about \$2.30 a share for the fiscal year ending March 31, 2006, based on revenue from its core business of more than \$2.8 billion. This excludes the effect of a one-time tax benefit of \$36.4 million related to repatriating money from abroad, the company said.

Forest licenses its top-selling medicines from other companies. It sells Celexa and Lexapro through an agreement with Denmark's H. Lundbeck A/S. Forest acquired rights to its Benicar high blood pressure drug from Japan's Sankyo Co. and its Namenda Alzheimer's disease medicine from Germany's Merz.

Forest and partner Cypress Bioscience Inc. on Sept. 29 said a drug for the widespread muscle pain known as fibromyalgia failed to do more than a placebo in a test. The U.S. Food and

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Drug Administration in July rejected Forest's bid to sell Namenda for people with earlier stages of Alzheimer's.

Lawsuits

Forest is also seeking to contain competitor efforts to sell low-cost, generic versions of Lexapro. On Oct. 6, Forest said it settled a settled a patent-infringement lawsuit against Merck KgaA's Alphapharm unit over its generic alternative.

Similar lawsuits against Ivax and Cipla are scheduled for a December trial.

In the second quarter, sales of the Alzheimer's drug Namenda increased 53 percent to \$123.9 million. The drug was first marketed in the U.S. in January 2004. Forest developed it through an agreement with Germany's Merz & Co. Revenue from the Benicar high blood pressure drug, developed by Japan's Sankyo Co., was \$31.2 million.

(Forest will hold a conference call at 10:00 a.m. New York time through its Web site, <http://www.frx.com>.)

--Editor: Gale.

Story illustration: For a chart of the company's earnings, see {FRX US <Equity> CH2 <GO>}. To graph the company's shares, see {FRX US <Equity> GP D <GO>}.

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