ALPHARMA INC
Form 10-Q/A
December 21, 2001

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

FORM 10-Q/A
Amendment No. 2 to

Quarterly Report Pursuant To Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For quarter ended

June 30, 2000

Commission file number 1-8593

Alpharma Inc.

(Exact name of registrant as specified in its charter)

Delaware	22-2095212
(State of Incorporation)	(I.R.S. Employer Identification No.)

One Executive Drive, Fort Lee, New Jersey

07024
(Address of principal executive offices) zip code

(201) 947-7774

(Registrant's Telephone Number Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of July 28, 2000:

Class A Common Stock, $.20 par value -- 25,405,501 shares.
Class B Common Stock, $.20 par value -- 9,500,000 shares.

This amendment on the Form 10-Q of Alpharma Inc. (the "Company") is being filed solely to reflect changes necessitated by the Company's revision of its audited financial statements for the years ended December 31, 1998, 1999 and 2000 and the first two quarters of 2001. Items 1, 2 and 3 of Part 1 are the only items being amended hereby, and such amendments relate only to the revised financial statements. In all other respects, this amendment presents information as of the original date of the Form 10-Q. Items not being amended are presented for the convenience of the reader only.

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ALPHARMA INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEET
(In thousands of dollars)

(Unaudited)

	June 30, 2000 (Revised)	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,046	$ 17,655
Accounts receivable, net	184,233	168,526
Inventories	246,541	167,981
Prepaid expenses and other current assets	20,982	19,300
Total current assets	473,802	373,462
Property, plant and equipment, net	321,529	244,413
Intangible assets, net	635,061	488,958
Other assets and deferred charges	48,211	45,023
Total assets	$1,478,603	$1,151,856
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 15,038	$ 9,111
Short-term debt	26,296	4,289
Accounts payable and accrued expenses	148,520	135,281
Accrued and deferred income taxes	10,289	15,595
Total current liabilities	200,143	164,276

Long-term debt:		
Senior	335,846	225,110
Convertible subordinated notes, including $67,850 to related party	370,119	366,674
Deferred income taxes	33,386	35,065
Other non-current liabilities	17,584	17,208
Stockholders' equity:		
Class A Common Stock	5,132	4,078
Class B Common Stock	1,900	1,900
Additional paid-in-capital	492,292	297,780
Accumulated other comprehensive loss	(65,878)	(34,201)
Retained earnings	95,022	80,150
Treasury stock, at cost	(6,943)	(6,184)
Total stockholders' equity	521,525	343,523
Total liabilities and stockholders' equity	$1,478,603	$1,151,856

The accompanying notes are an integral part
of the consolidated condensed financial statements.

ALPHARMA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999

	(Revised)	(Revised)	(Revised)	(Revised)
Total revenue	$214,835	$158,648	$403,652	$312,841
Cost of sales	119,625	88,009	217,202	175,458
Gross profit	95,210	70,639	186,450	137,383
Selling, general and administrative expenses	68,293	52,743	131,390	102,814
Operating income	26,917	17,896	55,060	34,569
Interest expense	(13,053)	(8,857)	(23,913)	(16,323)
Other, net	(4,857	(22	(3,909	921
	)	)	)	
Income before provision for income taxes	9,007	9,017	27,238	19,167
Provision for income taxes	2,935	3,187	9,457	6,910
Net income	$ 6,072	$ 5,830	$17,781	$12,257
Earnings per common share:				
Basic	$ 0.19	$ 0.21	$ 0.57	$ 0.45
Diluted	$ 0.18	$ 0.21	$ 0.56	$ 0.44
Dividends per common share	$ 0.045	$ 0.045	$ 0.09	$ 0.09

The accompanying notes are an integral part

of the consolidated condensed financial statements.

ALPHARMA INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(In thousands of dollars)
(Unaudited)

	Six Months Ended June 30,

	2000 (Revised)	1999 (Revised)
Operating Activities:		
Net income	$17,781	$12,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,257	21,893
Interest accretion on convertible debt	3,445	512
Changes in assets and liabilities, net of effects from business acquisitions:		
(Increase)decrease in accounts receivable	(19,823)	16,333
(Increase) in inventory	(44,863)	(21,220)
Increase (decrease) in accounts payable, accrued expenses and taxes payable	14,016	(5,429)
Other, net	798	768
Net cash provided by operating activities	2,611	25,114
Investing Activities:		
Capital expenditures	(26,700)	(15,050)
Loans to Ascent Pediatrics	(1,500)	(4,000)
Purchase of businesses and intangible assets, net of cash acquired	(268,941)	(173,626)
Net cash used in investing activities	(297,141)	(192,676)

Financing Activities:		
Dividends paid	(2,909)	(2,488)
Proceeds from sale of convertible subordinated debentures	--	170,000
Proceeds from senior long-term debt	93,850	277,000
Reduction of senior long-term debt	(4,446)	(278,858)
Net advances under lines of credit	22,168	4,020
Payments for debt issuance costs	(747)	(8,445)
Proceeds from issuance of common stock	193,434	14,431
Purchase of treasury stock	(759)	--
Net cash provided by financing activities	300,591	175,660
Exchange Rate Changes:		
Effect of exchange rate changes on cash	(2,352)	(1,519)
Income tax effect of exchange rate changes on intercompany advances	682	1,523
Net cash flows from exchange rate changes	(1,670)	4
Increase in cash	4,391	8,102
Cash and cash equivalents at beginning of year	17,655	14,414
Cash and cash equivalents at end of period	$ 22,046	$ 22,516

The accompanying notes are an integral part
of the consolidated condensed financial statements.

1A. General

The accompanying consolidated condensed financial statements include all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, considered necessary for a fair presentation of the results for the periods presented. These financial statements should be read in conjunction with the consolidated financial statements of Alpharma Inc. and Subsidiaries included in the Company's 1999 Annual Report on Form 10-K/A. The reported results for the three and six month periods ended June 30, 2000 are not necessarily indicative of the results to be expected for the full year.

1B. Restatement of Financial Statements

In October 2001 the Company announced that it would revise its financial statements. The revision affected the timing of recognition of revenue for certain sales of the Company's Animal Health Division for 1998, 1999, 2000 and the first two quarters of 2001. The revision results predominately from a required modification in recognizing revenue for specific customer orders in 1998, 1999 and 2000 from the time the order was segregated by third party warehouses and billed, to a subsequent period when the order was delivered.

A summary of the effects of the adjustments on the accompanying balance sheet as of June 30, 2000 and statements of income for the three and six month periods ended June 30, 2000 and 1999 follows:

	June 30, 2000	
	Reported	Revised
ASSETS:		
Accounts receivable	$211,433	$184,233
Inventory	235,796	246,541
Other current assets	36,611	43,028
Current assets	483,840	473,802
Non current assets	1,004,801	1,004,801
Total assets	$1,488,641	$1,478,603
LIABILITIES AND EQUITY:		
Current liabilities	$200,143	$200,143
Long-term debt	705,965	705,965
Deferred taxes and other	50,970	50,970

Retained earnings	105,060	95,022
Stockholders' equity	426,503	426,503
Total liabilities & equity	$1,488,641	$1,478,603

	Three Months Ended June 30, 2000		Six Months Ended June 30, 2000	
	Reported	Revised	Reported	Revised
Total revenue	$224,039	$214,835	$410,117	$403,652
Cost of sales	123,957	119,625	220,999	217,202
Gross profit	100,082	95,210	189,118	186,450
Selling, general & administrative expenses	68,293	68,293	131,390	131,390
Operating income	31,789	26,917	57,728	55,060
Interest expense	(13,053)	(13,053)	(23,913)	(23,913)
Other, net	(4,857)	(4,857)	(3,909)	(3,909)
Income before provision for income taxes	13,879	9,007	29,906	27,238
Provision for income taxes	4,835	2,935	10,497	9,457
Net income	$ 9,044	$6,072	$19,409	$17,781
Earnings per common share:				
Basic	$0.28	$0.19	$0.63	$0.57

Diluted	$0.27	$0.18	$0.60	$0.56

	Three Months Ended June 30, 1999		Six Months Ended June 30, 1999	
	Reported	Revised	Reported	Revised
Total revenue	$162,217	$158,648	$318,166	$312,841
Cost of sales	89,057	88,009	176,998	175,458
Gross profit	73,160	70,639	141,168	137,383
Selling, general & administrative expenses	52,743	52,743	102,814	102,814
Operating income	20,417	17,896	38,354	34,569
Interest expense	(8,857)	(8,857)	(16,323)	(16,323)
Other, net	(22	(22	921	921
	)	)		
Income before provision for income taxes	11,538	9,017	22,952	19,167
Provision for income taxes	4,170	3,187	8,386	6,910
Net income	$ 7,368	$5,830	$14,566	$12,257
Earnings per common share:				
Basic	$0.27	$0.21	$0.53	$0.45
Diluted	$0.26	$0.21	$0.52	$0.44

2. Inventories

Inventories consist of the following:

	June 30, 2000	December 31, 1999
Finished product	$152,360	$101,137
Work-in-process	32,371	28,938
Raw materials	61,810	37,906
	$246,541	$167,981

3. Business Acquisitions

2000

Roche MFA and Bridge Financing:

On May 2, 2000, Alpharma announced the completion of the acquisition of the Medicated Feed Additive Business of Roche Ltd.("MFA") for a cash payment of approximately $258,000 and issuance of a $30,000 promissory note to Roche. The Note is due December 31, 2000 and bears interest at the Prime rate. The purchase price will be adjusted based on actual product inventories as of May 2, 2000. In addition certain international inventories have been purchased from Roche during a transition period of approximately three months.

The MFA business had 1999 sales of $213,000 and consists of products used in the livestock and poultry industries for preventing and treating diseases in animals. MFA sales by region are approximately 56% in North America, 20% in Europe and 12% in both Latin America and Southeast Asia.

The acquisition included inventories, five manufacturing and formulation sites in the United States (two of which will be operated by Roche until third party consents are received), global product registrations, licenses, trademarks and associated intellectual property. Approximately 200 employees primarily in manufacturing and sales and marketing are included in the acquisition.

The acquisition has been accounted for in accordance with the purchase method. The fair value of the assets acquired and liabilities assumed based on a preliminary allocation and the results of the acquired business operations are included in the Company's consolidated financial statements beginning on the acquisition date. The Company is amortizing the acquired intangibles and goodwill based on lives of 5 to 20 years (average approximately 18 years) using the straight line method.

The Company financed the $258,000 cash payment under a $225,000 Bridge Financing agreement ("Bridge Financing") with the balance of the financing being provided under its then current $300,000 credit facility ("1999 Credit Facility").

The Bridge Financing was arranged by Union Bank of Norway, First Union National Bank, and a group of other banks and was fully repaid on June 29, 2000.

Under the Bridge Financing the Company paid a 1% fee for the banks commitment and in connection with drawing the funds. Interest was payable at Libor plus 2.75%. In addition, because of the size of the acquisition, other possible acquisitions, and the existing restrictive covenants under the 1999 Credit Agreement, the Company engaged and incurred fees to investment bankers to advise on options and strategies to finance the Roche acquisition. All fees relating to the bridge financing were expensed in the second quarter.

The impact on cost of sales of the write up of inventory to net realizable value pursuant to Accounting Principles Board Opinion No. 16 "Business Combinations" was reflected in cost of sales as manufactured inventory acquired was sold during the second quarter. In addition, certain employees of AHD have been severed as a result of the acquisition and resulted in $400 severance expense in the second quarter.

The non-recurring charges related to the acquisition and financing of MFA included in the second quarter of 2000 are summarized as follows:

Inventory write-up	$1,000	(Included in cost of sales)
Severance of existing AHD employees	400	(Included in selling, general and administrative expenses)
Bridge financing and advisory costs	4,730	(Included in other, net)
	6,130	
Tax benefit	(2,104)	
	$4,026	$.10 per share-diluted

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1999

I.D. Russell:

On September 2, 1999, the Company's AHD acquired the business of I.D. Russell Company Laboratories ("IDR") for approximately $23,500 in cash (including a purchase price adjustment and other direct costs of acquisition). IDR is a US manufacturer of animal health products primarily soluble antibiotics and vitamins. The acquisition consisted of working capital, an FDA approved manufacturing facility in Colorado, product registrations, trademarks and 35 employees. The Company has allocated the purchase price to the manufacturing facility and identified intangibles and goodwill (approximately $13,000) which will be generally amortized over 15 years. The purchase agreement provides for up to $4,000 of additional purchase price if two product approvals currently pending are received in the next four years.

Isis:

Effective June 15, 1999, the Company's IPD acquired all of the capital stock of Isis Pharma GmbH and its subsidiary, Isis Puren ("Isis") from Schwarz Pharma AG for a total cash purchase price of approximately $153,000, including purchase price adjustments and direct costs of acquisition. Isis operates a generic and branded pharmaceutical business in Germany. The acquisition consisted of personnel (approximately 200 employees; 140 of whom are in the sales force) and product registrations and trademarks. No plant, property or manufacturing equipment were part of the acquisition. The Company is amortizing the acquired intangibles and goodwill based on lives which vary from 7 to 20 years (average approximately 16 years) using the straight-line method.

Jumer:

On April 16, 1999, the Company's IPD acquired the generic pharmaceutical business Jumer Laboratories SARL and related companies of the Cherqui group ("Jumer") in Paris, France for approximately $26,000, which includes the assumption of debt which was repaid subsequent to closing. Based on product approvals received additional purchase price of approximately $3,000 may be paid in the next 3 years. The acquisition consisted of products, trademarks and registrations. The Company is amortizing the acquired intangibles and goodwill based on lives which vary from 16 to 25 years (average approximately 22 years) using the straight line method.

Pro forma Information:

The following unaudited pro forma information on results of operations assumes the purchase at the beginning of 1999 of all businesses discussed above as if the companies had been combined at such date:

	Proforma Three Months Ended June 30,		Proforma Six Months Ended June 30,	
	2000 *	1999	2000 *	1999
Revenue	$221,800	$233,500	$460,600	$463,900
Net income	$7,900	$200	$11,800	$(400)
Basic EPS	$0.24	$0.01	$0.38	$(0.01)
Diluted EPS	$0.24	$0.01	$0.37	$(0.01)

* 2000 excludes actual non-recurring charges related to the Roche MFA acquisition of $4,026 after tax or $0.10 per share.

These unaudited pro forma results have been prepared for comparative purposes only and include restated amounts, where appropriate, and certain adjustments, such as additional amortization expense as a result of acquired intangibles and goodwill and increased interest expense on acquisition debt. They do not purport to be indicative of the results of operations that actually would have resulted had the acquisitions occurred at the beginning of the period, or of future

results of operations of the consolidated entities.

- Long-Term Debt and Equity Financing

Long-term debt consists of the following:

	June 30, 2000	December 31, 1999
Senior debt:		
U.S. Dollar Denominated:		
1999 Credit Facility (7.70 - 8.03%)	$271,350	$180,000
Note payable - Roche	30,000	-
Industrial Development Revenue Bonds	8,450	9,130
Other, U.S.	112	172
Denominated in Other Currencies (NOK)	40,972	44,919
Total senior debt	350,884	234,221
Subordinated debt:		
3% Convertible Senior Subordinated Notes due 2006 (6.875% yield), including interest accretion	177,269	173,824
5.75% Convertible Subordinated Notes due 2005	125,000	125,000
5.75% Convertible Subordinated Note due 2005 - Industrier Note	67,850	67,850
Total subordinated debt	370,119	366,674
Total long-term debt	721,003	600,895
Less, current maturities	15,038	9,111

	$705,965	$591,784

In May 2000, the Company sold 4,950,000 shares of Class A Common Stock to an investment banker and received proceeds of approximately $186,000. The proceeds were used to repay a portion of the Bridge Financing which was arranged for the purpose of purchasing the Roche MFA business. (See note 3.)

In June 2000 the Company signed an amendment to its $300,000 Credit Agreement ("1999 Credit Facility") with the original consortium of banks plus the Bank of America whereby the six year term loan agreement was increased by $10,000 and the revolving credit facility was increased by $90,000. Concurrently with the completion of the Amendment the Company borrowed the necessary funds, repaid the balance of the Bridge Financing and terminated that facility.

5. Earnings Per Share

Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share reflect the dilutive effect of stock options and convertible debt when appropriate.

A reconciliation of weighted average shares outstanding for basic to diluted weighted average shares outstanding is as follows:

(Shares in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2000 (Revised)	June 30, 1999	June 30, 2000	June 30, 1999
Average shares outstanding - basic	32,475	27,503	31,050	27,379
Stock options	560	353	430	380
Convertible debt	--	--	6,744	--
Average shares outstanding - diluted	33,035	27,856	38,224	27,759

The amount of dilution attributable to the stock options, determined by the treasury stock method, depends on the average market price of the Company's common stock for each period.

Subordinated notes issued in March 1998 ("05 Notes"), convertible into 6,744,481 shares of common stock at $28.59 per share, were included in the computation of diluted EPS for the six months ended June 30, 2000. The calculation of the assumed conversion was antidilutive for the three months ended June 30, 2000 and the three months and six months ended June 30, 1999.

In addition, subordinated senior notes issued in June 1999 ("06 Notes") convertible into 5,294,301 shares of common stock at $32.11 per share were outstanding at June 30, 2000, but were not included in the computation of diluted EPS because the result was antidilutive for all periods presented.

The numerator for the calculation of basic EPS is net income for all periods. The numerator for the calculation of diluted EPS is net income for the three months ended June 30, 2000 and the three months and six months ended June 30, 1999. The numerator for the six months ended June 30, 2000 includes an add back for interest expense and debt cost amortization, net of income tax effects, related to the 05 Notes.

A reconciliation of revised net income used for basic to diluted EPS is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2000 (Revised)	June 30, 1999	June 30, 2000	June 30, 1999
Net income - basic	$6,072	$5,830	$17,781	$12,257
Adjustments under if - converted method, net of tax	--	--	3,622	--
Adjusted net income - diluted	$ 6,072	$5,830	$21,403	$12,257

6. Supplemental Data

	Three Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
Other income (expense), net:				
Fees for bridge financing - MFA acquisition	$(4,730)	$ -	$(4,730)	$ -
Interest income	688	258	1,084	444
Foreign exchange gains (losses), net	(631)	29	(442)	(268)
Amortization of debt costs	(502)	(367)	(995)	(657)
Litigation/Insurance settlement	-	-	483	1,000
Income from joint venture carried at equity	455	348	958	648

Other, net	(137	(290	(267	(246
	)	)	)	)
	$(4,857)	$ (22)	$(3,909)	$ 921

Supplemental cash flow information:

	Six Months Ended	
	June 30, 2000	June 30, 1999
Cash paid for interest (net of amount capitalized)	$20,006	$13,226
Cash paid for income taxes (net of refunds)	$12,375	$ 7,660

Detail of businesses and intangibles acquired:

Fair value of assets	$298,941	$213,087
Seller financed debt - Roche	30,000	--
Liabilities assumed	--	38,558
Cash paid	268,941	174,529
Less cash acquired	--	903
Net cash paid for businesses and intangibles	$268,941	$173,626

7. Reporting Comprehensive Income

SFAS 130, "Reporting Comprehensive Income" requires foreign currency translation adjustments and certain other items to be included in other comprehensive income (loss). Total comprehensive loss amounted to approximately $7,456 and $3,421 for the three months ended June 30, 2000 and 1999, respectively. Total comprehensive loss amounted to approximately $13,896 and $11,301 for the six months ended June 30, 2000 and 1999. The only components of accumulated other comprehensive loss for the Company are foreign currency translation adjustments.

8. Contingent Liabilities and Litigation

The Company was originally named as one of multiple defendants in 62 lawsuits alleging personal injuries and six class actions for medical monitoring resulting from the use of phentermine distributed by the Company and subsequently prescribed for use in combination with fenflurameine or dexfenfluramine manufactured and sold by

other defendants (Fen-Phen Lawsuits). None of the plaintiffs have specified an amount of monetary damage. Because the Company has not manufactured, but only distributed phentermine, it has demanded defense and indemnification from the manufacturers and the insurance carriers of manufacturers from whom it has purchased the phentermine. The Company has received a partial reimbursement of litigation costs from one of the manufacturer's carriers. The Company has been dismissed in all the class actions and the plaintiffs in 54 of the lawsuits have agreed to dismiss the Company without prejudice. Based on an evaluation of the circumstances as now known, including but not solely limited to, 1) the fact that the Company did not manufacture phentermine, 2) it had a diminimus share of the phentermine market and 3) the presumption of some insurance coverage, the Company does not expect that the ultimate resolution of the current Fen-Phen lawsuits will have a material impact on the financial position or results of operations of the Company.

Bacitracin zinc, one of the Company's feed additive products has been banned from sale in the European Union (the "EU") effective July 1, 1999. While initial efforts to reverse the ban in court were unsuccessful, the Company is continuing to pursue initiatives based on scientific evidence available for the product, to limit the effects of this ban. In addition, certain other countries, not presently material to the Company's sales of bacitracin zinc have either followed the EU's ban or are considering such action and certain individual customers outside the EU may be refraining from the use of bacitracin because of the negative inferences of the ban. The existing governmental actions negatively impact the Company's business but are not material to the Company's financial position or results of operations. However, an expansion of the ban to additional countries where the Company has material sales of bacitracin based products could be material to the financial condition and results of operations of the Company.

The United Kingdom Office of Fair Trading ("OFT") is conducting an investigation into the pricing and supply of medicine by the generic industry in the United Kingdom. As part of this investigation, Cox received in February 2000 a request for information from the OFT. The request states that the OFT is particularly concerned about the sustained rise in the list price of a range of generic pharmaceuticals over the course of 1999 and is considering this matter under competition legislation. In December 1999 Cox received a request for information from the Oxford Economic Research Association ("OXERA"), an economic research company which has been commissioned by the United Kingdom Department of Health to carry out a study of the generic drug industry. The requests related to certain specified drugs. The Company has responded to both requests for information. The Company has not had any communications from either agency since answering their inquiries. Effective August 3, 2000 the government has adopted interim maximum pricing legislation. The government has indicated that it will review the interim legislation within the next 12 to 15 months based in part on the results of the OXERA activities. The Company is unable to predict what final impact the OFT investigation or OXERA activities will have on the operations of Cox and the pricing of generic pharmaceuticals in the United Kingdom.

The Company and its subsidiaries are, from time to time, involved in other litigation arising out of the ordinary course of business. It is the view of management, after consultation with counsel, that the ultimate resolution of all other pending suits should not have a material adverse effect on the consolidated financial position or results of operations of the Company.

9. Business Segment Information

The Company's reportable segments are five decentralized divisions (i.e. International Pharmaceuticals Division

("IPD"), Fine Chemicals Division ("FCD"), U.S. Pharmaceuticals Division ("USPD"), Animal Health Division ("AHD") and Aquatic Animal Health Division ("AAHD"). Each division has a president and operates in distinct business and/or geographic area. Segment data includes immaterial intersegment revenues which are eliminated in the consolidated accounts.

The operations of each segment are evaluated based on earnings before interest and taxes. Corporate expenses and certain other expenses or income not directly attributable to the segments are not allocated.

	Three Months Ended June 30,			
	2000	1999	2000	1999
	Revenues		Operating Income	
IPD	$76,862	$68,055	$ 12,581	$7,565
USPD	51,941	42,315	4,351	2,322
FCD	14,954	16,019	6,291	6,192
AHD (1)	68,123	29,912	8,611 *	5,979
AAHD	3,020	2,522	(1,108)	(920)
Unallocated and eliminations	(65)	(175)	(3,809)	(3,242)
	$214,835 (1)	$158,648 (1)	$ 26,917 (1)	$ 17,896 1)

	Six Months Ended June 30,			
	2000	1999	2000	1999
	Revenues		Operating Income	
IPD	$162,013	$128,200	$ 27,184	$13,022
USPD	95,800	81,751	7,885	4,443
FCD	30,813	31,452	12,159	11,946
AHD (1)	110,237	67,817	18,912 *	13,681

AAHD	6,001	4,634	(2,397)	(1,840)
Unallocated and eliminations	(1,212)	(1,013)	(8,683)	(6,683)
	$403,652 (1)	$312,841 (1)	$55,060 (1)	$ 34,569 1)

(1) Revised

* AHD 2000 operating income includes one-time charges of $1,400 related to the acquisition of Roche MFA.

At December 31, 1999 AHD identifiable assets were $186,150. Due primarily to the acquisition of Roche MFA the identifiable assets of AHD at June 30, 2000 are approximately $540,000.

10. Strategic Alliance

Ascent Loan Agreement and Option:

On February 4, 1999, the Company entered into a loan agreement with Ascent Pediatrics, Inc. ("Ascent") under which the Company will provide up to $40,000 in loans to Ascent to be evidenced by 71/2% convertible subordinated notes due 2005. Pursuant to the loan agreement, up to $12,000 of the proceeds of the loans can be used for general corporate purposes, with $28,000 of proceeds reserved for projects and acquisitions intended to enhance growth of Ascent. All potential loans are subject to Ascent meeting a number of terms and conditions at the time of each loan. As of June 30, 2000, the Company has advanced $12,000 to Ascent under the agreement and the loans are included as other assets.

In addition, Ascent and the Company have entered into an amended agreement under which the Company will have the option during the first half of 2003 to acquire all of the then outstanding shares of Ascent for cash at a price to be determined by a formula based on Ascent's operating income during its 2002 fiscal year. The amended agreement extended the option from 2002 to 2003 and altered the formula period from 2001 to 2002.

Ascent has incurred operating losses since its inception and has publicly disclosed that if a significant product is not approved by the FDA in the second half of 2000 it may need to raise additional financing or curtail operations. The Company's accounting policy with regard to its Ascent loans is to recognize losses, up to the amount of its loans, to the extent Ascent has accumulated losses in excess of its stockholders' equity and the indebtedness subordinate to the Company's loans. Additionally, the Company is required to assess the general collectibility of its loans to Ascent and make any appropriate reserves. The Company evaluates its Ascent loans quarterly. As of June 30, 2000, no losses or reserves were provided.

11. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (January 1, 2001 for the Company). SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SFAS 133 is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts have been revised as set forth in Note 1B to the Condensed Financial Statements.)

Overview

In 1999, the Company made a number of acquisitions intended to enhance future growth. The International Pharmaceuticals Division ("IPD") acquired Human Pharmaceuticals businesses in Germany ("Isis") and France. The Animal Health Division ("AHD") acquired an Animal Pharmaceutical business in the United States ("ID Russell") and a technology license for Reporcin. The Aquatic Animal Health Division ("AAHD") purchased an aquatic health distribution company in the United Kingdom, ("Vetrepharm"). In the second quarter of 2000 the Company continued its strategy of growth and completed its largest acquisition and related financings.

On May 3, 2000, the Company's AHD purchased the Medicated Feed Additive Business of Roche Ltd. ("MFA") for a cash payment of $258.0 million and the issuance of a $30.0 million promissory note to Roche. The acquisition was initially financed under a $225.0 million bridge financing agreement ("Bridge Financing") and existing credit agreements.

On May 12, 2000, the Company sold 4,950,000 shares of Class A common stock and received proceeds of approximately $186.0 million which were used to repay a portion of the Bridge Financing.

In June 2000, the Company signed an amendment to its 1999 Credit Facility and increased the facility by $100.0 million. Upon the completion of the amendment the Company borrowed the necessary funds and repaid and terminated the Bridge Financing.

The acquisition of the MFA, the 1999 acquisitions by IPD and AHD, and the financing required to complete the acquisitions affect most comparisons of 2000 results to 1999. The second quarter 2000 results include one-time charges related to the MFA acquisition of $6.1 million ($4.0 million after tax or $.10 per share diluted).

The Company has integrated the operations of the 1999 acquisitions and MFA within the respective divisional operations in varying degrees. The MFA acquisition has been integrated to a greater extent because its assets, operations and personnel were immediately absorbed in existing AHD legal entities. The acquisitions and MFA, in particular, share with their respective divisions customers, R&D efforts, supply chain activities, and administrative support and have complementary product lines and sales forces. As a result the full incremental impact of the acquisitions is impractical to segregate objectively. The Company estimates acquisitions contributed revenues of approximately $59.0 million and $82.0 million, respectively, in the three and six months ended June 30, 2000.

The Company further estimates if the cost of financing necessary to make the acquisitions is considered both the quarter and six months ended June 30, 2000 were diluted to some extent by the aggregate acquisitions.

Results of Operations - Six Months Ended June 30, 2000

Total revenue increased $90.8 million (29%) in the six months ended June 30, 2000 compared to 1999. Operating income in 2000 was $55.1 million, an increase of $20.5 million, compared to 1999. Net income was $17.8 million ($.56 per share diluted) compared to $12.3 million ($.44 per share diluted) in 1999. 2000 earnings per share are diluted by the sale of Class A Common stock in November 1999 and May 2000. The six months ended June 30, 2000 results are reduced by one-time charges totaling $4.0 million after tax or $.10 per share related to the acquisition and interim financing of MFA in May 2000. Without the charges net income would have been $21.8 million ($.70 per share diluted).

Revenues increased in the Human Pharmaceuticals business by $47.2 million and in the Animal Pharmaceuticals business by $43.8 million. The increase in revenues was reduced by over $9.0 million due to changes in exchange rates used in translating sales in foreign currencies into the U.S. Dollar, primarily in the IPD.

Changes in revenue and major components of change for each division in the six month period ended June 30, 2000 compared to June 30, 1999 are as follows:

Revenues in IPD increased by $33.8 million due primarily to the 1999 acquisitions. Higher pricing in the U.K. was offset substantially by effects of currency translation and lower volume in certain markets. The pricing in the U.K. market was higher relative to the first half of 1999, but was trending down compared to the third and fourth quarters of 1999. U.K. revenues grew in 1999 primarily as a result of higher pricing due in large part to conditions affecting the market which have abated somewhat during the second quarter of 2000. Effective August 3, 2000 the U.K. government has adopted interim maximum pricing legislation. The government has indicated that it will review the interim legislation within the next 12 to 15 months. Market conditions have resulted in certain lower prices in the second quarter and further reductions as a result of the adoption of the above noted legislation will occur in the second half of 2000. The Company's 2000 business plan anticipated the approximate effect of lower pricing.

USPD revenues increased $14.0 million due to volume increases in new and existing products offset in part by lower net pricing. Revenues in FCD decreased by $.6 million due mainly to minor price increases being entirely offset by translation of sales in local currency into the U.S. Dollar.

AHD revenues increased $42.4 million due to acquisitions primarily MFA. Adverse market and competitive conditions in a number of AHD's main markets caused volume reductions in certain ongoing products as the Company's marketing effort was focused on the newly acquired MFA products. AAHD revenues increased primarily due to the acquisition of Vetrepharm in November of 1999.

On a consolidated basis, gross profit increased $49.1 million and the gross margin percent increased to 46.2% in 2000 compared to 43.9% in 1999.

A major portion of the increase results from the acquisitions (primarily MFA and Isis), higher pricing in the IPD's United Kingdom market and to volume increases of a number of products in USPD. Partially offsetting increases were volume decreases in AHD ongoing products and certain IPD markets, lower net pricing in USPD and the effects of foreign currency translation.

In addition, AHD gross profits were reduced by a $1.0 million write-up and subsequent write-off upon sale of MFA manufactured inventory. The write-up is required by Generally Accepted Accounting Principles.

Operating expenses increased $28.6 million and represented 32.6% of revenues in 2000 compared to 32.9% in 1999. The dollar increase is attributable to the acquisitions (primarily MFA and Isis). Other increases included professional and consulting expenses for strategic planning and acquisitions, and a $.4 million charge for severance of existing AHD employees resulting from the combining of the sales forces of MFA and AHD.

Operating income increased $20.5 million (59.3%). IPD accounted for the majority of the increase primarily due to higher pricing in the U.K. market and to a lesser extent the Isis acquisition. Increased operating income recorded by USPD due to increased volume and in AHD due to the MFA acquisition were offset in part by lower volume in certain IPD and AHD markets.

Interest expense increased in 2000 by $7.6 million due primarily to debt incurred to finance the acquisitions and to a lesser extent, higher interest rates in 2000.

Other, net was $3.9 million expense in 2000, due primarily to $4.7 million fees incurred as part of the $225.0 million MFA bridge financing and other financing fees. The bridge financing was committed, drawn, repaid and terminated in the second quarter. All fees associated with the interim financing were expensed in the second quarter.

Results of Operations - Three Months Ended June 30, 2000

Total revenue increased $56.2 million (35.4%) in the three months ended June 30, 2000 compared to 1999. Operating income in 2000 was $26.9 million, an increase of $9.0 million, compared to 1999. Net income was $6.1 million ($.18 per share diluted) compared to $5.8 million ($.21 per share diluted) in 1999. 2000 earnings per share are diluted by the sale of stock in November 1999 and May 2000. The three months ended June 30, 2000 results are reduced by one-time charges totaling $4.0 million after tax or $.10 per share related to the acquisition and interim financing of MFA in May of 2000. Without the charges net income would have been $10.1 million ($.28 per share diluted).

Revenues increased in the Human Pharmaceuticals business by $17.4 million and in the Animal Pharmaceuticals business by $38.7 million. The increase in revenues was reduced by over $5.0 million due to changes in exchange rates used in translating sales in foreign currencies into the U.S. Dollar, primarily in the IPD.

Changes in revenue and major components of change for each division in the three month period ended June 30, 2000 compared to June 30, 1999 are as follows:

Revenues in IPD increased by $8.8 million due primarily to the Isis acquisition and higher pricing in the U.K. offset partially by effects of currency translation and lower volume in certain markets. The pricing in the U.K. market was higher relative to the second quarter of 1999, but was lower compared to the third and fourth quarters of 1999. U.K. revenues grew in 1999 primarily as a result of higher pricing due in large part to conditions affecting the market. The market has stabilized and prices have lowered due to market conditions. Effective August 3, 2000 the U.K. government has adopted interim maximum pricing legislation. The government has indicated that it will review the interim legislation within the next 12 to 15 months. Further price decreases will occur in the second half of 2000 as a result of the legislation. The Company's 2000 business plan anticipated the approximate effect of lower pricing.

USPD revenues increased $9.6 million due to volume increases in new and existing products offset in part by lower net pricing. Revenues in FCD decreased by $1.1 million due mainly to lower volume and currency translation. AHD revenues increased $38.2 million due primarily to the acquisition of MFA in May 2000. MFA sales were the primary focus of the marketing effort in the second quarter and volume in other core products and markets declined due to adverse market and competitive conditions and the strategy to manage product mix in favor of MFA products. AAHD sales increased $.5 million due mainly to the acquisition of Vetrepharm in 1999.

On a company-wide basis, gross profit increased $24.6 million and the gross margin percent declined slightly to 44.3% in 2000 compared to 44.5% in 1999.

AHD also recorded a $1.0 million charge for an inventory write-up and subsequent write off upon sale of Roche manufactured MFA inventory included in the May acquisition (excluding this charge consolidated gross profit percent was 45.2%).

A major portion of the increase in dollars results from the acquisitions (primarily MFA and Isis), and to a lesser extent increased volume in USPD. Partially offsetting increases were volume declines in certain AHD and IPD markets and the effects of foreign currency translation. On an overall basis higher pricing in the U.K. market was offset by lower net pricing in USPD and AHD.

Operating expenses increased $15.6 million and represented 31.8% of revenues in 2000 compared to 33.2% in 1999. The dollar increase is attributable to the acquisitions (primarily MFA and Isis). Also included is a $.4 million expense for severance of AHD employees primarily in selling and marketing due to the MFA acquisition.

On an overall basis operating income increased $9.0 million due to the acquisitions of MFA and Isis and increased volume in USPD, offset by the $1.4 million of acquisition charges in AHD.

Interest expense increased in 2000 by $4.2 million due primarily to debt incurred to finance the acquisitions and to a lesser extent, higher interest rates in 2000.

Other, net was $4.9 million expense in 2000 due to $4.7 million fees incurred as part of the Bridge Financing.

Financial Condition

Working capital at June 30, 2000 was $273.7 million compared to $209.2 million at December 31, 1999. The current ratio was 2.37 to 1 at June 30, 2000 compared to 2.27 to 1 at year end. Long-term debt to stockholders' equity was 1.35:1 at June 30, 2000 compared to 1.72:1 at December 31, 1999.

The Company's balance sheet changed substantially as a result of the acquisition and financing of MFA in May 2000. Accounts receivable and inventory each increased at June 30, 2000 by approximately $37.0 million in the AHD. Intangible assets and property, plant and equipment increased by over $220.0 million. The acquisition was ultimately financed principally by a sale of Class A Common stock of approximately $186.0 million with the balance of the MFA acquisition financed by long-term debt. Increased accounts payable and short-term debt financed the additional working capital required by MFA.

All balance sheet captions decreased as of June 30, 2000 compared to December 1999 in U.S. Dollars as the functional currencies of the Company's principal foreign subsidiaries, the Norwegian Krone, Danish Krone, British Pound and German Mark depreciated versus the U.S. Dollar in the six months of 2000 by approximately 7%, 6%, 6% and 5%, respectively. The decreases do impact to some degree the above mentioned ratios. The approximate decrease due to currency translation of selected captions was: accounts receivable $4.1 million, inventories $4.9 million, accounts payable and accrued expenses $4.1 million, and total stockholders' equity $31.7 million. The $31.7 million decrease in stockholder's equity represents accumulated other comprehensive loss for the six months ended June 30, 2000 resulting from the continued strengthening of the U.S. Dollar.

At June 30, 2000, the Company had $22.0 million in cash, available short term lines of credit of approximately $37.0 million and approximately $107.0 million available under its 1999 Credit Facility. The credit facility was amended in June of 2000 with the effect of increasing the overall amount available by $100.0 million. The credit facility has several financial covenants, including an interest coverage ratio, total debt to EBITDA ratio, and equity to total asset ratio. Interest on borrowings under the facility is at LIBOR plus a margin of between .875% and 2.0% depending on the ratio of total debt to EBITDA. As of June 30, 2000 the margin was 1.375%. The Company believes that the combination of cash from operations and funds available under existing lines of credit will be sufficient to cover its currently planned operating needs.

The Company has approved a number of capital projects in 2000 including the purchase and construction of a AHD plant for Reporcin, (a product and technology acquired in 1999) and a company-wide information technology project which is expected to require expenditures of over $30.0 million.

In February 1999, the Company's USPD entered into an agreement with Ascent Pediatrics, Inc. ("Ascent") under which USPD may provide up to $40.0 million in loans to Ascent to be evidenced by 7 1/2% convertible subordinated notes due 2005. Up to $12.0 million of the proceeds of the loans can be used only for general corporate purposes, with $28.0 million of proceeds reserved for approved projects and acquisitions intended to enhance the growth of Ascent. All potential loans are subject to Ascent meeting a number of terms and conditions at the time of each loan. The exact timing and/or ultimate amount of loans to be provided cannot be predicted. As of July 2000, $12.0 million has been advanced for general corporate purposes.

Ascent has incurred operating losses since its inception. An important element of Ascent's business plan contemplated commercial introduction of two pediatric pharmaceutical products which require FDA approval. Ascent has received FDA approval in January 2000 for one product and the other product is subject to FDA action which has delayed its commercial introduction until the third quarter of 2000 or later. The delay in drug introduction has resulted in Ascent continuing to incur substantial losses thru June 30, 2000. If the commercial introduction of the second product is delayed past the third quarter 2000, Ascent may need to raise additional funds. There is no assurance that Ascent can raise any additional funds in which case it may be required to curtail its operations. The Company is required to recognize losses, up to the amount of its loans, to the extent Ascent has accumulated losses in excess of its stockholders' equity and the indebtedness subordinate to the Company's loans. The Company is further required to assess the general collectibility of its loans to Ascent and make any appropriate reserves. The Company will continue to monitor the operations and forecasts of Ascent to consider what actions, if any, are required with respect to the Company's loans to Ascent.

An important element of the Company's long term strategy is to pursue acquisitions that in general will broaden global reach and/or augment product portfolios. While no commitments exist, the Company is presently considering and expects to continue its pursuit of complementary acquisitions or alliances, both in human and animal pharmaceuticals. In order to accomplish any individually significant acquisition or combination of acquisitions, the Company will need to obtain and is currently considering additional financing in the form of equity related securities and/or borrowings. To prepare for this possibility, the Company presently has an effective $500 million shelf registration available for either debt or equity financing and anticipates amending its Certificate of Incorporation to increase the number of authorized shares of Class A Common Stock from 50 million to 65 million.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000 (January 1, 2001 for the Company). SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. SFAS 133 is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Quantitative Disclosure - There has been no material changes in the Company's market risk during the six months ended June 30, 2000.

Qualitative Disclosure - This information is set forth under the caption "Derivative Financial Instruments" included in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

Statements made in this Form 10Q, are forward-looking statements made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward looking statements. Information on other significant potential risks and uncertainties not discussed herein may be found in the Company's filings with the Securities and Exchange Commission including its Form 10K for the year ended December 31, 1999.

PART II. OTHER INFORMATION

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

(a) Alpharma Inc. annual meeting was held on May 25, 2000.

b. Proxies were solicited by Alpharma Inc. and there was no solicitation in opposition to the nominees listed in the proxy statement. All such nominees were elected to the classes indicated in the proxy statement pursuant to the vote of the stockholders as follows:

	Votes	
Class A Directors	For	Against
Thomas G. Gibian	I7,828,627	I31,780
Peter G. Tombros	I7,836,333	I24,074
Erik Hornnaess	I7,837,988	I22,419
Class B Directors		
I. Roy Cohen	9,500,000	0
Glen E. Hess	9,500,000	0
Ingrid Wiik	9,500,000	0
Einar W. Sissener	9,500,000	0
Erik G. Tandberg	9,500,000	0
0yvin A. Broymer	9,500,000	0

(c) An Amendment to the Company's 1997 Incentive Stock Option and Appreciation Right Plan, as amended, was approved by a vote of:

For	22,601,852

Against	3,095,102
Abstain	247,340
No Vote	1,516,113

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4.0 Amendment No. 4 to the 1999 Credit Facility and Amendment No. 5 to the Parent Guaranty dated June 29, 2000 between the Company and the Banks that are parties to the amended agreement (previously filed).

27 Data Schedule (electronic filing only)

(b) Reports on Form 8-K

On May 5, 2000, the Company filed a report on Form 8-K dated May 2, 2000 reporting Item 2. "Acquisition or Disposition of Assets." The event reported was the acquisition of the MFA business. The Form 8-K included the audited financial statements of the MFA business and required pro forma financials.

SIGNATURES

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

Alpharma Inc.

(Registrant)

Date: December 21, 2001

/s/ Jeffrey E. Smith

Jeffrey E. Smith
Vice President, Finance and
Chief Financial Officer