FORM 10-K

Annual report pursuant to section 13 and 15(d)

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ALPHARMA INC
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Business Address
ONE EXECUTIVE DR
P O BOX 1399
FORT LEE NJ 07024
2019477774

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10 - K

Annual Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998

Commission File No. 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)

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

Title of each Class	Name of each Exchange on which Registered
Class A Common Stock, $.20 par value	New York Stock Exchange
Subordinated Convertible Notes	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of the voting stock of the Registrant (Class A Common Stock, $.20 par value) as of March 10, 1999 was $734,958,000.

The number of shares outstanding of each of the Registrant's classes of common stock as of March 10, 1999 was:

Class A Common Stock, $.20 par value - 17,763,347 shares;
Class B Common Stock, $.20 par value - 9,500,000 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 10, 1999 are incorporated by reference into Part III of this report. Other documents

incorporated by reference are listed in the Exhibit index.

PART I

Item 1. Business

GENERAL

The Company is a multinational pharmaceutical company that develops, manufactures and markets specialty human pharmaceutical and animal health products. The Company manufactures and markets approximately 600 pharmaceutical products for human use and 40 animal health products. The Company conducts business in more than 60 countries and has approximately 3,000 employees at 38 sites in 22 countries. For the year ended December 31, 1998, the Company generated revenue and operating income of over $600 million and $65 million, respectively.

Formation

The Company was originally organized as A.L. Laboratories, Inc., a wholly owned subsidiary of Apothekernes Laboratorium A.S., a Norwegian healthcare company (the predecessor company to A.L. Industrier). In 1994, the Company acquired the complementary human pharmaceutical and animal health business of its parent company and subsequently changed its name to Alpharma Inc. to operate worldwide as one corporate entity (the "Combination Transaction").

Controlling Stockholder

A.L. Industrier beneficially owns all of the outstanding shares of the Company's Class B Common Stock, or 35.2% of the Company's total common stock outstanding at December 31, 1998. The Class B Common Stock bears the right to elect more than a majority of the Company's Board of Directors and to cast a majority of the votes in any vote of the Company's stockholders. Mr. Einar Sissener, Chairman of the Board of the Company and a controlling stockholder of A.L. Industrier, and members of his immediate family, also beneficially own 346,668 shares of the Company's Class A Common Stock. (See "Purchase of Outstanding Warrants"). As a result, A.L. Industrier, and ultimately Mr. Sissener, can control the Company. In addition, A.L. Industrier may, under certain circumstances, convert the Company's Class B Notes into 2,372,896 shares of the Company's Class B Common Stock (see "Convertible Subordinated Note Offering").

Convertible Subordinated Note Offering

On March 30, 1998, the Company sold $125,000,000 and $67,850,000 of Convertible Subordinated Notes convertible at $28.59375 per share into shares of the Company's Class A and Class B Common Stock, respectively (the "Class A and Class B Notes"). A.L. Industrier purchased all of the Class B Notes. The Class A Notes were sold to unaffiliated parties and, substantially all of the Class A Notes have been registered with the Securities and Exchange Commission and listed on the New York Stock Exchange. The Class B Notes are automatically convertible into Class B Common Stock on or after March 30, 2001 if at least 75% of the Class A Notes have been converted into Class A Common Stock.

Purchase of Outstanding Warrants

In connection with the Combination Transaction, the Company issued warrants which allowed the holders to purchase 3,819,600 shares of the Company's Class A Common Stock at an exercise price of $20.69 with an expiration date of January 3, 1999 (the "Warrants"). On October 21, 1998, the Company offered to

exchange the Warrants for newly issued shares of the Company's Class A Common Stock based upon an exchange formula which approximated $1.00 plus the "spread" between the $20.69 warrant exercise price and the market price of the Company's stock for the ten days immediately after the Company filed its Form 10-Q for the quarter ended September 30, 1998. Based upon this formula, 3,345,921 warrants to purchase shares were tendered to the Company for which 1,230,448 shares of the Company's Class A Common Stock were issued. Of this amount, 346,668 shares were issued to Mr. Sissener, members of his immediate family or other entities under his control. This is Mr. Sissener's initial ownership of Class A Common Stock. Additionally, warrants for 237,680 shares were exercised prior to January 3, 1999 in accordance with the original warrant terms.

Forward-Looking Statements

This annual report contains "forward-looking statements," or statements that are based on current expectations, estimates, and projections rather than historical facts. The Company offers forward-looking statements in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may prove, in hindsight, to have been inaccurate because of risks and uncertainties that are difficult to predict. Many of the risks and uncertainties that the Company faces are included under the caption "Risk Factors" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Financial Information About Industry Segments

The Company operates in the human pharmaceutical and animal health industries. It has five business segments within these industries. The table that follows shows how much each of these segments contributed to revenues and operating income in the past three years.

($ in Millions)	REVENUES			OPERATING INCOME (lOSS)		
	1998	1997	1996	1998	1997	1996
U.S. Pharmaceutical Division	178.8	155.4	152.3	11.1	4.1	(19.2)
International Pharmaceuticals Division	193.1	134.1	142.0	8.0	11.0	2.5
Fine Chemicals Division	53.0	38.7	36.0	17.5	9.4	8.5
Animal Health Division	166.3	158.4	146.0	37.8	32.0	21.0
Aquatic Animal Health Division	19.0	15.3	12.2	3.6	2.8	(.3)

For additional financial information concerning the Company's business segments see Note 20 of the Notes to the Consolidated Financial Statements included in Item 8 of this Report.

NARRATIVE DESCRIPTION OF BUSINESS

Human Pharmaceuticals

The Company's human pharmaceuticals business is comprised of the U.S. Pharmaceuticals Division, International Pharmaceuticals Division and Fine Chemicals Division. Each of these Divisions is managed by a separate senior management team. The Company's human pharmaceutical business had sales of approximately $424.9 million in 1998, before elimination of intercompany sales, with operating profit of approximately $36.6 million.

U.S. Pharmaceuticals Division ("USPD")

The U.S. Pharmaceuticals Division develops, manufactures, and markets specialty generic prescription and over-the-counter ("OTC") pharmaceuticals for human use. With approximately 170 products, the Division is a market leader in generic liquid and topical pharmaceuticals with what the Company believes to be the broadest portfolio of manufactured products in the generic industry. In addition, the Company believes it is the only major U.S. generic prescription drug manufacturer with a substantial presence in generic OTC pharmaceuticals. With approximately 60 OTC products, the Company is increasing its presence as a significant supplier to major retailers. The Company believes that its broad product lines gives the Company a competitive advantage by providing large customers the ability to buy a significant line of products from a single source.

Generic pharmaceuticals are the chemical and therapeutic equivalents of brand-name drugs. Although typically less expensive, they are required to meet the same governmental standards as brand-name drugs and most must receive approval from the FDA prior to manufacture and sale. A manufacturer cannot produce or market a generic pharmaceutical until all relevant patents (and any additional government-mandated market exclusivity periods) covering the original brand-name product have expired.

Sales of generic pharmaceuticals have continued to increase. The Company has identified four reasons for this trend: (i) laws permitting and/or requiring pharmacists to substitute generics for brand-name drugs; (ii) pressure from managed care and third party payors to encourage health care providers and consumers to contain costs; (iii) increased acceptance of generic drugs by physicians, pharmacists, and consumers; and (iv) an increase in the number of formerly patented drugs which have become available to off-patent competition.

Product Lines. The Company's U.S. Pharmaceutical Division (excluding its telemarketing operation) manufactures and/or markets approximately 170 generic products, primarily in liquid, cream and ointment, respiratory and suppository dosage forms. Each product represents a different chemical entity. These products are sold in over 300 product presentations under the "Alpharma", "Barre" or "NMC" labels and private labels.

Liquid Pharmaceuticals. The U.S. Pharmaceuticals Division is the leading U.S. manufacturer of generic pharmaceutical products in liquid form with approximately 110 products. The experience and technical know-how of the Division enables it to formulate therapeutic equivalent drugs in liquid forms and to refine product characteristics such as taste, texture, appearance and fragrance.

Cough and cold remedies constitute a significant portion of the Division's liquid pharmaceuticals business.

This business is seasonal in nature, and sales volume is higher in the fall and winter months and is affected, from year to year, by the incidence of colds, respiratory diseases, and influenza.

Creams, Lotions and Ointments. The Division manufactures approximately 50 cream, lotion and ointment products for topical use. Most of these creams, lotions and ointments are sold only by prescription.

Suppositories, Aerosols and Other Specialty Generic Products. The Division also manufactures five suppository products and markets certain other specialty generic products, including two aerosols and two nebulizer products.

In 1998, the Company continued the strategy of entering into third party alliances to market certain of its U.S. pharmaceutical products under licenses to third parties or under third party brands. In addition, in February of 1999, the Company reached an agreement with Ascent Pediatrics, Inc. to lend that entity a maximum of $40 million; $12 million of which can be used for working capital purposes with the remainder to be used to execute projects reasonably designed for intermediate term growth. The Company also received an option to purchase all of the capital stock of Ascent in 2002 for approximately 12.2 times Ascent's 2001 operating earnings. Except for $4 million of the aforesaid loan presently advanced, the Ascent transaction is subject to the approval of a majority of Ascent's stockholders. Ascent would add a branded pediatric product line to the U.S. Pharmaceuticals Division along with a strong direct sales force dedicated to the pediatric market.

Facilities. The Company maintains two manufacturing facilities for its U.S. pharmaceutical operations, a research and development center, three telemarketing facilities and an automated central distribution center. The Division's largest manufacturing facility is located in Baltimore, Maryland and is designed to manufacture high volumes of liquid pharmaceuticals. The Company's facility in Lincolnton, North Carolina manufactures creams, ointments and suppositories. Pursuant to the Company's plan to reduce manufacturing costs and improve efficiencies, the Company closed two facilities in New York and New Jersey and transferred the operations conducted at those facilities to its facility in Lincolnton. The Company's Lincolnton facility's production was increased and its operations have become more efficient as a result of production consolidation plans announced in May 1996.

Competition. Although the Company is a market leader in the U.S. in the manufacture and marketing of specialty generic pharmaceuticals, it operates in a highly competitive market. The Company competes with other companies that specialize in generic products and with the generic drug divisions of major international branded drug companies and encounters market entry resistance from branded drug manufacturers.

Sales and Distribution. The Company maintains a sales force of approximately ten sales professionals to market the U.S. Pharmaceutical Division's products. The Company supplements its sales effort through its use of selected independent sales representatives. In addition, the Company's advanced telemarketing operation, which employs approximately 75 sales personnel, markets and distributes products manufactured by third parties and, to a limited extent, the Division. The Company has recently increased the use of its telemarketing operations for the sale of its own products by adding a third facility for this expanded activity. This business also provides certain custom marketing services, such as order processing, and distribution, to the pharmaceutical and certain other industries.

Customers. The Company has historically sold its U.S. pharmaceutical products to pharmaceutical wholesalers, distributors, mass merchandising and retail chains, and, to a lesser extent, grocery stores, hospitals and managed care providers. In response to the general trend of consolidation among pharmaceutical customers and greater amount of products sold through wholesalers, the Company is placing an increased emphasis on marketing its products directly to managed care organizations, purchasing groups, mass merchandisers and chain drug stores to gain market share and enhance margins.

International Pharmaceuticals Division ("IPD")

The Company's International Pharmaceuticals Division develops, manufactures, and markets a broad range of pharmaceuticals for human use. The Company believes that it has a leading market position for branded generic pharmaceuticals in the Nordic countries, the United Kingdom, and the Netherlands with a strong presence in Indonesia.

Product Lines. The International Pharmaceuticals Division manufactures approximately 290 products which are sold in approximately 670 product presentations including tablets, ointments, creams, liquids, suppositories and injectable dosage forms.

Prescription Pharmaceuticals. The Division has a broad range of products with a concentration on prescription drug antibiotics, analgesics/antirheumatics, psychotropics, cardiovascular and oral healthcare products. The predominant number of these products are sold on a generic basis.

OTC Products. The Division also has a broad range of OTC products, such as those for skin care, gastrointestinal care and pain relief, and including such products as vitamins, fluoride tablets, adhesive bandages and surgical tapes. Substantially all of these products are sold on a branded basis.

On May 7, 1998, the Company acquired a substantial generic pharmaceutical presence in the United Kingdom through the purchase of all of the capital stock of Arthur H. Cox and Co. Ltd. ("Cox") from Hoechst AG for a total purchase price including direct costs of acquisition of approximately $198 million in cash. Cox's main operations (which consist primarily of a manufacturing plant, warehousing facilities and a sales organization) are located in Barnstaple, England. Cox is a generic pharmaceutical manufacturer and marketer of tablets, capsules, suppositories, liquids, ointments and creams. Cox distributes its products to pharmacy retailers and pharmaceutical wholesalers primarily in the United Kingdom and the Netherlands.

In addition, in November, 1998, the Company acquired, in a substantially smaller transaction, a generic pharmaceutical product line in Germany. All of the products purchased in this transaction are manufactured under contract by third parties.

The Company intends to continue the operations of Cox and the acquired German generic product line to achieve benefits from leveraging these new activities with the other European businesses of the International Pharmaceutical Division. In addition, the Company plans to expand the scope of the acquired operations by adding to the acquired product base certain other pharmaceutical products of the Company. The Company is continuing to review market expansion opportunities in Europe.

Facilities. The Company maintains five manufacturing facilities for its international pharmaceutical products, all of which also house administrative offices and warehouse space. The Company's plants in Lier, Norway and Barnstaple, England, include many

technologically advanced applications for the manufacturing of tablet, liquid and ointment products. The Company's plant in Copenhagen, Denmark, which it shares with the Fine Chemical Division, manufactures sterile products. In addition to the Barnstaple, Copenhagen and Lier facilities, the Company also operates plants in Vennesla, Norway, for bandages and surgical tape products, and Jakarta, Indonesia, for tablets, ointments and liquids. The Jakarta plant has received regulatory approval to export certain products to Europe.

In 1998, the Company substantially completed the implementation of a production rationalization plan which commenced in 1996 and included the transfer of all tablet, ointment and liquid production from Copenhagen to Lier and the transfer of sterile production from Norway to the Copenhagen facility. In addition to increasing available capacity, the Company expects to recognize manufacturing efficiencies from this reorganization.

Competition. The Division operates in geographic areas that are highly competitive. Many of the Company's competitors in this area are substantially larger and have greater financial, technical, and marketing resources than the Company. Most of the Company's international pharmaceutical products compete with one or more other products that contain the same active ingredient. In the Nordic countries and certain other European countries in recent years, sales of generic pharmaceuticals have been increasing relative to sales of patent protected pharmaceuticals. Generics are gaining market share because, among other things, governments are attempting to reduce pharmaceutical expenses by enacting regulations that promote generic pharmaceuticals in lieu of original formulations. This increased focus on pharmaceutical prices may lead to increased competition and price pressure for suppliers of all types of pharmaceuticals, including branded generics(see "Risk Factors-Government Regulations Affecting the Company"). The Company's international pharmaceutical products have also been encountering price pressures from "parallel imports" (i.e.,imports of identical products from lower priced markets under EU laws of free movement of goods). (See "Risk Factors-Generic Pharmaceutical Industry").

Geographic Markets. The principal geographic markets for the Division's pharmaceutical products are the United Kingdom, Netherlands, the Nordic and other Western European countries, Indonesia, and the Middle East.

Sales and Distribution and Customers. Depending on the characteristics of each geographic market, generic products are predominantly marketed under either brand or generic names. OTC products are typically marketed under brand names with concentration on skin care, tooth cavity prevention, pain relief and vitamins. The Division employs a specialized sales force of approximately 310 persons, 150 of whom are in Indonesia, that markets and promotes products to doctors, dentists, hospitals, pharmacies and consumers. In each of its international markets, the Company uses wholesalers to distribute its pharmaceutical products.

Fine Chemicals Division ("FCD")

The Company's Fine Chemicals Division develops, manufactures and markets bulk antibiotics to the pharmaceutical industry for use in finished dose products sold in more than 50 countries and benefits from over four decades of experience in the use of and development of fermentation and purification technology. The Division develops, manufactures and sells active ingredients in bulk quantities for use in human and veterinary pharmaceuticals produced by third parties and, to a limited extent, the Company. In addition, the Company's fermentation expertise in the production of bulk antibiotics has a direct technological application to the manufacture of products of the Company's

animal health business.

Product Lines. The Company's fine chemical products constitute the active substances in certain pharmaceuticals for the treatment of certain skin, throat, intestinal and systemic infections. The Company is the world's leading producer of bacitracin, bacitracin zinc and polymixin, and is a leading producer of vancomycin; all of which are important pharmaceutical grade antibiotics. The Company also manufactures other antibiotics such as amphotericin B and colistin for use systemically and in specialized topical and surgical human applications. The Company has substantially expanded its production capacity and sales of vancomycin through the 1997 approval to sell vancomycin in the U.S., expanded capacity at its Copenhagen facility, and the December 1998 acquisition of a facility in Budapest, Hungary.

Facilities. The Company manufactures its fine chemical products in its plants in Oslo, Norway (which also manufactures products for the Animal Health Division), Copenhagen, Denmark (which it shares with the International Pharmaceuticals Division)and Budapest, Hungary. Each plant includes fermentation, specialized recovery and purification equipment. The Budapest facility is presently undergoing a material upgrade in manufacturing processes and capacity. All these facilities have been approved as a manufacturer of certain sterile and non-sterile bulk antibiotics by the FDA and by the health authorities of certain European countries. (See "Environmental" for a discussion of an administrative action related to the Budapest facility)

Competition. The bulk antibiotic industry is highly competitive and many of the Company's competitors in this area are substantially larger and have greater financial, technical, and marketing resources than the Company. Sales are made to relatively few large customers with prices and quality as the determining sales factors. The Company believes its fermentation and purification expertise and established reputation provide it with a competitive advantage in these antibiotic products.

Geographic Markets and Sales and Distribution. U.S. sales of fine chemical products represent approximately 50% of the revenue from these products with significant additional sales in Europe, Asia and Latin America. The Company distributes and sells its fine chemical products in the U.S. using its sales force of two professionals. Sales outside the U.S. are primarily through the use of local agents and distributors.

Animal Health

The animal health business is comprised of the Animal Health Division and the Aquatic Animal Health Division. Each of these divisions is managed by a separate senior management team. In 1998, the Company had animal health product sales of approximately $185.3 million, before elimination of intercompany sales, with operating profit of approximately $41.4 million.

Animal Health Division ("AHD")

The Company develops, manufactures and markets feed additive and animal health products for animals raised for commercial food production worldwide. The Company believes that its animal health business is a leading manufacturer and marketer of feed additives to the worldwide poultry and swine industries.

Product Lines. The Company's principal animal health products are: (i) BMDT, a bacitracin based feed additive used to promote growth and feed efficiency and prevent or treat diseases in poultry and swine; (ii) Albac(TM), a bacitracin based feed additive to promote growth and prevent or treat diseases in

poultry, swine and calves; (iii) 3-Nitro(R), Histostat(TM), Zoamix(R), anticoccidials, and chloromax ("CTC"), feed grade antibiotics, all of which are commonly used in combination or sequentially with BMD; (iv) Deccox cattle and calf feed additives; and (v) Vitamin D3, a feed additive used for poultry and swine. Based upon its fermentation experience and a strong marketing presence, the Company is the market leader in the manufacture and sale of bacitracin-based feed additives which are marketed under the brand names Albac and BMD. (See "Risk Factors Governmental Actions Affecting the Company" for a discussion of certain legislative action affecting the sales of Albac.) In addition, the Company believes that it has a significant market share with several other of its feed additives, including those sold under the Company's 3-Nitro brands.

In 1997, the Company acquired the Deccox brand name and certain related assets from Rhone-Poulenc's Animal Nutrition Division. Under the agreement pursuant to which Deccox was acquired, Rhone-Poulenc will continue to manufacture this product for sale by the Company for a period of 15 years. Deccox is used to prevent and control coccidiosis (a parasite that adversely affects growth)in cattle. The acquisition of the Deccox brand has provided the Company with its initial entry into the cattle and calf market. In addition to Deccox sales, this has offered the opportunity to market to the cattle industry several of the Company's established products which have historically been sold only in the swine and poultry markets.

The Company believes that the number of products it has approved to be used in combination with other products is a significant competitive advantage. FDA regulations require animal health products to be approved for use in combination with other products in animal feeds. Therefore, it is generally difficult to gain market acceptance for new products unless such products are approved for use with other existing products. The approval for use of a new product in combination with other products generally requires the cooperation of the manufacturer of such other products. When seeking such cooperation from other manufacturers, the Company believes it is a competitive advantage to have products with which other manufacturers desire to obtain combination approval. To date, the Company has been successful in its ability to obtain the cooperation of third parties in seeking combination approval for its products. There can be no assurance, however, that the Company will continue to obtain such cooperation from others. Presently, the Company has a total of 271 combination approvals in the U.S.

The Company believes that features of BMD have enhanced the Company's competitive position in the animal health business. Generally, FDA regulations do not permit animals to be sold for food production unless their feed has been free of additives that are absorbed into animal tissue for at least a 14-day period of time required by FDA rules. BMD is not absorbed into animal tissue, and therefore need not be withdrawn from feed prior to the marketing of the food animals. This attribute of BMD allows producers to avoid the burden of removing these additives from feed in order to meet the FDA requirement.

Facilities. The Company produces its animal health products in state-of-the-art manufacturing facilities. The Animal Health Division produces BMD at its Chicago Heights, Illinois facility, which contains a modern fermentation and recovery plant. Albac is manufactured at the Oslo facility shared with the Fine Chemicals Division. CTC is purchased from foreign suppliers and blended domestically at the Company's facility in Lowell, Arkansas and at independent blending facilities. The 3-Nitro product line is manufactured in accordance with a ten year agreement using the Company's technology at an unrelated company's facility. The contract requires the Company to purchase minimum yearly quantities on a cost plus basis. Blending of 3-Nitro is done at the Company's Lowell plant. (See "Environmental" for a discussion

of an administrative action related to the Oslo facility").

Competition. The animal health industry is highly competitive and includes a large number of companies with greater financial, technical, and marketing resources than the Company. These companies offer a wide range of products with various therapeutic and production enhancing qualities. Due to the Company's strong market position in antibiotic feed additives and its experience in obtaining requisite FDA approvals for combination therapies, the Company believes it enjoys a competitive advantage in commercializing FDA-approved combination animal feed additives.

Geographic Markets. The Company presently sells a major portion of its animal health products in the U.S. and Europe. With the opening of sales offices in Canada, Latin America, and the Far East, the Animal Health Division has expanded its international sales capability consistent with its strategy for internal growth.

Sales and Distribution. The Company's animal health products in the U.S., Canada and Mexico are sold through a staff of technically trained sales and technical service employees and distributors located throughout the U.S. In January of 1999, the Company combined its wholly-owned U.S. distribution company with two similar third party distribution businesses to form a joint venture 50% owned by the Company. It is anticipated that approximately 50% of the Company's U.S. animal health sales will be made through this joint venture. Sales of the Animal Health Division's products outside North America are made primarily through the use of distributors and sales companies. The Company has sales offices in Norway, Canada, Mexico, Singapore and the People's Republic of China and in 1997 added sales offices in Brazil and France and, in 1998, added a sales office in Belgium. The Company anticipates establishing additional foreign sales offices.

Customers. Sales are made principally to commercial animal feed manufacturers and integrated swine and poultry producers. Although the Division is not dependent on any one customer, the customer base for animal health products is in a consolidation phase. Therefore, as consolidation continues, the Company may become more dependent on certain individual customers as such customers increase their size and market share.

Aquatic Animal Health Division ("AAHD")

The Company believes it is a leader in the development, manufacture and marketing of vaccines for use in immunizing farmed fish against disease. The Company believes it has been, and expects to continue as, a leading innovator with respect to the research and development of vaccines to combat newly developing forms of aquatic disease.

The Company's vaccines for fish are used by fish farms to control disease in densely populated, artificial growth environments. The Company believes that the market for vaccines will continue to grow along with the growth of fish farms as the worldwide demand for fish continues to increase beyond what can be supplied from the natural fish habitat.

Product Lines. The Aquatic Animal Health Division is the leading supplier of injectable vaccines for farm raised salmon. In addition the Division is a pioneer in the development of vaccines for trout, sea bass, sea bream, catfish, yellowtail and other commercially important farm species.

Facilities. The Company manufactures its fish vaccine products in Bellevue, Washington and at its Overhalla, Norway facility. A contract manufacturer in Germany provides certain raw materials for vaccine production.

Competition. The Company has few competitors in the aquatic animal health industry. However, the industry is subject to rapid technological change. Competitors could develop new techniques and products that would render the Company's aquatic animal health products obsolete if the Company was unable to match the improvements quickly. In this regard, the Company is presently developing a new salmon vaccine to meet the market perception that a competing product may provide better disease protection.

Geographic Markets. The Company sells its aquatic animal health products in Norway, the United Kingdom, Canada and the U.S.

Sales and Distribution. The Company sells its aquatic animal health products through its own technically oriented sales staff of twelve people in Norway and the U.S. In other markets, the Company operates through distributors. The Company sells its products to fish farms, usually under a contract which extends for at least one growing season. There are relatively few customers for the Division's products.

Information Applicable to all Business Segments

Research, Product Development and Technical Activities

Scientific development is important to each of the Company's business segments. The Company's research, product development and technical activities in the Human Pharmaceuticals segment within the U.S., Norway and Denmark concentrate on the development of generic equivalents of established branded products as well as discovering creative uses of existing drugs for new treatments. The Company's research, product development and technical activities also focus on developing proprietary drug delivery systems and on improving existing delivery systems, fermentation technology and packaging and manufacturing techniques. In view of the substantial funds which are generally required to develop new chemical drug entities, the Company does not anticipate undertaking such activities.

The Company's technical development activities for the Animal Health segment involve extensive product development and testing for the primary purpose of establishing clinical support for new products and additional uses for or variations of existing products and seeking related FDA and analogous governmental approvals.

Generally, research and development are conducted on a divisional basis. The Company conducts its technical product development activities at its facilities in Copenhagen, Denmark; Oslo, Norway; Baltimore, Maryland; Bellevue, Washington; and Chicago Heights, Illinois, as well as through independent research facilities in the U.S. and Norway.

Research and development expenses were approximately $36.0 million, $32.1 million, and $34.3 million in 1998, 1997, and 1996, respectively. In 1998, the Company received approximately 100 governmental product, market and manufacturing approvals.

Government Regulation

General. The research, development, manufacturing and marketing of the Company's products are subject to extensive government regulation by either the FDA or the USDA, as well as by the DEA, FTC, CPSC, and by comparable authorities in the EU, Norway, Indonesia and other countries. Although Norway is not a member of the EU, it is a member of the European Economic Association and, as such, has accepted all EU regulations with respect to pharmaceuticals except in the area of feed antibiotics.

Government regulation includes detailed inspection of and controls over testing, manufacturing, safety, efficacy, labeling, storage, recordkeeping, approval, advertising, promotion, sale and distribution of pharmaceutical products. Noncompliance with applicable requirements can result in civil or criminal fines, recall or seizure of products, total or partial suspension of production and/or distribution, debarment of individuals or the Company from obtaining new generic drug approvals, refusal of the government to approve new products and criminal prosecution. Such government regulation substantially increases the cost of producing human pharmaceutical and animal health products.

The evolving and complex nature of regulatory requirements, the broad authority and discretion of the FDA and analogous foreign agencies, and the generally high level of regulatory oversight results in a continuing possibility that from time to time the Company will be adversely affected by regulatory actions despite its ongoing efforts and commitment to achieve and maintain full compliance with all regulatory requirements. As a result of actions taken by the Company to respond to the progressively more demanding regulatory environment in which it operates, the Company has spent, and will continue to spend, significant funds and management time on regulatory compliance.

Product Marketing Authority. In the U.S., the FDA regulatory procedure applicable to the Company's generic pharmaceutical products depends on whether the branded drug is: (i) the subject of an approved New Drug Application ("NDA") which has been reviewed for both safety and effectiveness; (ii) marketed under an NDA approved for safety only; (iii)marketed without an NDA or (iv) marketed pursuant to over-the-counter ("OTC") monograph regulations. If the drug to be offered as a generic version of a branded product is the subject of an NDA approved for both safety and effectiveness, the generic product must be the subject of an Abbreviated New Drug Application ("ANDA") and be approved by FDA prior to marketing. Drug products which are generic copies of the other types of branded products may be marketed in accordance with either an FDA enforcement policy or the over-the-counter drug review monograph process and currently are not subject to ANDA filings and approval prior to market introduction. While the Company believes that all of its current pharmaceutical products are legally marketed under the applicable FDA procedure, the Company's marketing authority is subject to revocation by the agency. All applications for regulatory approval of generic drug products subject to ANDA requirements must contain data relating to product formulation, raw material suppliers, stability, manufacturing, packaging, labeling and quality control. Those subject to a Waxman-Hatch Act ANDA also must contain bioequivalency data. Each product approval limits manufacturing to a specifically identified site. Supplemental filings for approval to transfer products from one manufacturing site to another also require review and approval.

Certain of the Company's animal health products are regulated by the FDA, as described above, while other animal health products are regulated by the USDA. An EU Directive requires that medical products must have a marketing authorization before they are placed on the market in the EU. The criteria upon which grant of an authorization is assessed are quality, safety and efficacy. Demonstration of safety and efficacy in particular requires clinical trials on human subjects and the conduct of such trials is subject to the standards codified in the EU guideline on Good Clinical Practice. In addition, the EU requires that such trials be preceded by adequate pharmacological and toxicological tests in animals and that clinical trials should use controls, be carried out double blind and capable of statistical analysis by using specific criteria wherever possible, rather than relying on a large sample size. The working party on the Committee of Proprietary Medicinal Products has also made various recommendations in this area. Analogous governmental and agency approvals are similarly required in other countries where the

Company conducts business. There can be no assurance that new product approvals will be obtained in a timely manner, if ever. Failure to obtain such approvals, or to obtain them when expected, could have a material adverse effect on the Company's business, results of operations and financial condition.

Facility Approvals. The Company's manufacturing operations (in the U.S. as well as three of the Company's European facilities that manufacture products for export to the U.S.) are required to comply with Current Good Manufacturing Practices ("CGMP") as interpreted by the FDA and EU regulations. CGMP encompasses all aspects of the production process, including validation and record keeping, and involves changing and evolving standards. Consequently, continuing compliance with CGMP can be a particularly difficult and expensive part of regulatory compliance, especially since the FDA and certain other analogous governmental agencies have increased the number of regular inspections to determine compliance. There are similar regulations in other countries where the Company has manufacturing operations. The EU requires that before a medicinal product can be manufactured and assembled, each person or company who carries out such an operation must hold a manufacturer's license, a product license must be held by the person responsible for the composition of the product, and the manufacture and assembly must be in accordance with the product license. There is also a Directive relating to Good Manufacturing Practice ("GMP") which makes compliance with the principles of GMP compulsory throughout the EU.

Potential Liability for Current Products. Continuing studies of the proper utilization, safety, and efficacy of pharmaceuticals and other health care products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products and in some cases have resulted, and may in the future result, in the discontinuance of their marketing and, in certain countries, give rise to claims for damages from persons who believe they have been injured as a result of their use.

Extended Protection for Branded Products. The Drug Price Competition and Patent Term Restoration Act of 1984 ("Waxman-Hatch Act") amended both the Patent Code and the Federal Food, Drug, and Cosmetic Act (the "FDC Act"). The Waxman-Hatch Act codified and expanded application procedures for obtaining FDA approval for generic forms of brand-name pharmaceuticals which are off-patent and/or whose market exclusivity has expired. The Waxman-Hatch Act also provides patent extension and market exclusivity provisions for innovator drug manufacturers which preclude the submission or delay the approval of a competing ANDA under certain conditions. One such provision allows a five year market exclusivity period for NDAs involving new chemical compounds and a three year market exclusivity period for NDAs containing new clinical investigations essential to the approval of such application. The market exclusivity provisions apply equally to patented and non-patented drug products. Another provision authorizes the extension of patent terms for up to five years as compensation for reduction of the effective life of the patent as a result of time spent in testing for, and FDA review of, an application for a drug approval. Patent terms may also be extended pursuant to the terms of the Uruguay Round Agreements Act ("URAA")or by future legislation. In addition, the FDA Modernization Act of 1997 allows brand name manufacturers to seek six months of additional exclusivity when they have conducted pediatric studies on the drug. Therefore, the Company cannot predict the extent to which the Waxman-Hatch Act, the FDA Modernization Act of 1997, the URAA or future legislation could postpone launch of some of its new products.

In Europe, certain Directives confer a similar market exclusivity in respect of proprietary medicines, irrespective of any patent protection. Before a generic manufacturer can present an abridged application for a marketing authorization, it must generally wait until the original proprietary drug has been on the market for a certain period (unless he has the consent of the person who submitted the original test data for the first marketing authorization, or can compile an adequate dossier of his own). In the case of high-technology products, this period is ten years and six years in respect of other medicinal products, subject to the option for member states to elect for an exclusivity period of ten years in respect of all products, or to dispense with the six-year period where that would offer protection beyond patent expiry.

In addition to the exclusivity period, it is also possible in the EU to effectively extend the period of patent protection for a product which has a marketing authorization by means of a Supplementary Protection Certificate ("SPC"). An SPC comes into force on the expiry of the relevant patent and lasts for a period calculated with reference to the delay between the lodging of the patent and the granting of the first marketing authorization for the drug. This period of protection, subject to a maximum of five years, further delays the marketing of generic medicinal products.

The Generic Drug Enforcement Act. The Generic Drug Enforcement Act of 1992, which amended the FDC Act, gives the FDA six ways to penalize anyone that engages in wrongdoing in connection with the development or submission of an ANDA. The FDA can: (i) permanently or temporarily prohibit alleged wrongdoers from submitting or assisting in the submission of an ANDA; (ii) temporarily deny approval of, or suspend applications to market, particular generic drugs; (iii) suspend the distribution of all drugs approved or developed pursuant to an invalid ANDA; (iv) withdraw approval of an ANDA; (v) seek civil penalties against the alleged wrongdoer; and (vi) significantly delay the approval of any pending ANDA from the same party. The Company has never been the subject of an enforcement action under this or any similar statute but there can be no assurance that restrictions or fines will not be imposed upon the Company in the future.

Controlled Substances Act. The Company also manufacturers and sells drug products which are "controlled substances" as defined in the Controlled Substances Act, which establishes certain security and record keeping requirements administered by the DEA, a division of the Department of Justice. The Company is licensed by the DEA to manufacture and distribute certain controlled substances. The DEA has a dual mission-law enforcement and regulation. The former deals with the illicit aspects of the control of abusable substances and the equipment and raw materials used in making them. The DEA shares enforcement authority with the Federal Bureau of Investigation, another division of the Department of Justice. The DEA's regulatory responsibilities are concerned with the control of licensed handlers of controlled substances, and with the substances themselves, equipment and raw materials used in their manufacture and packaging, in order to prevent such articles from being diverted into illicit channels of commerce. The Company is not under any restrictions for non-compliance with the foregoing regulations, but there can be no assurance that restrictions or fines will not be imposed upon the Company in the future.

Health Care Reimbursement. The methods and level of reimbursement for pharmaceutical products under Medicare, Medicaid, and other domestic reimbursement programs are the subject of constant review by state and federal governments and private third party payors like insurance companies. Management believes that U.S. government agencies will continue to review and assess alternative payment methodologies and reform measures designed to reduce the cost of drugs to the public. Because the

outcome of these and other health care reform initiatives is uncertain, the Company cannot predict what impact, if any, they will have on the Company.

Medicaid legislation requires all pharmaceutical manufacturers to rebate to individual states a percentage of the revenues that the manufacturers derive from Medicaid reimbursed pharmaceutical sales in those states. The required rebate for manufacturers of generic products is currently 11%.

In many countries other than the U.S. in which the Company does business, the initial prices of pharmaceutical preparations for human use are dependent upon governmental approval or clearance under governmental reimbursement schemes. These government programs generally establish prices by reference to either manufacturing costs or the prices of comparable products. Subsequent price increases may also be regulated. In past years, as part of overall programs to reduce health care costs, certain European governments have prohibited price increases and have introduced various systems designed to lower prices. As a result, affected manufacturers, including the Company, have not always been able to recover cost increases or compensate for exchange rate fluctuations.

In order to control expenditures on pharmaceuticals, most member states in the EU regulate the pricing of such products and in some cases limit the range of different forms of a drug available for prescription by national health services. These controls can result in considerable price differences between member states. There is also a Common External Tariff payable on import of medicinal products into the EU, though exemptions are available in respect of certain products which allows duty free importation. Where there is no tariff suspension in operation in respect of a medicinal product, an application can be made to import the product duty free but this is subject to review at European level to establish whether a member state would be able to produce the product in question instead. In addition, some products are subject to a governmental quota which restricts the amount which can be imported duty free.

Financial Information About Foreign and Domestic Operations and Export Sales

The Company derives a substantial portion of its revenues and operating income from its foreign operations. Revenues from foreign operations accounted for approximately 44% of the Company's revenues in 1998. For certain financial information concerning foreign and domestic operations see Note 20 of the Notes to the Consolidated Financial Statements included in Item 8 of this Report. Export sales from domestic operations were not significant.

Environmental Matters

The Company believes that it is substantially in compliance with all presently applicable federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

The State of California has commenced an action against the Company in the California Superior Court under the State's Safe Drinking Water and Toxic Enforcement Act of 1986 (the "Drinking Water Act") alleging that it failed to include a warning to California users of two of its prescription drugs to the effect that said drugs are known to the State of California to cause cancer or reproductive toxicity. The State further alleges that by violating the Drinking Water Act, the Company is also in violation of the Unfair Competition Act (the "Competition Act"). The Company believes that prescription drugs fall under a

"safe-harbor" regulation and the required notice is deemed to be given by giving the FDA mandated product warnings. On this basis, the Company intends to defend this action vigorously. The Company has reason to believe that many other drug manufacturers are relying upon the same regulation and therefore have not given any notice beyond that required by the FDA in connection with the sale of prescription drugs. While the State's action does not request a specific monetary fine, the Company understands that the maximum fine for violation of each of the Drinking Water Act and the Competition Act is $5,000 for each day of violation subject to a four year statute of limitation. The Company believes that this matter will not result in a material liability.

The Company is presently engaged in administrative proceedings with respect to the air emissions and noise levels at its Oslo plant and soil and acquifier contamination of its Budapest plant. The Company anticipates the need for improvements at both plants; the cost of which has not yet been determined but is not believed to be material to the Company. Certain costs incurred at the Budapest facility are subject to reimbursement obligations of the previous owner.

In addition, the Company is a Potentially Responsible Party ("PRP") at one site subject to U.S. Superfund legislation. Superfund provides for joint and several liability for all PRP's. Based upon the Company's minor involvement at this Superfund site, and the identification of numerous PRP's who were larger site users, the Company does not believe that its ultimate liability for this site will be material to the Company.

Although many major capital projects typically include a component for environmental control, including the Company's current expansion projects, no material expenditures specifically for environmental control are expected to be made in 1999.

Employees

As of December 31, 1998, the Company had approximately 3,000 employees, including 1,100 in the U.S. and 1,900 outside of the U.S.

Item 1A. Executive Officers of the Registrant

The following is a list of the names and ages of all of the Company's corporate officers and certain officers of each of the Company's principal operating units, indicating all positions and offices with the Registrant held by each such person and each such person's principal occupations or employment during the past five years.

Each of the Company's corporate officers has been elected to the indicated office or offices of the Registrant, to serve as such until the next annual election of officers of the Registrant (expected to occur June 10, 1999) and until their successor is elected, or until his or her earlier death, resignation or removal.

Name and Position with the Company	Age	Principal Business Experience During the Past Five Years
E.W. Sissener Chairman, Director and Chief Executive Officer	70	Chief Executive Officer since June 1994. Member of the Office of the Chief Executive of the Company July 1991 to May 1994. Chairman of the Company since 1975. President, Alpharma AS since October 1994. President, Apothekernes AS (now AL

		Industrier AS) 1972 to 1994. Chairman of A.L. Industrier AS since November 1994.
Gert W. Munthe President, Director and Chief Operating Officer	42	President since May 1998 and Director of the Company since June 1994.President and Chief Executive Officer of NetCom GSM A.S., a Norwegian cellular telecommunications company, 1993 to 1998. Executive Vice President and division President of Hafslund Nycomed A.S., a Norwegian energy and pharmaceutical corporation, 1988 to 1993. President of Nycomed (Imaging) A.S., a wholly owned subsidiary of Hafslund Nycomed A.S., 1991 to 1993. Division President in charge of the energy business of Hafslund Nycomed A.S., 1988 to 1991. Mr. Munthe is Mr. Sissener's son-in-law.
Jeffrey E. Smith Vice President, Finance and Chief Financial Officer	51	Chief Financial Officer and Vice President since May 1994. Executive Vice President and Member of the Office of the Chief Executive July 1991 to May 1994. Vice President, Finance of the Company from November 1984 to July 1991.
Robert F. Wrobel Vice President and Chief Legal Officer	54	Vice President and Chief Legal Officer since October of 1997. Vice President and Associate General Counsel of Duracell Inc., 1994 to September 1997 and Senior Vice President, General Counsel and Chief Administrative Officer of The Marley Company 1975 to 1993.
Diane M. Cady Vice President, Investor Relations	44	Vice President, Investor Relations since November 1996. Vice President, Investor Relations for Ply Gem Industries, Inc. 1987 to October 1996.
Albert N. Marchio, II Vice President and Treasurer	46	Treasurer of the Company since May 1992. Treasurer of Laura Ashley, Inc. 1990 to 1992.
John S. Towler Vice President and Controller	50	Controller of the Company since March 1989.
Thomas L. Anderson Vice President and President, U.S. Pharmaceuticals Division	50	President of the Company's U.S. Pharmaceuticals Division since January 1997; President and Chief Operating Officer of FoxMeyer Health Corporation May 1993 to February 1996; Executive Vice President and Chief Operating Officer of FoxMeyer Health Corporation July 1991 to April 1993.

Bruce Andrews, Vice President and President, Animal Health Division	52	President of the Company's Animal Health Division since May 1997. Consultant with Brakke Consulting, Inc. from 1996 through May of 1997, President of Lifelearn, Inc. in 1995, and President of the Cyanamid North American Animal Health and Nutrition Division from 1992 to 1994.
Thor Kristiansen Vice President and President, Fine Chemicals Division	55	President of the Company's Fine Chemicals Division since October 1994; President, Biotechnical Division of Apothekernes Laboratorium A.S 1986 to 1994.
Knut Moksnes Vice President and President, Aquatic Animal Health Division	48	President of the Company's Aquatic Animal Health Division since October 1994; Managing Director, Fish Health Division of Apothekernes Laboratorium A.S 1991 to 1994.
Ingrid Wiik Vice President and President, International Pharmaceuticals Division	54	President of the Company's International Pharmaceuticals Division since October 1994; President, Pharmaceutical Division of Apothekernes Laboratorium A.S 1986 to 1994.

Item 2. Properties

Manufacturing and Facilities

The Company's corporate offices and principal production and technical development facilities are located in the U.S., the United Kingdom, Denmark, Norway and Indonesia. The Company also owns or leases offices and warehouses in the U.S., Sweden, Holland, Finland and elsewhere.

Location	Status	Facility Size (sq.ft.)	Use
Fort Lee, NJ	Leased	37,000	Offices-Alpharma corporate and AHD headquarters
Oslo, Norway	Leased	204,400	Manufacturing of AHD and FCD products, Alpharma corporate offices and headquarters for IPD,FCD and AAHD
Baltimore, MD	Owned	268,000	Manufacturing and offices for USPD
Baltimore, MD	Leased	18,000	Research and development for USPD
Bellevue, WA	Leased	20,000	Warehousing, laboratory and offices for AAHD
Chicago Heights, IL.	Owned	195,000	Manufacturing,warehousing,research and development and offices for AHD
Columbia, MD	Leased	165,000	Distribution center for USPD
Lincolnton, NC	Owned	138,000	Manufacturing and offices for USPD
Lowell, AR	Leased	68,000	Manufacturing,warehousing and offices for AHD
Niagara Falls, NY	Owned	30,000	Warehousing and offices for USPD
Barnstaple,Engl and	Owned	250,000	Manufacturing, warehousing and offices for IPD

Budapest,Hungary..	Owned	175,000	Manufacturing,warehousing and offices for FCD
Copenhagen,Denmark	Owned	345,000	Manufacturing,warehousing, research and development and offices for IPD and FCD
Jakarta,Indonesia.	Owned	80,000	Manufacturing, warehousing, research and development and offices for IPD
Lier,Norway. . .	Owned	180,000	Manufacturing,warehousing and offices for IPD
Overhalla,Norway..	Owned	39,500	Manufacturing,warehousing and offices for AAHD
Vennesla,Norway . .	Owned	81,300	Manufacturing, warehousing and offices for IPD

The Company believes that its principal facilities described above are generally in good repair and condition and adequate and suitable for the products they produce.

Item 3. Legal Proceedings

The Company is one of multiple defendants in 80 lawsuits filed in various US Federal District Courts and several State Courts alleging personal injuries and two class actions requesting medical monitoring resulting from the use of phentermine distributed by the Company and prescribed for use in combination with fenfluramine or dexfenfluramine manufactured and sold by other defendants ("Fen-Phen" lawsuits). None of the plaintiffs has specified the amount of his or her monetary demand, but a majority of the lawsuits allege serious injury. The Company has demanded defense and indemnification from the manufacturers from whom it has purchased phentermine and has filed claims against said manufacturers' insurance carriers and the Company's carriers. The Company has received a partial reimbursement of litigation costs from one of the manufacturer's carriers. The plaintiff in 34 of these lawsuits has agreed to dismiss the Company without prejudice but such dismissals must be approved by the Court. The Company does not expect that the Fen-Phen lawsuits will be material to the Company. It is possible that the Company could later be named as a defendant in some of the additional lawsuits already on file with respect to these drugs or in similar lawsuits which could be filed in the future.

The Company has received written notice of a claim alleging that it is violating certain third party U.S. patents in the area of electronic reading devices and offering to enter into licensing discussions. While the Company has not completed its analysis of either the validity or applicability of said patents, several material Company manufacturing facilities do use devices and machinery within the general technical area covered by these third party patents. Based upon factors considered reasonable as of this date, the Company has no reason to anticipate that this matter will result in liability material to the Company.

From time to time the Company is involved in certain non-material litigation which is ordinarily found in businesses of this type, including contract, employment matters and product liability actions. Product liability suits represent a continuing risk to pharmaceutical companies. The Company attempts to minimize such risks by strict controls over manufacturing and quality procedures. Although the Company carries what it believes to be adequate insurance, there is no assurance that such insurance can fully protect it against all such risks due to the inherent potential liability in the business of producing pharmaceuticals for human and animal use.

The Company is also subject to an action commenced by the

State of California under the State's Safe Drinking Water and Toxic Enforcement Act of 1986. (See "Environmental Matters").

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

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The Company's Class A Common Stock is listed on the New York Stock Exchange ("NYSE"). Information concerning the 1998 and 1997 sales prices of the Company's Class A Common Stock is set forth in the table below.

	Stock Trading Price			
	1998		1997	
Quarter	High	Low	High	Low
First	$24.31	$18.94	$15.13	$11.38
Second	$23.00	$19.75	$18.13	$13.50
Third	$26.31	$21.44	$23.50	$15.25
Fourth	$36.94	$22.56	$23.88	$21.25

As of December 31, 1998 and March 10, 1999 the Company's stock closing price was $35.31 and $41.38, respectively.

Holders

As of March 10, 1999, there were 1,609 holders of record of the Company's Class A Common Stock and A.L. Industrier held all of the Company's Class B Common Stock. Record holders of the Class A Common Stock include Cede & Co., a clearing agency which held approximately 97% of the outstanding Class A Common Stock as a nominee.

Dividends

The Company has declared consecutive quarterly cash dividends on its Class A and Class B Common Stock beginning in the third quarter of 1984. Quarterly dividends per share in 1998 and 1997 were $.045 per quarter or $.18 per year.

Item 6. Selected Financial Data

The following is a summary of selected financial data for the Company and its subsidiaries. The data for each of the three years in the period ended December 31, 1998 have been derived from, and all data should be read in conjunction with, the audited consolidated financial statements of the Company, included in Item 8 of this Report. All amounts are in thousands, except per share data.

Income Statement Data

	Years Ended December 31,				
	1998(4)	1997	1996(3)	1995	1994(2)
Total revenue	$604,584	$500,288	$486,184	$520,882	$469,263
Cost of sales	351,324	289,235	297,128	302,127	275,543
Gross profit	253,260	211,053	189,056	218,755	193,720
Selling, general and administrative expense	188,264	164,155	185,136	166,274	177,742

Operating income	64,996	46,898	3,920	52,481	15,978
Interest expense	(25,613)	(18,581)	(19,976)	(21,993)	(15,355)
Other income (expense), net	(400)	(567)	(170)	(260)	1,113
Income (loss) before income taxes and extraordinary item	38,983	27,750	(16,226)	30,228	1,736
Provision (benefit) for income taxes	14,772	10,342	(4,765)	11,411	3,439
Income (loss) before extraordinary item	$24,211	$ 17,408	$(11,461)	18,817	$(1,703)
Net income (loss) (1)	$24,211	$ 17,408	$(11,461)	18,817	$(2,386)
Average number of shares outstanding: Diluted	26,279	22,780	21,715	21,754	21,568
Earnings (loss) per share: Diluted					
Income (loss) before extraordinary item	$ .92	$ .76	$ (.53)	$ .87	$ (.08)
Net income (loss)	$ .92	$ .76	$ (.53)	$ .87	$ (.11)
Dividend per common share	$ .18	$ .18	$ .18	$ .18	$ .18

(1) Net loss includes: 1994 - extraordinary item - loss on extinguishment of debt ($683).

(2) 1994 includes transaction costs relating to the combination with Alpharma Oslo and Management Actions which are included in cost of goods sold ($450) and selling, general and administrative ($24,200). Amounts net after tax of approximately $17,400 ($0.81 per share).

(3) 1996 includes Management Actions relating to production rationalizations and severance which are included in cost of goods sold ($1,100) and selling, general and administrative ($17,700). Amounts net after tax of approximately $12,600 ($0.58 per share).

(4) 1998 includes results of operations from date of acquisition of Cox Pharmaceuticals (May 1998) and non-recurring charges related to the Cox acquisition which are included in cost of sales ($1,300) and selling, general and administrative ($2,300). Charges, net after tax, were approximately $3,130 ($0.12 per share).

	As of December 31,				
Balance Sheet Data	1998(1)	1997	1996	1995	1994
Current assets	$335,484	$273,677	$274,859	$282,886	$250,499
Non-current assets	573,452	358,189	338,548	351,967	341,819
Total assets	$908,936	$631,866	$613,407	$634,853	$592,318
Current liabilities	$170,437	$133,926	$155,651	$169,283	$154,650
Long-term debt, less current maturities	429,034	223,975	233,781	219,451	220,036

Deferred taxes and other non-current liabilities	42,186	35,492	37,933	40,929	36,344
Stockholders' equity	267,279	238,473	186,042	205,190	181,288
Total liabilities and equity	$908,936	$631,866	$613,407	$634,853	$592,318

(1) Includes accounts from date of acquisition of Cox Pharmaceuticals (May 1998).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

1998 and 1997 were years in which operations improved relative to the preceding year. Both years included a number of significant transactions which the Company believes will enhance future growth. Such transactions include:

1998

In March the Company issued $192.8 million of 5.75% Convertible Subordinated Notes due in 2005.

In May the Company's International Pharmaceuticals Division ("IPD") purchased the Cox Generic Pharmaceutical business ("Cox") conducted primarily in the United Kingdom for approximately $198.0 million.

In November the Company's IPD purchased a generic pharmaceutical product line in Germany for $13.3 million.

In November the Company acquired pursuant to a tender offer approximately 93% of the outstanding warrants which were to have expired on January 3, 1999 with common stock with a market value of approximately $37.0 million. Subsequent to December 31, 1998 the majority of the remaining warrants were exercised for $4.4 million in cash.

In December the Company's Fine Chemicals Division ("FCD") purchased a fine chemical manufacturing plant in Budapest, Hungary for $8.4 million.

During the year the Company commenced negotiations (completed in January 1999) to replace its Revolving Credit Facility and existing domestic short term credit lines with a comprehensive syndicated facility which provides for increased borrowing capacity of up to $300.0 million.

1997

The Company raised $56.4 million by issuing Class B stock through a stock subscription ($20.4 million) and Class A stock through a rights offering ($36.0 million).

The Animal Health Division ("AHD") acquired the worldwide decoquinate ("Deccoxr") product and business from a major pharmaceutical company. The product is an anticocidial feed additive which provides AHD with its first major product in the cattle industry.

The FCD purchased a worldwide polymyxin business which complements its existing polymyxin business.

Both the U.S. Pharmaceuticals Division ("USPD") and the IPD completed partnership alliances and marketing agreements to broaden their product lines.

1996

Results in 1996 included charges for Management Actions. In addition, operations were negatively affected by external market conditions. The factors which combined to produce a loss in 1996 and the status of these factors in 1997/1998 are as follows:

1996 charges for Management Actions - approximately $12.6 million after tax.

Rationalization of the IPD's selling and marketing organization in Scandinavia resulting in charges for severance. Rationalization completed in 1997.

Commencement of an IPD plan to transfer all tablet, ointment and liquid production from Copenhagen, Denmark to Lier, Norway resulting in charges for severance, asset write-offs and other exit costs. Transfer completed in late 1998.

Commencement of a USPD plan to accelerate the move of production from locations in New Jersey and New York to an existing plant in Lincolnton, North Carolina resulting in charges for severance, asset write-offs and other exit costs. Completed in 1997, benefits realized in 1997 and 1998 due to more efficient production in the USPD.

Rationalization of the AHD and USPD organizations to address current competitive conditions in their respective industries resulting in charges for severance and other termination benefits. Rationalization completed in 1997.

1996 External Factors.

Fundamental shift in generic pharmaceutical industry distribution, purchasing and stocking patterns resulting in significantly lower sales and prices in the USPD. USPD sales have increased in both 1997 and 1998 in a more orderly market; however, there is continuing but significantly lessened pressure on pricing relative to 1996.

Significant bad debt expense due to the bankruptcy of a major wholesaler to the USPD and collection difficulties in certain international markets. No major bankruptcies occurred in 1997 and 1998, but collection of certain accounts remains slow in certain international markets.

High feed grain prices in the animal health industry which resulted in lower industry usage of feed additive products supplied by AHD and increased competition among feed additive suppliers. Grain prices were at more normal levels in 1997 and 1998. Competitive conditions continue.

Results of Operations

Comparison of year ended December 31, 1998 to year ended December 31, 1997.

For the year ended December 31, 1998 revenue was $604.6 million, an increase of $104.3 million (20.8%) compared to 1997. Operating income was $65.0 million, an increase of $18.1 million, compared to 1997. Net income was $24.2 million ($.92 per share) compared to a net income of $17.4 million ($.76 per share) in 1997. Results for 1998 include non-recurring charges resulting from the Cox acquisition which reduced net income by $3.1 million ($.12 per share).

Acquisition of Cox

All comparisons of 1998 results to 1997 are affected by Cox which was acquired in May of 1998 for a total purchase price including direct costs of acquisition of approximately $198

million. Cox is a generic pharmaceutical manufacturer and marketer of tablets, capsules, suppositories, liquids, ointments and creams. Cox's main operations (which primarily consist of a manufacturing plant, warehousing facilities and a sales organization) are located in the United Kingdom with distribution and sales operations located in Scandinavia and the Netherlands. Cox distributes its products to pharmacy retailers and pharmaceutical wholesalers primarily in the United Kingdom. Exports account for approximately 10% of its sales.

The Company financed the $198 million purchase price and related debt repayments from borrowings under its then existing long-term Revolving Credit Facility and short-term lines of credit. The $180 million Revolving Credit Facility ("RCF") was used to fund the principal portion of the purchase price. At the end of March 1998, the Company repaid approximately $162 million of borrowings under the RCF with the proceeds from the issuance of $193 million of convertible subordinated notes. Such repayment created the capacity under the RCF to incur the borrowings used to finance the acquisition of Cox.

The acquisition was accounted for in accordance with the purchase method. The fair value of the assets acquired and liabilities assumed and the results of operations are included from the date of acquisition.

The purchase of Cox had a significant effect on the results of operations of the Company for the year ended December 31, 1998. Cox is included in IPD.

For the approximate eight month period included in 1998, Cox contributed sales of $62.1 million and operating income, exclusive of non-recurring acquisition related charges, of $5.2 million. Operating income is reduced by the amortization of goodwill totaling approximately $3.0 million. Interest expense increased by approximately $8.0 million reflecting the financing of the acquisition primarily with long-term debt.

Acquisition charges required by generally accepted accounted principles and recorded in the second quarter of 1998 included the write-up of inventory to fair value and related write-off on the sale of the inventory of $1.3 million, a write-off of in-process research and development ("R&D") of $2.1 million and severance of certain employees of the IPD of $0.2 million. Because in-process R&D is not tax benefited the one-time charges were $3.1 million after tax or $.12 per share.

Revenues

Revenues increased $104.3 million in 1998 despite currency translation of international sales into U.S. dollars which reduced reported sales by over $20.0 million. Increases in revenues and major components of change for each division in 1998 compared to 1997 are as follows:

Revenues in IPD increased by $59.0 million due to the Cox acquisition ($62.1 million), increased volume for existing and other new and other acquired products ($14.0 million) offset by translation of IPD sales in local currencies into the U.S. dollar ($17.1 million). Revenues in USPD increased $23.4 million due primarily to volume increases in existing and new products and revenue from licensing activities offset slightly by lower net pricing. FCD revenues increased $14.4 million due mainly to volume increases in vancomycin and polymyxin. AHD revenues increased $7.9 million due primarily to sales of the Deccox product line acquired in 1997. Aquatic Animal Health Division ("AAHD") sales increased $3.7 million due principally to increased sales of AlphaMax, a treatment for salmon lice.

Gross Profit

On a consolidated basis gross profit increased $42.2 million with margins at 41.9% in 1998 compared to 42.2% in 1997. Included in 1998 results is the non-recurring charge of $1.3 million related to the write-up and subsequent sale of acquired Cox inventory. Without the charge overall gross profit percentages would be essentially the same for both years. Gross profit dollars were positively affected by volume increases for existing and new products in all divisions and the acquisition of Cox offset by increased costs incurred by IPD in the transfer of production from Copenhagen to Lier and currency translation effects primarily in IPD. On an overall basis pricing had a minor positive effect.

Operating Expenses

Operating expenses increased by $24.1 million in 1998 on a consolidated basis. Included in 1998 operating expenses is a charge for in-process R&D of $2.1 million and IPD employee severance of $.2 million resulting from the Cox acquisition. Operating expenses in 1998 were 30.8% of revenues (31.1% including the Cox acquisition charges) compared to 32.8% of revenues in 1997. Operating expenses increased primarily due to the acquisition of Cox including goodwill amortization, increased selling and marketing expenses due to higher revenues, increased general and administrative expenses due to targeted increases in staffing and increased incentive programs offset slightly by translation of costs incurred in foreign currencies.

Operating Income

Operating income as reported in 1998 increased by $18.1 million. The Company believes the change in operating income can be approximated as follows:

($ in millions)	IPD	USPD	FCD	AHD	AAHD	Unalloc.	Total
1997 Operating income	$11.0	4.1	9.4	32.0	2.8	(12.4)	$46.9
Acquisition charges - Cox	(3.6)	-	-	-	-	-	(3.6)
Cox operating income	5.2	-	-	-	-	-	5.2
Net margin improvement due to volume, new products and price	5.9	10.5	7.7	9.8	3.0	-	36.9
(Increase) in production and operating expenses, net	(7.1)	(3.5)	(.1)	(4.1)	(1.9)	(.6)	(17.3)
Translation and other	(3.4)	-	.5	.1	(.3)	-	(3.1)
1998 Operating income	$8.0	11.1	17.5	37.8	3.6	(13.0)	$65.0

Interest Expense/Other/Taxes

Interest expense increased in 1998 by $7.0 million due primarily to the acquisition of Cox. Lower interest rates and positive cash flow from operations which lowered debt levels required for operations relative to 1997, offset a portion of the increased interest from acquisitions.

The provision for income taxes was 37.9% in 1998 compared to 37.3% in 1997. The slight increase in 1998 results from a 1.7% rate increase due to the write-off of in-process R&D which is not tax benefited, a .7% rate increase due to non-deductible goodwill

resulting from the Cox acquisition offset partially by higher tax credits and lower statutory tax rates on foreign earnings.

Results of Operations

Comparison of Year Ended December 31, 1997 to Year Ended December 31, 1996.

For the year ended December 31, 1997 revenue was $500.3 million, an increase of $14.1 million (2.9%) compared to 1996. Operating income was $46.9 million, an increase of $43.0 million, compared to 1996. Net income was $17.4 million ($.76 per share) compared to a net loss of $11.5 million ($.53 per share) in 1996.

Net income in 1996 was reduced by approximately $12.6 million ($.58 per share) for severance related to a reorganization of the IPD sales and marketing function in the Nordic countries, charges and expenses resulting from production rationalization plans in the IPD and the USPD and additional Management Actions in the AHD. (See section "Management Actions.")

Revenues

On an overall basis revenues increased $14.1 million. 1997 revenues compared to 1996 were reduced by over $20.0 million due to translation of sales in foreign currency into the U.S. dollar. Revenue changes by division are as follows:

Revenues increased by $3.1 million in the USPD due primarily to increased volume in a number of Rx and OTC products including products introduced in the past three years. The increased volume was partially offset by lower net selling prices resulting from the continuation of programs initiated by major wholesalers in the second half of 1996 which fundamentally shifted generic pharmaceutical industry distribution purchasing and stocking patterns. In IPD overall volume and pricing were up on a local currency basis. However, IPD revenues were lower by $7.9 million primarily as a result of the effect of translation of sales in Scandinavian currencies into the U.S. dollar. A substantial majority of the translation effect was recognized in the IPD. For the year 1997 average exchange rates for Scandinavian currencies where IPD conducts a substantial portion of its business had declined by 10%-14% compared to 1996. Sales in the FCD increased by $2.6 million principally due to higher volume.

AHD revenues increased $12.4 million primarily due to increased volume of most major products, as well as the acquisition of the Deccox business in September 1997. AAHD revenues increased $3.0 million compared to 1996 due primarily to increased sales in the Norwegian fish vaccine market resulting from both new product volume and increased market share of existing products.

Gross Profit

On a consolidated basis, gross profit increased $22.0 million and the gross margin percent increased to 42.2% in 1997 compared to 38.9% in 1996.

The increase in dollars and percent was the result of a number of factors. USPD gross profits accounted for the majority of the increase and improved as a result of lower manufacturing costs in the aggregate (due to the transfer of production and closing of two marginal facilities as part of Management Actions in 1996) and increased production efficiencies in the two remaining core facilities. Offsetting savings in production costs were lower net selling prices in the UPSD. IPD had increased gross profits in local currencies but decreased in the aggregate when translated into U.S. dollars. FCD gross profits increased

marginally compared to 1996.

AHD gross profits increased due to increased volume (both existing products and Deccox) offset partially by somewhat lower pricing. AAHD gross profits increased due to higher margin products introduced in 1997.

Operating Expenses

Operating expenses on a consolidated basis decreased $21.0 million or 11.3%. Included in operating expenses in 1996 were charges incurred for Management Actions totaling $17.7 million. (See section "Management Actions"). The following table compares operating expenses for the year with and without Management Actions:

($ in millions)	1997	1996
Operating expenses as reported	$164.2	$185.1
Management actions - 1996	-	(17.7)
	$164.2	$167.4
As a % of revenues	32.8%	34.4%

The net reduction in operating expenses, after excluding Management Actions reflects a continued emphasis on cost control, the effect of currency translation on expenses incurred in foreign currencies, and a reduction of expenses resulting from prior year Management Actions which reduced payroll, offset by planned increases in certain expenses and increases in administrative expenses resulting from personnel changes, employee incentive programs, and litigation expenses.

Operating Income

Operating income as reported in 1997 increased $43.0 million. The increase in gross profit due to increased sales and lower production costs, lower operating expenses, and the absence of charges for Management Actions all contributed to the increase.

The Company believes the change in operating income from 1996 to 1997 can be approximated as follows:

($ in millions)	IPD	USPD	FCD	AHD	AAHD	Unalloc.	Total
1996 Operating income(loss)	$2.5	(19.2)	8.5	21.0	(.3)	(8.6)	$3.9
Add back 1996 management actions	8.1	5.7	-	4.5	-	.5	18.8
Sub-total	10.6	(13.5)	8.5	25.5	(.3)	(8.1)	22.7
Net margin change due to volume, new products and price	3.9	(3.3)	3.8	6.6	3.8	-	14.8
(Increase)decrease in production and operating expenses, net	(3.1)	20.8	(2.9)	(.4)	(.4)	(4.0)	10.0
Translation and other	(.4)	.1	-	.3	(.3)	(.3)	(.6)
1997 Operating income	$11.0	4.1	9.4	32.0	2.8	(12.4)	$46.9

Interest Expense/Other/Taxes

Interest expense decreased $1.4 million due to lower debt levels (aided by the receipt, in 1997 of approximately $56.4 million of new equity) and generally lower interest rates in 1997.

Other, net in 1997 was a $0.6 million loss compared to a $0.2 million loss in 1996. Foreign exchange transaction losses included in Other, net in 1997 and 1996 were approximately $0.7 million and $0.2 million, respectively. The loss in 1997 was primarily the result of the strengthening of the U.S. dollar during 1997.

The provision for income taxes was 37.3% in 1997 compared to a benefit for income taxes (due to a pre-tax loss) of 29.4% in 1996. The difference between the statutory rate and the effective rate is the interaction of state income taxes and non-deductible costs which increase the rate partially offset by lower taxes in foreign jurisdictions.

Management Actions

In December 1994, after the acquisition of Alpharma Oslo from A.L. Industrier, and continuing to some degree in 1995 the Company announced a number of Management Actions which included staff reductions and certain product line and facilities rationalizations as a first step toward realizing combination synergies and maximizing the overall position of the newly combined Company.

In the first quarter of 1996, the Company announced the reorganization of the IPD sales and marketing organization in Scandinavia. The reorganization resulted in severing 30 personnel at a cost of $1.9 million. IPD estimates the annual expense reduction by 1997 from this action at over $1.0 million.

In the second quarter of 1996, the Board of Directors approved an IPD production rationalization plan which included the transfer of all tablet, ointment and liquid production from Copenhagen, Denmark to Lier, Norway. The full transfer was completed in late 1998 and resulted in a net reduction of approximately 100 employees. The rationalization plan resulted in a charge in the second quarter of 1996 for severance for Copenhagen employees, an impairment write-off for certain buildings and machinery and equipment and other exit costs.

In 1995, the Company announced a plan by USPD to move all suppositories and cream and ointment production from two locations to the Lincolnton, North Carolina location. In the second quarter of 1996, USPD prepared a plan to accelerate the previously approved plan for consolidation of the manufacturing operations within USPD. The Board of Directors approved the acceleration in May 1996.

The acceleration plan included the discontinuing of all activities in two USPD manufacturing facilities in New York and New Jersey and the transfer of all pharmaceutical production from those sites to the facility in Lincolnton, North Carolina. The plan provided for complete exit by early 1997 and resulted in a net reduction of over 150 employees. The acceleration plan resulted in a second quarter charge in 1996 for severance of employees, a write-off for leasehold improvements and machinery and equipment and significant exit costs including estimated remaining lease costs and facility refurbishment costs. In the third quarter of 1996, the Company sold its tablet business which was located in New Jersey and sub-leased the New Jersey location. The sale provided net proceeds of approximately $0.5 million and resulted in the adjustment of certain accruals for exit costs made in the second quarter which contemplated the shut down of the facility.

In the second half of 1996, additional Management Actions included a reorganization at USPD which resulted in severing 15 employees and a reorganization of the AHD business practices and staffing levels which resulted in severing and/or early retirement of 33 employees and other exit costs.

As a result of the 1996 reorganizations in USPD and AHD the Company believes annual payroll and payroll related costs of $2.5 million were eliminated. The production rationalization plans have benefited operations in 1997 and 1998 for USPD and are expected to begin to benefit operations in IPD in 1999.

The Company believes the dynamic nature of its business may present additional opportunities to rationalize personnel functions and operations to increase efficiency and profitability. Accordingly, similar management actions may be considered in the future and could be material to the results of operations in the quarter they are announced.

Inflation

The effect of inflation on the Company's operations during 1998, 1997 and 1996 was not significant.

Liquidity and Capital Resources

At December 31, 1998, stockholders' equity was $267.3 million compared to $238.5 million and $186.0 million at December 31, 1997, and 1996, respectively. The ratio of long-term debt to equity was 1.61:1, 0.94:1 and 1.26:1 at December 31, 1998, 1997 and 1996, respectively. The increase in stockholders' equity in 1998 primarily reflects net income in 1998 less dividends and the issuance of common stock in 1998 through the exercise of stock options and purchases under the employee stock purchase plan. The increase in long-term debt from 1997 to 1998 was due primarily to the acquisition of Cox in May 1998.

Working capital at December 31, 1998 was $165.0 million compared to $139.8 million and $119.2 million at December 31, 1997 and 1996, respectively. The current ratio was 1.97:1 at December 31, 1998 compared to 2.04:1 and 1.77:1 at December 31, 1997 and 1996, respectively.

The Cox acquisition substantially increased the following balance sheet captions: accounts receivable ($17.7 million), inventory ($17.1 million), property, plant and equipment ($33.9 million), intangible assets ($160.0 million), and accounts payable and accrued expenses ($17.7 million). Additionally at year end accounts receivable increased by over $22.0 million due to significantly higher fourth quarter 1998 sales relative to 1997.

The Company presently has various capital expenditure programs under way and planned including the expansion of the newly acquired FCD facility in Budapest, Hungary. In 1998, the Company's capital expenditures were $31.4 million, and in 1999 the Company plans to spend a greater amount than in 1998.

In February 1999, the Company's USPD entered into an agreement with Ascent Pediatrics, Inc. ("Ascent") under which UPSD will provide up to $40 million in loans to Ascent to be evidenced by 7 1/2% convertible subordinated notes due 2005. Up to $12 million of the proceeds of the Loans can be used for general corporate purposes, with $28 million of proceeds reserved for projects and acquisitions intended to enhance growth of Ascent. While exact timing cannot be predicted, it is expected the $40.0 million will be advanced in the next two years.

At December 31, 1998, the Company had $65.8 million available under existing short-term unused lines of credit and $14.4 million in cash. In January 1999, the Company replaced its

prior $180.0 million revolving credit facility and domestic short term lines of credit with a $300.0 million credit facility ("1999 Credit Facility"). In addition, European short term credit lines were set at $30.0 million. The 1999 Credit Facility provides for a $100.0 million six year term loan and a $200.0 million revolving credit facility with an initial five year term with two possible one year extensions. The 1999 Credit Facility extends the maturities under prior agreements and allows the Company additional financing flexibility. Comparing year end debt amounts for the prior Revolving Credit, domestic short term debt and the A/S Eksportfinans loan (all of which were refinanced in the first quarter 1999), to the 1999 Credit Facility the Company has approximately $95.0 million available. Comparing the 1999 European line of credit to the year end short term debt balance, the Company has over $10.0 million available. 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.

A substantial portion of the Company's short-term and long-term debt is at variable interest rates. During 1999, the Company will consider entering into interest rate agreements to fix interest rates for all or a portion of its variable debt to minimize the impact of future changes in interest rates. The Company's policy is to selectively enter into "plain vanilla" agreements to fix interest rates for existing debt if it is deemed prudent.

In addition to investments for internal growth, the Company has continued its pursuit of complementary acquisitions or alliances, particularly in human pharmaceuticals, that can provide new products and market opportunities as well as leverage existing assets. In order to accomplish any significant acquisition, it is likely that the Company will need to obtain additional financing in the form of equity related securities and/or borrowings. Any significant new borrowings require the Company meet the debt covenants included in the 1999 Credit Facility which provide for varying interest rates based on the ratio of total debt to EBITDA.

Year 2000

General

The Year 2000 ("Y2K") issue is primarily the result of certain computer programs and embedded computer chips being unable to distinguish between the year 1900 and 2000. As a result, the Company along with all other business and governmental entities, is at risk for possible miscalculations of a financial nature and systems failures which may cause disruptions in its operations. The Company can be affected by the Y2K readiness of its systems or the systems of the many other entities with which it interfaces, directly or indirectly.

The Company began its program to address its potential Y2K issues in late 1996 and has organized its activities to prepare for Y2K at the division level. The divisions have focused their efforts on three areas: (1) information systems software and hardware; (2) manufacturing facilities and related equipment; (i.e. embedded technology) and (3) third-party relationships (i.e. customers, suppliers, and other). Information system and hardware Y2K efforts are being coordinated by an IT steering committee composed of divisional personnel.

The Company and the divisions have organized their activities and are monitoring their progress in each area by the following four phases:

Phase 1: Awareness/Assessment - identify, quantify and prioritize business and financial risks by area.

Phase 2: Budget/Plan/Timetable - prepare a plan including costs and target dates to address phase 1 exposures.

Phase 3: Implementation - execute the plan prepared in phase 2.

Phase 4: Testing/Validation - test and validate the implemented plans to insure the Y2K exposure has been eliminated or mitigated.

State of Readiness

The Company summarizes its divisions' state of readiness at December 31, 1998 as follows:

Information Systems and Hardware

Phase	Approximate range of completion	Quarter forecasted for substantial completion
1	100%	Completed
2	95 - 100%	1st Quarter 1999
3	70 - 80%	2nd Quarter 1999
4	50 - 90%	3rd Quarter 1999

Embedded Factory Systems

Phase	Approximate range of completion	Quarter forecasted for substantial completion
1	90 - 100%	1st Quarter 1999
2	85 - 100%	1st Quarter 1999
3	35 - 85%	3rd Quarter 1999
4	35 - 85%	3rd Quarter 1999

Third Party Relationships

Phase	Approximate range of completion	Quarter forecasted for substantial completion
1	50 - 100% (a)	2nd Quarter 1999(a)
2	55 - 90% (a)	2nd Quarter 1999(a)
3	(a) (b)	(a) (b)
4	(a) (b)	(a) (b)

(a) Refers to significant identified risks - (e.g. customers, suppliers of raw materials and providers of services) does not include exposures that relate to interruption of utility or government provided services.

(b) Awaiting completion of vendor response and follow-up due diligence to Y2K readiness surveys.

Cost

The Company expects the costs directly associated with its Y2K efforts to be between $3.0 and $4.0 million of which approximately $1.3 has been spent to date. The cost estimates do not include additional costs that may be incurred as a result of the failure of third parties to become Y2K compliant or costs to implement any contingency plans.

Risks

The Company has identified the following significant reasonably possible Y2K problems and is considering related contingency plans.

Possible problem: the inability of significant sole source suppliers of raw materials or active ingredients to provide an uninterrupted supply of material necessary for the manufacture of Company products. Since various drug regulations will make the establishment of alternative supply sources difficult, the Company is considering building inventory levels of critical materials prior to December 31, 1999.

Possible problem: the failure to properly interface caused by noncompliance of significant customer operated electronic ordering systems. The Company is considering plans to manually process orders until these systems become compliant.

Possible problem: the shutdown or malfunctioning of Company manufacturing equipment. The Company will advance internal clocks to the year 2000 on certain key equipment during scheduled plant shutdowns in 1999 to determine the effect on operations and develop plans, as necessary, for manual operations or third party contract manufacturing.

Based on the assessment efforts to date, the Company does not believe that the Y2K issue will have a material adverse effect on its financial condition or results of operation. The Company believes that any effect of the Year 2000 issue will be mitigated because of the Company's divisional operating structure which is diverse both geographically and with respect to customer and supplier relationships. Therefore, the adverse effect of most individual failures should be isolated to an individual product, customer or Company facility. However, there can be no assurance that the systems of third-parties on which the Company relies will be converted in a timely manner, or that a failure to properly convert by another company would not have a material adverse effect on the Company.

The Company's Y2K program is an ongoing process that may uncover additional exposures and all estimates of costs and completion are subject to change as the process continues.

Derivative Financial Instruments-Market Risk and Risk Management Policies

The Company's earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates and interest rates. The Company's risk management practice includes the selective use, on a limited basis, of forward foreign currency exchange contracts and interest rate agreements. Such instruments are used for purposes other than trading.

Foreign currency exchange rate movements create fluctuations in U.S. dollar reported amounts of foreign subsidiaries whose local currencies are their respective functional currencies. The Company has not used foreign currency derivative instruments to manage translation fluctuations. The Company and its respective subsidiaries primarily use forward foreign exchange contracts to hedge certain cash flows denominated in currencies other than the subsidiary's functional currency. Such cash flows are normally represented by actual receivables and payables and anticipated receivables and payables for which there is a firm commitment.

At December 31, 1998 the Company had forward foreign exchange contracts with a notional amount of $17,300. The fair market value of such contracts is essentially the same as the notional amount. All contracts expire in the first quarter of 1999. The cash flows expected from the contracts will generally offset the cash flows of related non-functional currency transactions. The change in value of the foreign currency forward contracts resulting from a 10% movement in foreign currency

exchange rates would be approximately $1.0 million and generally would be offset by the change in value of the hedged receivable or payable.

At December 31, 1998 the Company has no interest rate agreements outstanding. The Company is considering entering into interest rate agreements in 1999 to fix the interest rate on a portion of its long term debt.

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, 1999 (January 1, 2000 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.

RISK FACTORS

This report includes certain forward looking statements. Like any company subject to a competitive business environment, the Company cannot guarantee the results predicted in any of the Company's forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include (but are not limited to) the following:

Government Regulation

The research, development, manufacturing and marketing of the Company's products are subject to extensive government regulation. Government regulation includes inspection of and controls over testing, manufacturing, safety, efficacy, labeling, record keeping, sale and distribution of pharmaceutical products. The U.S. and other governments regularly review manufacturing operations. Noncompliance with applicable requirements can result in fines, recall or seizure of products, suspension of production and debarment of individuals or the Company from obtaining new drug approvals. Such government regulation substantially increases the cost of manufacturing and selling the Company's products.

The Company has filed applications to market its products with regulatory agencies both in the U.S. and internationally. The timing of receipt of approvals of these applications can significantly affect future revenues and income, particularly with respect to human pharmaceuticals at the end of third parties patent protection. There can be no assurance that new product approvals will be obtained in a timely manner, if ever. Failure to obtain approvals, or timing of approvals when expected, could have a material adverse effect on the Company's business.

The use of bacitracin zinc, a feed antibiotic growth promoter, is being banned for use in livestock feeds in the European Union, effective 1st July, 1999. The Company is attempting to reverse or limit this action, that affects its Albac product, by political and legal means. Although no assurance of success can be given, it is the Company's belief that strong scientific evidence exists to refute the EU action. In addition, certain other countries have enacted or are considering a similar ban. If the loss of Albac sales is limited to the European Union and those countries that have already taken similar action, the Company does not anticipate a material

adverse effect. If either (a) other countries more important to the Company's sales of bacitracin based products should ban the product or (b) the European Union should act to prevent the importation of meat products from countries that allow the use of bacitracin based products, such actions could depending on their scope, be materially adverse to the Company. The Company cannot predict whether the present bacitracin zinc ban will be expanded.

Risks Associated with Leverage

As of December 31, 1998, the Company had total outstanding long-term indebtedness of approximately $429.0 million, or approximately 62% of the Company's total capitalization. After refinancing of its long-term debt in January 1999 the Company may incur approximately $105.0 million additional indebtedness through borrowings under its credit agreements, subject to the satisfaction of certain financial conditions. The Company's leverage could have important consequences, including the following: (i) the ability to obtain additional financing may be limited; (ii) the operating flexibility is limited by covenants contained in the credit agreements, and (iii) the degree of leverage makes it more vulnerable to economic downturns, may limit its ability to pursue other business opportunities and reduces its flexibility. In addition, the Company believes that it has greater leverage on its balance sheet than many of its competitors.

Risks Associated with Acquisitions

The Company maintains its search for acquisitions which will provide new product and market opportunities, leverage existing assets and add critical mass. The Company is actively evaluating various acquisition possibilities. Based on current acquisition prices in the pharmaceutical industry, acquisitions could initially be dilutive to the Company's earnings and add significant intangible assets and related goodwill amortization charges. The Company's acquisition strategy will require additional debt or equity financing, resulting in additional leverage and dilution of ownership, respectively. There can be no assurance that the Company's acquisition strategy will be successful.

Foreign Operations; Risk of Currency Fluctuation

The Company's foreign operations are subject to various risks which are not present in domestic operations, including, in certain countries, currency exchange fluctuations and restrictions, political instability, and uncertainty as to the enforceability of, and government control over, commercial rights.

The Company's Far East operations, particularly Indonesia where the Company has a manufacturing facility, are being affected by the wide currency fluctuations and decreased economic activity in the Far East and by the social and political unrest in Indonesia. While the Company's present exposure to economic factors in the Far East is not material, the region is an important area for anticipated future growth.

Products in many countries recognized to be susceptible to significant foreign currency risk are generally sold for U.S. dollars which eliminates the direct currency risk but can create a risk of collectibility if the local currency devalues significantly.

Fluctuating Operating Results

The Company has experienced in the past, and will experience in the future, variations in revenues and net income as a result of many factors, including acquisitions, delays in the introduction of new products, the level of expenses, management

actions and the general conditions of the pharmaceutical and animal health industry.

Competition

All of the Company's businesses operate in highly competitive markets and many of the Company's competitors are substantially larger and have greater financial, technical and marketing resources than the Company. As a result, the Company may be at a disadvantage in its ability to develop and market new products to meet competitive demands.

The U.S. generic pharmaceutical industry has historically been characterized by intense competition. As patents and other basis for market exclusivity expire, prices typically decline as generic competitors enter the marketplace. Normally, there is a further unit price decline as the number of generic competitors increase. The timing of these price decreases is unpredictable and can result in a significantly curtailed period of profitability for a generic product. In addition brand-name manufacturers frequently take actions to prevent or discourage the use of generic equivalents through marketing and regulatory activities and litigation.

Generic pharmaceutical market conditions in the U.S. were further exacerbated in the second half of 1996 by a fundamental shift in industry distribution, purchasing and stocking patterns resulting from increased importance of sales to major wholesalers and a concurrent reduction in sales to private label generic distributors. The Company believes that this trend continues to date. Wholesaler programs generally require lower prices on products sold, lower inventory levels kept at the wholesaler and fewer manufacturers selected to provide products to the wholesaler's own marketing programs.

The factors which have adversely affected the U.S. generic pharmaceutical industry may also affect some or all of the markets in which the International Pharmaceutical Division operates. In addition, in Europe the Company is encountering price pressure from parallel imports (i.e., imports of identical products from lower priced markets under EU laws of free movement of goods) and general governmental initiatives to reduce drug prices. Parallel imports could lead to lower volume growth. Both parallel imports and governmental cost containment could create downward pressure on prices in certain product and geographical market areas including the Nordic countries where the Company has significant sales.

The Company has been and will continue to be affected by the competitive and changing nature of this industry. Accordingly, because of competition, the significance of relatively few major customers (e.g., large wholesalers and chain stores), a rapidly changing market and uncertainty of timing of new product approvals, the sales volume, prices and profits of the Company's U.S. and International Pharmaceutical Divisions and its generic competitors are subject to unforeseen fluctuation.

Dependence on Single Sources of Raw Material Supply and Contract Manufacturers

Raw materials and certain products are currently sourced from single domestic or foreign suppliers. Although the Company has not experienced difficulty to date, there can be no assurance that supply interruptions will not occur in the future or that the Company will not have to obtain substitute materials or products, which would require additional regulatory approvals. Further, there can be no assurance that third parties that supply the Company will continue to do so. Any interruption of supply could have a material adverse effect on the Company.

Third Party Reimbursement Pricing Pressures

The Company's commercial success with respect to generic products will depend, in part, on the availability of adequate reimbursement from third-party health care payers, such as government and private health insurers and managed care organizations. Third-party payers are increasingly challenging the pricing of medical products and services. There can be no assurance that reimbursement will be available to enable the Company to maintain its present product price levels. In addition, the market for the Company's products may be limited by actions of third-party payers. For example, many managed health care organizations are now controlling the pharmaceutical products which will be approved for reimbursement. The competition to place products on these approved lists has created a trend of downward pricing pressure in the industry. There can be no assurance that the Company's products will be included on the approved lists of managed care organizations or that downward pricing pressures in the industry generally will not negatively impact the Company's business.

Potential Liability for Current Products

Continuing studies of the proper utilization, safety, and efficacy of pharmaceuticals and other health care products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. In some cases these studies have resulted in the removal of products from the market and have given rise to claims for damages from previous users. The Company's business could be materially adversely affected by the assertion of such product liability claims.

Relationship of the Company and A.L. Industrier; Controlling Stockholder; Conflicts of Interest

A.L. Industrier, ("Industrier") as the beneficial owner of 100% of the outstanding shares of the Class B Stock, is presently entitled to elect two-thirds of the members of the Company's Board of Directors and to cast more than 50% of the votes generally entitled to be cast on matters presented to the Company's stockholders. Secondly, Industrier controls the Company and its policies. Mr. Sissener, Chairman and Chief Executive Officer of the Company, controls a majority of Industrier's outstanding shares and thus may be deemed the indirect controlling stockholder of the Company. Industrier's ownership of the Class B Stock has the effect of preventing hostile takeovers, including transactions in which stockholders might otherwise receive a premium for their shares over current market prices. Industrier also beneficially owns a convertible note of the Company in the principal amount of $67.9 million, which may convert upon the occurrence of certain events after April 6, 2001 into 2,373,896 shares of Class B Stock. In addition, Mr. Sissener and his family hold 346,668 shares of Class A Common Stock.

E.W. Sissener, Chairman and Chief Executive Officer of the Company, is also Chairman of Industrier and controls Industrier. Gert Munthe, President and Chief Operating Officer of the Company, is a director of Industrier. The Company and Industrier engage in various transactions from time to time, and conflicts of interest are present with respect to the terms of such transactions. The Company believes that contractual arrangements with Industrier are no less favorable to the Company than other third party contracts that are negotiated on an arm's length basis. All contractual arrangements between the Company and Industrier are subject to approval by, or ratification of, the Audit Committee of the Board of Directors of the Company consisting of directors who are unaffiliated with Industrier.

Year 2000

See previous section included in Item 7.

Item 8. Financial Statements and Supplementary Data

See page F-1 of this Report, which includes an index to the consolidated financial statements and financial statement schedule.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information as to the Directors of the Registrant set forth under the sub-caption "Board of Directors" appearing under the caption "Election of Directors" of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 10, 1999, which Proxy Statement will be filed on or prior to April 15, 1999, is incorporated by reference into this Report. The information as to the Executive Officers of the Registrant is included in Part I hereof under the caption Item 1A "Executive Officers of the Registrant" in reliance upon General Instruction G to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

Item 11. Executive Compensation

The information to be set forth under the subcaption "Directors' Fees and Related Information" appearing under the caption "Board of Directors" of the Proxy Statement relating to the Annual Meeting of Shareholders to be held on June 10, 1999, which Proxy Statement will be filed on or prior to April 15, 1999, and the information set forth under the caption "Executive Compensation and Benefits" in such Proxy Statement is incorporated into this Report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information to be set forth under the caption "Security Ownership of Certain Beneficial Owners" of the Proxy Statement relating to the Annual Meeting of Stockholders expected to be held on June 10, 1999, is incorporated into this Report by reference. Such Proxy Statement will be filed on or prior to April 15, 1999.

There are no arrangements known to the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 13. Certain Relationships and Related Transactions

The information to be set forth under the caption "Certain Related Transactions and Relationships" of the Proxy Statement relating to the Annual Meeting of Stockholders expected to be held on June 10, 1999, is incorporated into this Report by reference. Such Proxy Statement will be filed on or prior to April 15, 1999.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

List of Financial Statements

See page F-1 of this Report, which includes an index to consolidated financial statements and financial statement schedule.

List of Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3.1A Amended and Restated Certificate of Incorporation of the Company, dated September 30, 1994 and filed with the Secretary of State of the State of Delaware on October 3, 1994, was filed as Exhibit 3.1 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

3.1B Certificate of Amendment of the Certificate of Incorporation of the Company dated September 15, 1995 and filed with the Secretary of State of Delaware on September 15, 1995 was filed as Exhibit 3.1 to the Company's Amendment No. 1 to Form S-3 dated September 21, 1995 (Registration on No. 33-60029) and is incorporated by reference.

3.2 Amended and Restated By-Laws of the Company, effective as of October 3, 1994, were filed as Exhibit 3.2 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

4.1 Reference is made to Article Fourth of the Amended and Restated Certificate of Incorporation of the Company which is referenced as Exhibit 3.1 to this Report.

4.2 Warrant Agreement between the Company and The First National Bank of Boston, as warrant agent, was filed as an Exhibit 4.2 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.1 $185,000,000 Credit Agreement among A.L. Laboratories, Inc.,(now known as Alpharma U.S. Inc.) as Borrower, Union Bank of Norway, as agent and arranger, and Den norske Bank AS, as co-arranger, dated September 28, 1994, was filed as Exhibit 10.1 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.1A Amendment to the Credit Agreement dated February 26, 1997 between the Company and the Union Bank of Norway, as agent was filed as Exhibit 10.1A to the Company's 1996 Annual Report on Form 10K and is incorporated by reference.

10.1B Amendment to the Credit Agreement dated April 10, 1997 between the Company and Union Bank of Norway, as agent was filed as Exhibit 10.a to the Company's March 31, 1997 quarterly report on Form 10Q and is incorporated by reference.

10.2 $300,000,000 Credit Agreement among Alpharma U.S. Inc. as Borrower, Union Bank of Norway, as agent and arranger, and Den norske Bank AS, as co-arranger, dated January 20, 1999, is filed as an Exhibit to this report.

10.3 Purchase Agreement, dated as of March 25, 1998, by and among the Company, SBC Warburg Dillion Read Inc., CIBC Oppenheimer Corp. and Cowen Company was filed as Exhibit 1.1 of the Company's Form 8-K, dated as of March 30, 1998 and is incorporated by reference.

10.4 Indenture, dated as of March 30, 1998, by amd among the Company and First Union National Bank, as trustee, with respect to the 5 _% Convertible Subordinated Notes due 2005 was filed as Exhibit 4.1 of the Company's Form 8-K dated as of March 30, 1998 and is incorporated by reference.

10.5 Note Purchase Agreement dated March 5, 1998 and Amendment No. 1 thereto dated March 25, 1998 by and between the Company and A.L. Industrier A.S. was filed as Exhibit 1.2 of the Company's Form 8-K dated as of March 30, 1998 and is incorporated by reference.

Copies of debt instruments (other than those listed above) for which the related debt does not exceed 10% of consolidated total assets as of December 31, 1997 will be furnished to the Commission upon request.

10.6 Parent Guaranty, made by the Company in favor of Union Bank of Norway, as agent and arranger, and Den norske Bank AS, as co-arranger, dated September 28, 1994 was filed as Exhibit 10.2 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.7 Parent Guaranty, made by the Company in favor of Union Bank of Norway, as agent and arranger, and Den norske Bank AS, as co-arranger, dated January 20, 1999 is filed as an Exhibit to this report.

10.8 Restructuring Agreement, dated as of May 16, 1994, between the Company and Apothekernes Laboratorium A.S (now known as A.L. Industrier AS) was filed as Exhibit A to the Definitive Proxy Statement dated August 22, 1994 and is incorporated herein by reference.

10.9 Employment Agreement dated January 1, 1987, as amended December 12, 1989, between I. Roy Cohen and the Company and A.L. Laboratories, Inc. was filed as Exhibit 10.3 to the Company's 1989 Annual Report on Form 10-K and is incorporated herein by reference.

10.10 Control Agreement dated February 7, 1986 between Apothekernes Laboratorium A.S (now known as A.L. Industrier AS) and the Company was filed as Exhibit 10.10 to the Company's 1985 Annual Report on Form 10-K and is incorporated herein by reference.

10.11 Amendment to Control Agreement dated October 3, 1994 between A.L. Industrier AS (formerly known as Apothekernes Laboratorium A.S) and the Company was filed as Exhibit 10.6 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.12 Amendment to Control Agreement dated December 19, 1996 between A.L. Industrier AS and the Company was filed as Exhibit 10.6A to the Company's 1996 Annual Report on Form 10-K and is incorporated by reference.

10.13 The Company's 1997 Incentive Stock Option and Appreciation Right Plan, as amended was filed as an Exhibit to the Company's 1996 Proxy Statement and is incorporated by reference.

10.14 Employment agreement dated July 30, 1991 between the Company and Jeffrey E. Smith was filed as Exhibit 10.8 to the Company's 1991 Annual Report on Form 10-K and is incorporated by reference.

10.15 Employment agreement between the Company and Thomas Anderson dated January 13, 1997 was filed as Exhibit 10.9 to the Company's 1996 Annual Report on Form 10-K and is incorporated by reference.

10.16 Employment Agreement between the Company and Bruce I. Andrews dated April 7, 1997 was filed as Exhibit 10.b to the Company's March 31, 1997 quarterly report on Form 10-Q and is incorporated by reference.

10.17 Lease Agreement between A.L. Industrier AS, as landlord, and Alpharma AS, as tenant, dated October 3, 1994 was filed as Exhibit 10.10 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.18 Administrative Services Agreement between A.L. Industrier AS and Alpharma AS dated October 3, 1994 was filed as Exhibit 10.11 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.19 Employment agreement dated March 14, 1996 between the Company and Einar W. Sissener was filed as Exhibit 10.13 to the Company's 1995 Annual Report on Form 10-K and is incorporated by reference.

10.20 Employment contract dated October 5, 1989 between Apothekernes Laboratorium A.S (transferred to Alpharma Oslo per the combination transaction) and Ingrid Wiik was filed as Exhibit 10.13 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.21 Employment contract dated October 5, 1989 between Apothekernes Laboratorium A.S (transferred to Alpharma Oslo per the combination transaction) and Thor Kristiansen was filed as Exhibit 10.14 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.22 Employment contract dated October 2, 1991 between Apothekernes Laboratorium A.S (transferred to Alpharma Oslo per the combination transaction) and Knut Moksnes was filed as Exhibit 10.15 to the Company's 1994 Annual Report on Form 10-K and is incorporated by reference.

10.23 Agreement dated April 28, 1997 between D.E.Cohen and the Company was filed as Exhibit 10.17 to the Company's 1997 Annual Report on Form 10-K and is incorporated by reference.

10.24 Stock Subscription and Purchase Agreement dated February 10, 1997 between the Company and A.L. Industrier was filed as Exhibit 10 on Form 8-K filed on February 19, 1997 and is incorporated herein by reference.

10.24a Amendment No. 1 to Stock Subscription and Purchase Agreement dated June 26, 1997, between the Company and A.L. Industrier AS was filed as an Exhibit to the Company's Form 8-K dated June 27, 1997 and is incorporated herein by reference.

10.25 Employment Agreement dated March 13, 1998 between the Company and Gert W. Munthe was filed as Exhibit 10a to the Company's March 31, 1998 Quarterly Report on Form 10-Q and is incorporated by reference.

10.26 Master Agreement dated as of February 16, 1999 by and among Ascent, USPD and the Company and was filed as Exhibit 99.1 of the Company's Form 8-K dated February 23, 1999 and is incorporated by reference.

10.26a Depositary Agreement dated as of February 16, 1999 by and among Ascent, USPD the Company and State Street Bank and Trust Company was filed as Exhibit 99.2 of the Company's Form 8-K dated February 23, 1999 and is incorporated by reference.

10.26b Loan Agreement dated as of February 16, 1999 by and among Ascent, USPD and the Company was filed as Exhibit 99.3 of the Company's Form 8-K dated February 23, 1999 and is incorporated by reference.

10.26c Guaranty Agreement dated as of February 16, 1999 by and between Ascent and the Company was filed as Exhibit 99.4 of the Company's Form 8-K dated February 23, 1999 and is

incorporated by reference.

10.26d Registration Rights Agreement dated as of February 16, 1999 by and between Ascent and USPD was filed as Exhibit 99.5 of the Company's Form 8-K dated February 23, 1999 and is incorporated by reference.

10.26e Subordination Agreement dated as of February 16, 1999 by and among Ascent, USPD and the purchasers named therein was filed as Exhibit 99.6 of the Company's Form 8-K dated February 23, 1999 and is incorporated by reference.

10.27 Agreement for the sale and purchase of the issued share capital of Cox Investments Limited, dated April 30, 1998 between Hoechst AG, Alpharma (U.K.) Limited, and Alpharma Inc. was filed as Exhibit 2.1 of the Company's Form 8-K, dated as of May 7, 1998 and is incorporated by reference.

21 A list of the subsidiaries of the Registrant as of March 1, 1999 is filed as an Exhibit to this Report.

23 Consent of PricewaterhouseCoopers L.L.P., Independent Accountants, is filed as an Exhibit to this Report.

27 Financial Data Schedule

Report on Form 8-K

On February 23, 1999 the Company filed a report on Form 8-K dated February 16, 1999 reporting Item 5, "Other Events". The event reported was a loan agreement between the Company and Ascent Pediatrics, Inc.

Undertakings

For purposes of complying with the amendments to the rules governing Registration Statements under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into Registrant's Registration Statements on Form S-8 (No. 33-60495, effective July 13, 1990) and Form S-3 (File Nos. 333-57501 and 333-70229):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

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

March 25, 1999 ALPHARMA INC.

Registrant

By: /s/ Einar W. Sissener
Einar W. Sissener
Chairman, Director and
Chief Executive Officer

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

Date: March 25, 1999 /s/ Einar W. Sissener
Einar W. Sissener
Chairman, Director and
Chief Executive Officer

Date: March 25, 1999 /s/ Gert W. Munthe
Gert W. Munthe
Director, President and
Chief Operating Officer

Date: March 25, 1999 /s/ Jeffrey E. Smith
Jeffrey E. Smith
Vice President, Finance and
Chief Financial Officer
(Principal accounting officer)

Date: March 25, 1999 /s/ I. Roy Cohen
I. Roy Cohen
Director and Chairman of the
Executive Committee

Date: March 25, 1999 /s/ Thomas G. Gibian
Thomas G. Gibian
Director and Chairman of the
Audit Committee

Date: March 25, 1999 /s/ Glen E. Hess
Glen E. Hess
Director

Date: March 25, 1999 /s/ Peter G. Tombros
Peter G. Tombros
Director and Chairman
of the Compensation Committee

Date: March 25, 1999 /s/ Erik G. Tandberg
Erik G. Tandberg
Director

Date: March 25, 1999 /s/Oyvin Broymer
Oyvin Broymer
Director

Date: March 25, 1999 /s/ Erik Hornnaess
Erik Hornnaess
Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Financial statement schedules are omitted for the reason that they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and
Board of Directors of
Alpharma Inc.:

In our opinion, the accompanying consolidated financial statements listed in the index on page F-1 of this Form 10-K present fairly, in all material respects, the consolidated financial position of Alpharma Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1997 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to

obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP
Florham Park, New Jersey
February 24, 1999

ALPHARMA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands, except share data)

	December 31, 1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,414	$ 10,997
Accounts receivable, net	169,744	127,637
Inventories	138,318	121,451
Prepaid expenses and other current assets	13,008	13,592
Total current assets	335,484	273,677
Property, plant and equipment, net	244,132	199,560
Intangible assets, net	315,709	149,816
Other assets and deferred charges	13,611	8,813
Total assets	$908,936	$631,866
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 12,053	$ 10,872
Short-term debt	41,921	39,066
Accounts payable	41,083	27,659
Accrued expenses	64,596	51,139
Accrued and deferred income taxes	10,784	5,190
Total current liabilities	170,437	133,926
Long-term debt:		
Senior	236,184	223,975
Convertible subordinated notes, including $67,850 to related party	192,850	-
Deferred income taxes	31,846	26,360
Other non-current liabilities	10,340	9,132
Stockholders' equity:		
Preferred stock, $1 par value, no shares issued	-	-
Class A Common Stock, $.20 par value, 17,755,249 and 16,118,606 shares issued	3,551	3,224
Class B Common Stock, $.20 par value, 9,500,000 shares issued	1,900	1,900
Additional paid-in capital	219,306	179,636
Accumulated other comprehensive loss	(7,943)	(8,375)
Retained earnings	56,649	68,206
Treasury stock, at cost	(6,184)	(6,118)
Total stockholders' equity	267,279	238,473
Total liabilities and		

stockholders' equity	$908,936	$631,866

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	1998	1997	1996
Total revenue	$604,584	$500,288	$486,184
Cost of sales	351,324	289,235	297,128
Gross profit	253,260	211,053	189,056
Selling, general and administrative expenses	188,264	164,155	185,136
Operating income	64,996	46,898	3,920
Interest expense	(25,613)	(18,581)	(19,976)
Other income (expense), net	(400)	(567)	(170)
Income (loss) before income taxes	38,983	27,750	(16,226)
Provision (benefit) for income taxes	14,772	10,342	(4,765)
Net income (loss)	$24,211	$ 17,408	$(11,461)
Earnings (loss) per common share:			
Basic	$ .95	$ .77	$ (.53)
Diluted	$ .92	$ .76	$ (.53)

See notes to consolidated financial statements.

ALPHARMA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehen-sive Income (Loss)	Retained Earnings	Treasury Stock	Total Stock-holders Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$4,386	$120,357	$15,884	$70,385	$(5,822)	$205,190
Comprehensive income(loss):						
Net loss - 1996				(11,461)		(11,461)
Currency translation adjustment			(5,393)			(5,393)
Total comprehensive loss						(16,854)
Dividends declared ($.18 per common share)				(3,928)		(3,928)
Tax benefit realized from stock option plan		202				202
Purchase of treasury stock					(283)	(283)
Exercise of stock options (Class A) and other	13	862				875
Employee stock purchase plan	9	831				840
Balance, December 31, 1996	$4,408	$122,252	$10,491	$54,996	$(6,105)	$186,042
Comprehensive income(loss):						
Net income - 1997				17,408		17,408
Currency translation adjustment			(18,866)			(18,866)
Total comprehensive loss						(1,458)
Dividends declared ($.18 per common share)				(4,198)		(4,198)

Tax benefit realized from stock option plan		228				228
Purchase of treasury stock					(13)	(13)
Exercise of stock options (Class A) and other	14	794				808
Exercise of stock rights (Class A)	440	35,538				35,978
Stock subscription by A.L. Industrier (Class B)	254	20,125				20,379
Employee stock purchase plan	8	699				707
Balance, December 31, 1997	$5,124	$179,636	$(8,375)	$68,206	$(6,118)	$238,473
Comprehensive income(loss):						
Net income - 1998				24,211		24,211
Currency translation adjustment			432			432
Total comprehensive income						24,643
Dividends declared ($.18 per common share)				(4,651)		(4,651)
Tax benefit realized from stock option plan		1,415				1,415
Purchase of treasury stock					(66)	(66)
Exercise of stock options (Class A) and other	68	5,687				5,755
Exercise of warrants	48	4,910				4,958
Stock subscription receivable for warrant exercises	(47)	(4,869)				(4,916)
Stock issued in tender offer for warrants	246	30,871		(31,117)		
Employee stock purchase plan	12	1,656				1,668
Balance, December 31, 1998	$5,451	$219,306	$(7,943)	$56,649	$(6,184)	$267,279

See notes to consolidated financial statements.

</TABLE>

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

	Years Ended December 31,		
	1998	1997	1996
Operating activities:			
Net income (loss)	$24,211	$17,408	$(11,461)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	38,120	30,908	31,503
Deferred income taxes	493	(1,101)	(3,104)
Noncurrent asset write-offs	-	-	5,753
Purchased in-process research and development	2,081	-	-
Change in assets and liabilities, net of effects from business acquisitions:			
(Increase) decrease in accounts receivable	(22,487)	(13,029)	9,204
Decrease (increase) in inventory	3,212	(2,121)	(5,876)
(Increase) in prepaid expenses and other current assets	(686)	(1,013)	(595)
Increase(decrease) in accounts payable and accrued expenses	8,189	(4,782)	3,346
Increase (decrease) in accrued income taxes	3,641	4,077	(4,523)
Other, net	(119)	616	574
Net cash provided by operating activities	56,655	30,963	24,821
Investing activities:			

Capital expenditures	(31,378)	(27,783)	(30,874)
Purchase of Cox, net of cash acquired	(197,354)	-	-
Purchase of other businesses and intangibles, net of cash acquired	(23,315)	(44,029)	-
Other	-	-	(348)
Net cash used in investing activities	(252,047)	(71,812)	(31,222)

Continued on next page.

See notes to consolidated financial statements.

ALPHARMA INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(In thousands of dollars)

	Years Ended December 31,		
	1998	1997	1996
Financing activities:			
Net advances (repayments) under lines of credit	$ 2,542	$(19,389)	$ (630)
Proceeds of senior long-term debt	187,522	27,506	24,213
Reduction of senior long-term debt	(183,751)	(25,366)	(17,137)
Dividends paid	(4,651)	(4,198)	(3,928)
Proceeds from sale of convertible subordinated notes	192,850	-	-
Proceeds from exercise of stock rights	-	56,357	-
Payment for debt issuance costs	(4,175)	-	-
Proceeds from employee stock option and stock purchase plan	7,427	1,515	1,715
Other, net	1,387	214	(82)
Net cash provided by financing activities	199,151	36,639	4,151
Exchange rate changes:			
Effect of exchange rate changes on cash	397	(1,606)	(627)
Income tax effect of exchange rate changes on intercompany advances	(739)	869	470
Net cash flows from exchange rate changes	(342)	(737)	(157)
Increase (decrease) in cash and cash equivalents	3,417	(4,947)	(2,407)
Cash and cash equivalents at beginning of year	10,997	15,944	18,351
Cash and cash equivalents at end of year	$14,414	$10,997	$15,944

See notes to consolidated financial statements.

ALPHARMA INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

1. The Company:

Alpharma Inc. and Subsidiaries, (the "Company") is a multinational pharmaceutical company which develops, manufactures and markets specialty generic and proprietary human pharmaceutical and animal health products.

In 1994 the Company acquired the pharmaceutical, animal

health, bulk antibiotic and aquatic animal health business ("Alpharma Oslo") of A.L. Industrier A.S ("A.L. Industrier"), the beneficial owner of 100% of the outstanding shares of the Company's Class B Stock. The Class B stock represents 35.2% of the total outstanding common stock. A.L. Industrier, a Norwegian company, is able to control the Company through its ability to elect more than a majority of the Board of Directors and to cast a majority of the votes in any vote of the Company's stockholders. (See Note 16.)

Upon consummation of the acquisition of Alpharma Oslo, the Company was reorganized on a global basis within its Human Pharmaceutical and Animal Health businesses into five decentralized divisions each of which has a president and operates in a distinct business and/or geographic area.

Divisions in the Human Pharmaceutical business include: the U.S. Pharmaceuticals Division ("USPD"), the International Pharmaceuticals Division ("IPD") and the Fine Chemicals Division ("FCD"). The USPD's principal products are generic liquid and topical pharmaceuticals sold primarily to wholesalers, distributors and merchandising chains. The IPD's principal products are dosage form pharmaceuticals sold primarily in Scandinavia, the United Kingdom and western Europe as well as Indonesia and certain middle eastern countries. The FCD's principal products are bulk pharmaceutical antibiotics sold to the pharmaceutical industry in the U.S. and worldwide for use as active substances in a number of finished pharmaceuticals.

Divisions in the Animal Health business include: the Animal Health Division ("AHD") and the Aquatic Animal Health Division ("AAHD"). The AHD's principal products are feed additive and other animal health products for animals raised for commercial food production (principally poultry, cattle and swine) in the U.S. and worldwide. The AAHD manufactures and markets vaccines primarily for use in immunizing farmed fish (principally salmon) worldwide with a concentration in Norway. (See Note 20 for segment and geographic information.)

2. Summary of Significant Accounting Policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries. The effects of all significant intercompany transactions have been eliminated.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents:

Cash equivalents include all highly liquid investments that have an original maturity of three months or less.

Inventories:

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method is principally used to determine the cost of the USPD manufacturing subsidiary inventories. The first-in, first-out (FIFO) and average cost methods are used to

value remaining inventories.

Property, plant and equipment:

Property, plant and equipment are recorded at cost. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to income as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts, with any gain or loss included in net income.

Interest is capitalized as part of the acquisition cost of major construction projects. In 1998, 1997 and 1996, $744, $407 and $572 of interest cost was capitalized, respectively.

Depreciation is computed by the straight-line method over the estimated useful lives which are generally as follows:

Buildings	30-40 years
Building improvements	10-30 years
Machinery and equipment	2-20 years

Intangible assets:

Intangible assets represent the excess of cost of acquired businesses over the underlying fair value of the tangible net assets acquired and the cost of technology, trademarks, New Animal Drug Applications ("NADAs"), and other non-tangible assets acquired in product line acquisitions. Intangible assets are amortized on a straight-line basis over their estimated period of benefit. The following table is net of accumulated amortization of $63,014 and $50,514 at December 31, 1998 and 1997, respectively.

	1998	1997	Life
Excess of cost of acquired businesses over the fair value of the net assets acquired	$247,869	$92,228	20 - 40
Technology, trademarks, NADAs and other	67,840	57,588	6 - 20
	$315,709	$149,816	

Foreign currency translation and transactions:

The assets and liabilities of the Company's foreign subsidiaries are translated from their respective functional currencies into U.S. Dollars at rates in effect at the balance sheet date. Results of operations are translated using average rates in effect during the year. Foreign currency transaction gains and losses are included in income. Foreign currency translation adjustments are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. The foreign currency translation adjustment for 1998, 1997 and 1996 is net of $(739), $869, and $470, respectively, representing the foreign tax effects associated with intercompany advances to foreign subsidiaries.

Foreign exchange contracts:

The Company selectively enters into foreign exchange contracts to buy and sell certain cash flows in non-functional currencies and to hedge certain firm commitments due in foreign currencies. Foreign exchange contracts, other than hedges of firm commitments, are accounted for as foreign currency transactions and gains or losses are included in income. Gains and losses related to hedges of firm commitments are deferred and included in the basis of the transaction when it is completed.

Interest rate transactions:

The Company selectively enters into interest rate agreements which fix the interest rate to be paid for specified periods on variable rate long-term debt. The effect of these agreements is recognized over the life of the agreements as an adjustment to interest expense.

Income taxes:

The provision for income taxes includes federal, state and foreign income taxes currently payable and those deferred because of temporary differences in the basis of assets and liabilities between amounts recorded for financial statement and tax purposes. Deferred taxes are calculated using the liability method.

At December 31, 1998, the Company's share of the undistributed earnings of its foreign subsidiaries (excluding cumulative foreign currency translation adjustments) was approximately $51,000. No provisions are made for U.S. income taxes that would be payable upon the distribution of earnings which have been reinvested abroad or are expected to be returned in tax-free distributions. It is the Company's policy to provide for U.S. taxes payable with respect to earnings which the Company plans to repatriate.

Accounting for stock based compensation:

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." The standard establishes a fair value method of accounting for or, alternatively, disclosing the pro-forma effect of the fair value method of accounting for stock-based compensation plans. The Company has adopted the disclosure alternative. As a result, the adoption of this standard had no impact on the Company's consolidated results of operations, financial position or cash flows.

Comprehensive income:

As of January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS 130 established new rules which require the reporting of comprehensive income and its components. The adoption of this statement had no impact on the Company's consolidated results of operations, financial position or cash flows.

SFAS 130 requires foreign currency translation adjustments and certain other items, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income (loss). The only components of accumulated other comprehensive loss for the Company are foreign currency translation adjustments. Total comprehensive income (loss) for the years ended 1998, 1997 and 1996 is included in the Statement of Stockholders' Equity.

Segment information:

In 1998, the Company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach is based on the method that management organizes the segments within the Company for making operating decisions and assessing performance. SFAS 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of SFAS 131 did not affect results of operations or financial position but did affect the disclosure of segment information.

Accounting for pensions and postretirement benefits:

In 1998, the Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS 132 revises employers' disclosures about pension and other postretirement benefit plans. Restatement of disclosures for earlier periods provided for comparative purposes was required. The adoption of SFAS 132 has no impact on the Company's consolidated results of operations, financial position or cash flows.

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, 1999 (January 1, 2000 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.

3. Management Actions - 1996

In 1996, the IPD took actions designed to strengthen the competitive nature of the division by lowering costs. In the first quarter of 1996, IPD severed approximately 30 sales, marketing and other personnel based primarily in the Nordic countries and incurred termination related costs of approximately $1,900. The termination costs are included in selling, general and administrative expenses.

In May 1996, the Board of Directors approved a production rationalization plan which included the transfer of all tablet, ointment and liquid production from Copenhagen, Denmark to Lier, Norway. The full transfer was completed in late 1998 and resulted in the reduction of approximately 175 employees (primarily involved in production). The rationalization plan resulted in a charge in the second quarter of 1996 for severance for Copenhagen employees, an impairment write off for certain buildings and machinery and equipment and other exit costs.

In addition in May 1996, the Board of Directors approved the USPD plan to accelerate a consolidation of manufacturing operations within the USPD.

The plan included the discontinuing of all activities in two USPD manufacturing facilities in New York and New Jersey and the transfer of all pharmaceutical production from those sites to the facility in Lincolnton, North Carolina. The plan provided for complete exit by early 1997 and resulted in a reduction of approximately 200 employees (i.e. all production, administration and support personnel at the plants). The acceleration plan resulted in a charge in the second quarter of 1996 for severance of employees, a write-off of leasehold improvements and machinery and equipment and significant exit costs including estimated remaining lease costs and refurbishment costs for the facilities being exited.

Due to the time necessary to achieve both transfers of production the Company, as part of the severance arrangements, instituted stay bonus plans. The overall cost of the stay bonus plans was approximately $1,900, and was accrued over the periods necessary to achieve shut down and transfer. The stay bonus plans generally required the employee to remain until their position is eliminated to earn the payment.

In the second half of 1996 the USPD's Management Actions were adjusted for the sale of the Able tablet business. The sale of the Able tablet business and sub-lease of the Able facility (located in New Jersey) resulted in the Company reducing certain accruals which would have been incurred in closing the facility. The net reduction of the second quarter charge for the sale was $1,400 and included the net proceeds received on the sale of approximately $500. In addition in 1996 certain staff and executives at USPD headquarters were terminated (15 employees) resulting in severance of $782. In 1997 the USPD completed the transfer of production, paid the stay bonus as accrued, and severed all identified employees.

As a result of difficult market conditions experienced in 1996, the Company's AHD reviewed its business practices and staffing levels. As a result 33 salaried employees were terminated or elected an early retirement program. Concurrently office space was vacated resulting in a charge for the write off of leasehold improvements and lease payments required to terminate the lease. In addition, the AHD distribution business was reviewed and a number of minor products were discontinued.

A summary of 1996 charges and expenses resulting from the Management Actions which are included in cost of goods sold ($1,100), and selling, general and administrative expenses ($17,700)follows:

Pre-Tax Amount	Description
$11,200	Severance and employee termination benefits for all 1996 employee related actions (approximately 450 employees were to be terminated; at December 31, 1998, 446 employees were terminated).
1,000	Stay bonus accrued, as earned as of December 31, 1996.
4,175	Write off of building, leasehold improvements and machinery and equipment. (Net of sales proceeds of approximately $500 in the third quarter of 1996.)
550	Accrual of the non cancelable term of the operating leases and estimated refurbishment costs for exited USPD facilities.
1,875	Exit costs for demolition of facilities, clean up costs and other.
$18,800	

The net after tax effect of the 1996 Management Actions was a loss of approximately $12,600 or ($.58 per share).

A summary of the liabilities set up for severance and included in accrued expenses is as follows (including stay bonus):

1996	
Accruals	$11,338
Payments	(2,122)
Translation and adjustments	(2)
Balance, December 31, 1996	$ 9,214
1997	
Accruals - Stay bonus IPD	652
Payments	(5,980)
Translation and adjustments	(479)
Balance, December 31, 1997	$ 3,407
1998	

Payments	(3,007)
Translation and adjustments	78
Balance, December 31, 1998	$ 478

4. Business and Product Line Acquisitions:

The following acquisitions were accounted for under the purchase method and the accompanying financial statements reflect results of operations from their respective acquisition dates.

Cox:

On May 7, 1998, the Company acquired all of the capital stock of Cox Investments Ltd. and its wholly owned subsidiary, Arthur H. Cox and Co., Ltd. and all of the capital stock of certain related marketing subsidiaries ("Cox") from Hoechst AG for approximately $192,000 in cash, the assumption of bank debt which was repaid subsequent to the closing, and a further purchase price adjustment equal to an increase in net assets of Cox from January 1, 1998 to the date of acquisition. The total purchase price including the purchase price adjustment and direct costs of the acquisition was approximately $198,000. Cox's operations are included in IPD and are located primarily in the United Kingdom with distribution operations located in Scandinavia and the Netherlands. Cox is a generic pharmaceutical manufacturer and marketer of tablets, capsules, suppositories, liquids, ointments and creams. Cox distributes its products to pharmacy retailers and pharmaceutical wholesalers primarily in the United Kingdom.

The Company financed the $198,000 purchase price and related debt repayments from borrowings under its existing long-term Revolving Credit Facility and short-term lines of credit which had been repaid in March 1998 with the proceeds of the convertible subordinated notes offering. To accomplish the acquisition the principal members of the bank syndicate, which were parties to the Company's Revolving Credit Facility, consented to a change until December 31, 1998 in the method of calculating certain financial convenants. The Revolving Credit Facility was replaced in January 1999 with a new credit facility which contains updated financial covenants. (See Note 9.)

The acquisition was accounted for in accordance with the purchase method. The fair value of the assets acquired and liabilities assumed and the results of Cox's operations are included in the Company's consolidated financial statements beginning on the acquisition date, May 7, 1998. The Company is amortizing the acquired goodwill (approximately $160,000) over 35 years using the straight line method.

The non-recurring charges related to the acquisition of Cox included in the second quarter of 1998 are summarized below. The charge for in-process research and development ("R&D") is not tax benefited; therefore the computed tax benefit is below the expected rate. The valuation of purchased in-process R&D was based on the cost approach for 12 generic products at varying stages of development at the acquisition date.

Inventory write-up	$1,300	(Included in cost of sales)
In-process R&D	2,100	(Included in selling, general
Severance of existing employees	200	and administrative expenses)
	3,600	
Tax benefit	(470)	
	$3,130	($.12 per share)

The following pro forma information on results of operations for the periods presented assumes the purchase of Cox as if the companies had combined at the beginning of each of the respective periods:

	Pro Forma Year Ended December 31, (Unaudited) 1998*	1997
Revenues	$637,139	$590,450
Net income	$26,868	$13,311
Basic EPS	$1.05	$0.59
Diluted EPS	$1.02	$0.58

* 1998 excludes actual non-recurring charges related to the acquisition of $ 3,130 after tax or $ .12 per share.

Other Acquisitions:

In December 1998, the Company acquired SKW Biotech, a part of SKW Trostberg AG, in Budapest, Hungary. The purchase included an antibiotic fermentation and purification plant in Budapest on a 300,000 square foot site. SKW Biotech is included in the FCD and currently produces vancomycin. The cost of approximately $8,400 was preliminarily allocated to goodwill and property, plant and equipment. A final purchase allocation will be completed in 1999.

In November 1998, the Company acquired the Siga product line in Germany from Hexal AG. The branded product line, "Siga", is included in the IPD and consists of over 20 products. The acquisition consisted of product registrations and trademarks; no personnel or plants were part of the transaction. The cost of approximately $13,300 has been allocated to intangible assets and will be amortized over 15 years.

In November 1997, the Company acquired the worldwide polymyxin business from Cultor Food Science. Polymyxin is an antibiotic mainly used in topical ointments and creams. The transaction included product technology, registrations, customer information and inventories. The Company's FCD manufactures polymyxin in its Copenhagen facility and has manufactured its additional polymyxin requirements at this facility. The cost was approximately $16,500 which included approximately $500 of inventory. The balance of the purchase price has been allocated to intangible assets and will generally be amortized over 15 years. The purchase agreement also provides for a contingent payment and future royalties in the event that certain sales levels are achieved of a product presently being developed by an independent pharmaceutical company utilizing polymyxin supplied by the Company.

In September 1997, the Company acquired the worldwide decoquinate business from Rhone-Poulenc Animal Nutrition of France (RPAN). Decoquinate is an anticoccidial feed additive used primarily in beef cattle and calves. The transaction included all rights for decoquinate worldwide and the trademark Deccoxr that is registered in over 50 countries. The agreement also provides that RPAN will continue to manufacture decoquinate for the AHD under a long term supply contract. The cost was approximately $27,550, which included approximately $1,850 of inventory. The balance of the purchase price has been allocated to intangible assets and will generally be amortized over 15 years.

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, rights, warrants and convertible debt when appropriate.

A reconciliation of weighted average shares outstanding for

basic to diluted weighted average shares outstanding used in the calculation of EPS is as follows:

(Shares in thousands)	For the years ended December 31,		
	1998	1997	1996
Average shares outstanding - basic	25,567	22,695	21,715
Stock options	222	85	-
Rights	-	-	-
Warrants	490	-	-
Convertible debt	-	-	-
Average shares outstanding - diluted	26,279	22,780	21,715

The amount of dilution attributable to the options, rights, and warrants determined by the treasury stock method depends on the average market price of the Company's common stock for each period. Subordinated debt, convertible into 6,744,481 shares of common stock at $28.59 per share, was outstanding at December 31, 1998 and was included in the computation of diluted EPS using the if-converted method for the three month periods ended September 30, and December 31, 1998. The if-converted method was antidilutive for the year ended December 31, 1998 and therefore the shares attributable to the subordinated debt were not included in the diluted EPS calculation.

The numerator for the calculation of basic and diluted EPS is net income for all periods. The numerator for the three month periods ended September 30, and December 31, 1998 includes an add back for interest expense and debt cost amortization, net of income tax effects, related to the convertible notes.

6. Accounts Receivable, Net:

Accounts receivable consist of the following:

	December 31, 1998	1997
Accounts receivable, trade	$171,073	$129,382
Other	4,941	3,460
	176,014	132,842
Less allowances for doubtful accounts	6,270	5,205
	$169,744	$127,637

The allowance for doubtful accounts for the three years ended December 31, consisted of the following:

	1998	1997	1996
Balance at January 1,	$5,205	$4,359	$5,751
Provision for doubtful accounts	1,032	2,111	3,572
Reductions for accounts written off	(175)	(789)	(4,589)
Translation and other	208	(476)	(375)
Balance at December 31,	$6,270	$5,205	$4,359

7. Inventories:

Inventories consist of the following:

	December 31, 1998	1997
Finished product	$ 68,834	$ 68,525
Work-in-process	25,751	20,009
Raw materials	43,733	32,917

	$138,318	$121,451

At December 31, 1998 and 1997, approximately $41,900 and $48,700 of inventories, respectively, are valued on a LIFO basis. LIFO inventory is approximately equal to FIFO in 1998 and 1997.

8. Property, Plant and Equipment, Net:

Property, plant and equipment, net, consist of the following:

	December 31, 1998	1997
Land	$ 10,603	$ 8,954
Buildings and building improvements	120,357	100,017
Machinery and equipment	259,988	219,566
Construction in progress	20,199	16,197
	411,147	344,734
Less, accumulated depreciation	167,015	145,174
	$244,132	$199,560

9. Long-Term Debt:

Long-term debt consists of the following:

	December 31, 1998	1997
Senior debt:		
U.S. Dollar Denominated:		
Revolving Credit Facility 6.6% - 7.0%	$180,000	$161,575
A/S Eksportfinans	7,200	9,000
Industrial Development Revenue Bonds:		
Baltimore County, Maryland		
(7.25%)	4,565	5,155
(6.875%)	1,200	1,200
Lincoln County, NC	4,500	5,000
Other, U.S.	504	758
Denominated in Other Currencies:		
Mortgage notes payable (NOK)	42,224	38,099
Bank and agency development loans (NOK)	7,991	13,803
Other, foreign	53	257
Total senior debt	248,237	234,847
Subordinated debt:		
5.75% Convertible Subordinated Notes due 2005	125,000	-
5.75% Convertible Subordinated Note due 2005 - Industrier Note	67,850	-
Total subordinated debt	192,850	-
Total long-term debt	441,087	234,847
Less, current maturities	12,053	10,872
	$429,034	$223,975

In January 1999, the Company signed a $300,000 credit agreement ("1999 Credit Facility") with a consortium of banks arranged by the Union Bank of Norway, Den norske Bank A.S., and Summit Bank. The agreement replaced the prior revolving credit facility and the current U.S. short-term facilities and increased overall credit availability. The prior revolving credit was repaid in February 1999 by drawing on the 1999 Credit Facility.

The 1999 Credit Facility provides for (i) a $100,000 six year Term Loan; and (ii) a revolving credit agreement of $200,000 with an initial term of five years with two possible one year extensions.

The 1999 Credit Facility has several financial covenants,

including an interest coverage ratio, total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), and equity to asset ratio.

Interest on the facility will be at the LIBOR rate with a margin of between .875% and 1.6625% depending on the ratio of total debt to EBITDA.

In December 1995, the Company's Danish subsidiary, A/S Dumex, borrowed $9,000 from A/S Eksportfinans with credit support provided by Union Bank of Norway and Bikuben Girobank A/S ("Bikuben") to finance an expansion of its Vancomycin manufacturing facility in Copenhagen. The term of the loan was seven years. Interest for the loan was fixed at 6.59%, including the cost of the credit support provided via guarantee by Union Bank of Norway and Bikuben. The loan was repaid in February 1999 from proceeds received under the 1999 Credit Facility.

The Baltimore County Industrial Development Revenue Bonds are payable in varying amounts through 2009. Plant and equipment with an approximate net book value of $13,605 collateralize this obligation.

In August 1994, the Company issued Industrial Development Revenue Bonds for $6,000 in connection with the expansion of the Lincolnton, North Carolina plant. The bonds require monthly interest payments at a floating rate (4.15% at December 31, 1998; 3.56% weighted average for 1998) approximating the current money market rate on tax exempt bonds and the payment by the Company of annual letter of credit, remarketing, trustee, and rating agency fees of 1.125%. The bonds require a yearly sinking fund redemption of $500 to August 2004 and $300 thereafter through August 2009. Plant and equipment with an approximate net book value of $5,166 serve as collateral for this loan.

The mortgage notes payable denominated in Norwegian Kroner (NOK) include amounts originally issued in connection with the construction of a pharmaceutical facility in Lier, Norway and amounts issued in 1997 and 1998 in connection with the expansion of the Lier facility ($14,700). The mortgage is collateralized by this facility (net book value $44,985) and the Oslo, Norway ("Skoyen") facility. (See Note 13.) The debt was borrowed in a number of tranches over the construction period and interest is fixed for specified periods based on actual yields of Norgeskreditt publicly traded bonds plus a lending margin of 0.70%. The weighted average interest rate at December 31, 1998 and 1997 was 6.8% and 5.6%, respectively. The tranches are repayable in semiannual installments through 2021. Yearly amounts payable vary between $1,237 and $2,009.

Mortgage notes payable also include amounts issued in 1997 ($5,356) to finance a new production unit at an Aquatic Animal Health facility in Overhalla, Norway. The mortgage has a 12 year term and an interest rate of 4.9%, is repayable in 10 equal installments in years 2001 - 2009, and is collateralized by the net book value of the facility ($7,367).

Alpharma Oslo has various loans with government development agencies and banks which have been used for acquisitions and construction projects. Such loans are collateralized by the Skoyen property and require payments in 1999 of $7,322 and final payments of $669 in 2000. The weighted average interest rate of the loans at December 31, 1998 and 1997 was 7.4% and 5.0%, respectively. The banks and agencies have the option to extend payment in 1999.

In March 1998, the Company issued $125,000 of 5.75% Convertible Subordinated Notes (the "Notes") due 2005. The Notes may be converted into common stock at $28.594 at any time prior to maturity, subject to adjustment under certain conditions. The Company may redeem the Notes, in whole or in part, on or after

April 6, 2001, at a premium plus accrued interest.

Concurrently, A.L. Industrier, the controlling stockholder of the Company, purchased at par for cash $67,850 principal amount of a Convertible Subordinated Note (the "Industrier Note"). The Industrier Note has substantially identical adjustment terms and interest rate as the Notes.

The Notes are convertible into Class A common stock. The Industrier Note is automatically convertible into Class B common stock if at least 75% of the Class A notes are converted into common stock.

The net proceeds from the combined offering of $189,100 were used initially to retire outstanding senior long-term debt. The Revolving Credit Facility was used in the second quarter of 1998, along with an amount of short term debt, to finance the acquisition of Cox Pharmaceuticals. (See Note 4.)

Maturities of long-term debt during each of the next five years and thereafter as of December 31, 1998 are as follows (amounts are presented as reported and on a proforma basis reflecting the 1999 Credit Facility):

Year ending December 31,

	As Reported	Proforma
1999	$ 12,053	$ 10,253
2000	185,089	8,289
2001	4,949	18,149
2002	4,947	18,147
2003	3,184	18,184
Thereafter	230,865	368,065
	$441,087	$441,087

10. Short-Term Debt:

Short-term debt consists of the following:

	December 31, 1998	1997
Domestic	$17,275	$24,200
Foreign	24,646	14,866
	$41,921	$39,066

At December 31, 1998, the Company and its domestic subsidiaries have available bank lines of credit totaling $65,500. Borrowings under the lines are made for periods generally less than three months and bear interest from 6.60% to 6.75% at December 31, 1998. At December 31, 1998, the amount of the unused lines totaled $48,225. In January 1999 the lines were refinanced into the 1999 Credit Facility. (See Note 9.)

At December 31, 1998, the Company's foreign subsidiaries have available lines of credit with various banks totaling $42,222 ($40,722 in Europe and $1,500 in the Far East). Drawings under these lines are made for periods generally less than three months and bear interest at December 31, 1998 at rates ranging from 4.00% to 9.50%. At December 31, 1998, the amount of the unused lines totaled $17,576 ($16,076 in Europe and $1,500 in the Far East).

The weighted average interest rate on short-term debt during the years 1998, 1997 and 1996 was 6.4%, 5.9% and 6.2%, respectively.

11. Income Taxes:

Domestic and foreign income (loss) before income taxes was

$28,296, and $10,687, respectively in 1998, $14,267 and $13,483, respectively in 1997, and $(17,991) and $1,765, respectively in 1996. Taxes on income of foreign subsidiaries are provided at the tax rates applicable to their respective foreign tax jurisdictions. The provision for income taxes consists of the following:

	Years Ended December 31, 1998	1997	1996
Current:			
Federal	$8,373	$5,164	$(4,796)
Foreign	4,224	5,184	3,367
State	1,682	1,095	(232)
	14,279	11,443	(1,661)
Deferred:			
Federal	(351)	439	(522)
Foreign	930	(1,295)	(2,531)
State	(86)	(245)	(51)
	493	(1,101)	(3,104)
Provision/(benefit) for income taxes	$14,772	$10,342	$(4,765)

A reconciliation of the statutory U.S. federal income tax rate to the effective rate follows:

	Years Ended December 31, 1998	1997	1996
Statutory U.S. federal rate	35.0%	35.0%	(35.0%)
State income tax, net of federal tax benefit	2.6%	2.0%	(1.1%)
Lower taxes on foreign earnings, net	(5.2%)	(4.4%)	(2.7%)
Tax credits	(1.2%)	-	(0.9%)
Non-deductible costs, principally amortization of intangibles related to acquired companies	5.6%	4.9%	8.5%
Non-deductible in-process R&D	1.7%	-	-
Other, net	(0.6%)	(0.2%)	1.8%
Effective rate	37.9%	37.3%	(29.4%)

Deferred tax liabilities (assets) are comprised of the following:

	Year Ended December 31, 1998	1997
Accelerated depreciation and amortization for income tax purposes	$23,956	$20,976
Excess of book basis of acquired assets over tax bases	11,488	8,391
Differences between inventory valuation methods used for book and tax purposes	2,219	3,306
Other	623	808
Gross deferred tax liabilities	38,286	33,481
Accrued liabilities and other reserves	(4,418)	(7,178)
Pension liabilities	(1,496)	(1,351)
Loss carryforwards	(1,890)	(1,945)
Deferred income	(581)	-
Other	(1,792)	(2,118)
Gross deferred tax assets	(10,177)	(12,592)
Deferred tax assets valuation allowance	1,890	1,945
Net deferred tax liabilities	$29,999	$22,834

As of December 31, 1998, the Company has state loss carryforwards in one state of approximately $16,100, which are available to offset future taxable income. These carryforwards will expire between the years 1999 and 2005. The Company also has foreign loss carryforwards in five countries as of December 31,

1998, of approximately $2,000, which are available to offset future taxable income, and have carryforward periods ranging from five years to unlimited. The Company has recognized a deferred tax asset relating to these carryforwards; however, based on analysis of current information, which indicated that it is not likely that such state and foreign losses will be realized, a valuation allowance has been established for the entire amount of these carryforwards.

12. Pension Plans and Postretirement Benefits:

Domestic:

The Company maintains a qualified noncontributory, defined benefit pension plan covering the majority of its domestic employees. The benefits are based on years of service and the employee's highest consecutive five years compensation during the last ten years of service. The Company's funding policy is to contribute annually an amount that can be deducted for federal income tax purposes. The plan assets are under a single custodian and a single investment manager. Plan assets are invested in equities, government securities and bonds. In addition, the Company has unfunded supplemental executive pension plans providing additional benefits to certain employees.

The Company also has an unfunded postretirement medical and nominal life insurance plan ("postretirement benefits") covering certain domestic employees who were eligible as of January 1, 1993. The plan will not be extended to any additional employees. Retired employees are required to contribute for coverage as if they were active employees.

The postretirement transition obligation as of January 1, 1993 of $1,079 is being amortized over twenty years. The discount rate used in determining the 1998, 1997 and 1996 expense was 7.25%, 7.75%, and 7.25%, respectively. The health care cost trend rate was 6.5% declining to 5.0% over a ten year period, remaining level thereafter. Assumed health care cost trend rates do not have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would not have a material effect on the reported amounts.

In 1996 the Company's AHD announced an early retirement plan for employees meeting certain criteria. As part of the plan employees electing early retirement would be eligible for post retirement medical even if they had not met the required service and age requirements. The charge for the special termination benefits of $492 was required and is included in the accrued post retirement benefit cost.

	Pension Benefits		Postretirement Benefits	
Change in benefit obligation	1998	1997	1998	1997
Benefit obligation at beginning of year	$13,973	$11,691	$3,011	$2,747
Service cost	1,235	1,192	85	92
Interest cost	1,035	1,035	167	204
Plan participants' contributions	-	-	23	20
Amendments	32	272	(533)	-
Actuarial (gain) loss	882	1,703	70	184
Benefits paid	(530)	(1,920)	(190)	(236)
Benefit obligation at end of year	16,627	13,973	2,633	3,011
Change in plan assets				
Fair value of plan assets at beginning of year	12,897	11,276	-	-
Actual return on plan assets	4,051	2,340	-	-
Employer contribution	1,200	1,201	-	-
Benefits paid	(530)	(1,920)	-	-

Fair value of plan assets at end of year	17,618	12,897	-	-
Funded status	991	(1,076)	(2,633)	(3,011)
Unrecognized net actuarial (gain)loss	(144)	1,750	744	695
Unrecognized net transition obligation	155	184	258	809
Unrecognized prior service cost	(823)	(936)	-	-
Prepaid (accrued) benefit cost	$ 179	$ (78)	$(1,631)	$(1,507)

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Weighted-average assumptions as of December 31				
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	9.25%	9.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Components of net periodic benefit cost						
Service cost	$1,235	$1,192	$1,380	$85	$92	$120
Interest cost	1,035	1,035	991	167	204	146
Expected return on plan assets	(1,274)	(1,056)	(946)	-	-	-
Net amortization of transition obligation	30	30	30	18	54	54
Amortization of prior service cost	(81)	(82)	(99)	-	-	-
Recognized net actuarial (gain)loss	(2)	28	129	21	15	17
Special termination benefits	-	-	-	-	-	492
Net periodic benefit cost	$ 943	$1,147	$1,485	$291	$365	$829

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $288, $177 and $0 respectively as of December 31, 1998 and $187, $104 and $0 as of December 31, 1997.

The Company and its domestic subsidiaries also have a number of defined contribution plans, both qualified and non-qualified, which allow eligible employees to withhold a fixed percentage of their salary (maximum 15%) and provide for a Company match based on service (maximum 6%). The Company's contributions to these plans were approximately $1,200, $1,200 and $1,300 in 1998, 1997 and 1996, respectively.

Europe:

Certain of the Company's European subsidiaries have various defined benefit plans, both contributory and noncontributory, which are available to a majority of employees. Pension plan contributions from the Company and the participants are paid to independent trustees and invested in fixed income and equity securities in accordance with local practices.

Certain subsidiaries also have direct pension arrangements with a limited number of employees. These pension commitments are paid out of general assets and the obligations are accrued but not prefunded.

	1998	1997
Change in benefit obligation:		
Benefit obligation at beginning of year	$20,230	$18,232
Service cost	2,003	1,264
Interest cost	1,763	1,142
Plan participants' contribution	234	-
Actuarial (gain)/loss	3,859	2,503
Acquisition	16,787	-
Benefits paid	(622)	(594)
Translation adjustment	(620)	(2,317)
Benefit obligation at end of year	43,634	20,230
Change in plan assets:		
Fair value of plan assets at beginning of year	11,832	11,738
Actual return on plan assets	1,818	951
Acquisition	14,700	-
Employer contribution	1,347	1,111
Plan participants' contributions	234	-
Benefits paid	(548)	(518)
Translation adjustment	(321)	(1,450)
Fair value of plan assets at end of year	29,062	11,832
Funded status	(14,572)	(8,398)
Unrecognized net actuarial loss	2,155	1,625
Unrecognized transitional obligation	6,793	1,039
Unrecognized prior service cost	777	911
Additional minimum liability	(452)	(582)
Prepaid (accrued) benefit cost	$(5,299)	$(5,405)

	1998	1997
Weighted-average assumptions:		
Discount rate	6.4%	6.0%
Expected return on plan assets	7.3%	7.0%
Rate of compensation increase	4.5%	3.5%

	1998	1997	1996
Components of net periodic benefit cost:			
Service cost	$2,003	$1,264	$1,302
Interest cost	1,763	1,142	1,122
Expected return on plan assets	(1,478)	(793)	(774)
Amortization of transition obligation	35	102	112
Amortization of prior service cost	101	107	118
Recognized net actuarial loss	40	-	-
Net periodic benefit cost	$2,464	$1,822	$1,880

The Company's Danish subsidiary, Dumex, has a defined contribution pension plan for salaried employees. Under the plan, the Company contributes a percentage of each salaried employee's compensation to an account which is administered by an insurance company. Pension expense under the plan was approximately $2,059, $2,204 and $2,250 in 1998, 1997 and 1996, respectively.

13. Transactions with A. L. Industrier:

	Years Ended December 31, 1998	1997	1996
Sales to and commissions received from A.L. Industrier	$2,722	$3,107	$3,075
Compensation received for management services rendered to A.L. Industrier	$ 397	$ 424	$ 464
Inventory purchased from and commissions paid to A.L. Industrier	$ 32	$ 34	$ 200
Interest incurred on Industrier Note	$2,937	$ -	$ -

In March 1998, A.L. Industrier purchased a convertible subordinated note issued by the Company in the amount of $67,850. (See Note 9.) As of December 31, 1998 and 1997 there was a net current receivable (payable) of $(98) and $742, respectively, from A.L. Industrier.

In 1997 A.L. Industrier purchased Class B common stock from the Company. (See Note 16.)

The Company and A.L. Industrier have an administrative service agreement whereby the Company provides management services to A.L. Industrier. The agreement provides for payment equal to the direct and indirect cost of providing the services subject to a minimum amount. The agreement is automatically extended for one year each January 1, but may be terminated by either party upon six months notice.

In connection with the agreement to purchase Alpharma Oslo, A.L. Industrier retained the ownership of the Skoyen manufacturing facility and administrative offices (not including leasehold improvements and manufacturing equipment) and leases it to the Company. The agreement also permits the Company to use the Skoyen facility as collateral on existing debt until October 1999. The Company is required to pay all expenses related to the operation and maintenance of the facility in addition to nominal rent. The lease has an initial 20 year term and is renewable at the then fair rental value at the option of the Company for four consecutive five year terms.

14. Contingent Liabilities, Litigation and Commitments:

The Company is one of multiple defendants in 80 lawsuits alleging personal injuries and two 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 plaintiff in 34 of these lawsuits has agreed to dismiss the Company without prejudice but such dismissals must be approved by the Court. 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 no assurance of success can be given, the Company is actively pursuing 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. 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 further 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 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.

In connection with a 1991 product line acquisition and the Decoquinate business purchased in 1997, the Company entered into manufacturing agreements which require the Company to purchase yearly minimum quantities of product on a cost-plus basis. If the minimum quantities are not purchased, the Company must reimburse the supplier a percentage of the fixed costs related to the unpurchased quantities. The Company has purchased required minimums in 1998. In the case of the Decoquinate agreement there are contingent payments which may be required of either party upon early termination of the agreement depending on the circumstances of the termination.

15. Leases:

Rental expense under operating leases for 1998, 1997 and 1996 was $6,665, $5,825 and $6,578, respectively. Future minimum lease commitments under non-cancelable operating leases during each of the next five years and thereafter are as follows:

Year Ending December 31,

1999	$ 5,280
2000	4,159
2001	3,868
2002	3,435
2003	2,907
Thereafter	3,865
	$23,514

16. Stockholders' Equity:

The holders of the Company's Class B Common Stock, (totally held by A. L. Industrier at December 31, 1998) are entitled to elect 66 2/3% of the Board of Directors of the Company and may convert each share of Class B Common Stock held into one fully paid share of Class A Common Stock. Whenever the holders of the Company's common stock are entitled to vote as a combined class, each holder of Class A and Class B Common Stock is entitled to one and four votes, respectively, for each share held.

The number of authorized shares of Preferred Stock is 500,000; the number of authorized shares of Class A Common Stock is 40,000,000; and the number of authorized shares of Class B Common Stock is 15,000,000.

On February 10, 1997, the Company entered into a Stock Subscription and Purchase Agreement with A.L. Industrier. The agreement provided for the sale of 1,273,438 newly issued shares of Class B Common stock for $16.34 per share. The agreement also provided for the issuance of rights to the Class A shareholders to purchase one share of Class A Common stock for $16.34 per share for every six shares of Class A Common held. The agreement required that the Class B shares be purchased at the same time that the rights for the Class A Common stock would expire and total consideration for the Class B Common stock was agreed to be $20,808.

On June 26, 1997, the Company and A.L. Industrier entered into Amendment No. 1 to the Subscription and Purchase Agreement whereby A.L. Industrier agreed to purchase the 1,273,438 Class B shares on June 27, 1997. The amendment provided that the price paid by A.L. Industrier would be adjusted to recognize the benefit to the Company of the A.L. Industrier purchase of the stock on June 27, 1997 instead of November 25, 1997 (the date the Class A rights expired). The sale of stock was completed for cash on June 27, 1997. Accordingly, stockholders' equity increased in 1997 by $20,379 to reflect the issuance of the Class B shares. A.L. Industrier is the beneficial owner of 9,500,000 shares of Class B Common stock.

On September 4, 1997, the Board of Directors distributed to the holders of its Class A Common Stock certain subscription rights. Each shareholder received one right for every six shares of Class A Stock held on the record date. Each right, entitled the holder to purchase one share of Class A Stock at a subscription price of $16.34 per share. The rights were listed and traded on the New York Stock Exchange. The rights were exercisable at the holder's option ending on November 25, 1997. As a result of the rights offering the Company issued 2,201,837 shares with net proceeds of $35,978. (Approximately 97% of the rights were exercised.)

In October 1994, the Company issued approximately 3,600,000 warrants which were a portion of the consideration paid for Alpharma Oslo. The Company was required to account for the acquisition of Alpharma Oslo as a transfer and exchange between companies under common control. Accordingly, the accounts of Alpharma were combined with the Company at historical cost in a manner similar to a pooling-of-interests and the Company's financial statements were restated. At the acquisition date, the consideration paid for Alpharma Oslo was reflected as a decrease to stockholders' equity net of the estimated value ascribed to the warrants. The estimated value of the warrants ($6,552 or $1.82 per warrant) was added to additional paid in capital and deducted from retained earnings.

On October 21, 1998 the Company announced that its Board of Directors had approved an offer by the Company to its warrantholders to exchange all of the Company's outstanding warrants for shares of its Class A Common Stock. There were 3,596,254 outstanding warrants, each of which represented the right to purchase 1.061 shares of Class A Common Stock at an exercise price of $20.69 per share. The warrants expired January 3, 1999.

Under the transaction, the Company offered to issue to each warrantholder a number of Class A shares in exchange for each warrant pursuant to an exchange formula based upon the market prices of the shares during the offer. The number of shares issued for each warrant tendered was .3678 and, in total, 1,230,448 shares were issued in exchange for 3,345,921 warrants tendered (93% of the warrants outstanding). The excess of the fair market value of the warrants tendered over the estimated value in 1994 of $31,117 was added to additional paid-in-capital and Class A Common stock and deducted from retained earnings to reflect the fair value of the Class A stock issued.

At December 31, 1998 the holders of 223,211 untendered warrants gave irrevocable notice of their intention to exercise their warrants by paying $20.69 per share. The subscription amount for the exercised but unpaid for warrants are shown in stockholders equity at year end with the subscribed amount ($4,916) deducted. The subscription proceeds were received in January 1999. Less than 1% of the original warrant issue was untendered or unexercised.

A summary of activity in common and treasury stock follows:

Class A Common Stock Issued

	1998	1997	1996
Balance, January 1	16,118,606	13,813,516	13,699,592
Exercise of stock options and other	339,860	63,300	66,637
Exercise of stock rights	-	2,201,837	-
Exercise of warrants, net	2,124	-	-
Stock issued in tender offer for warrants	1,230,448	-	-
Employee stock purchase plan	64,211	39,953	47,287
Balance, December 31	17,755,249	16,118,606	13,813,516

Class B Common Stock Issued

	1998	1997	1996
Balance, January 1	9,500,000	8,226,562	8,226,562
Stock subscription by A.L. Industrier	-	1,273,438	-
Balance, December 31	9,500,000	9,500,000	8,226,562

Treasury Stock (Class A)

	1998	1997	1996
Balance, January 1	275,382	274,786	263,017
Purchases	1,952	596	11,769
Balance, December 31	277,334	275,382	274,786

17. Derivatives and Fair Value of Financial Instruments:

The Company currently uses the following derivative financial instruments for purposes other than trading.

Derivative	Use	Purpose
Forward foreign exchange contracts	Occasional	Entered into selectively to sell or buy cash flows in non-functional currencies.
Interest rate agreements	Occasional	Entered into selectively to fix interest rate for specified periods on variable rate long-term debt.

At December 31, 1998 and 1997, the Company's had foreign currency contracts outstanding with a notional amount of approximately $17,300 and $4,700, respectively. These contracts called for the exchange of Scandinavian and European currencies and in some cases the U.S. Dollar to meet commitments in or sell cash flows generated in non-functional currencies. All outstanding contracts will expire in 1999 and the unrealized gains and losses are not material.

In November 1995, the Company entered into two interest rate swap agreements with two members of the consortium of banks which were parties to the Revolving Credit Facility to reduce the

impact of changes in interest rates on a portion of its floating rate long-term debt. The swap agreements fixed the interest rate at 5.655% plus 1.25% for a portion of the revolving credit facility ($54,600) through October 1998. (See Note 9.)

Counterparties to derivative agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote.

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt other than the Convertible Subordinated Notes issued in 1998 approximates fair value because a significant portion of the underlying debt is at variable rates and reprices frequently. The estimated fair value based on the bid price of the Convertible Subordinated Notes at December 31, 1998 was $264,928 compared to a carrying amount of $192,850.

18. Stock Options and Employee Stock Purchase Plan:

Under the Company's 1997 Incentive Stock Option and Appreciation Right Plan (the "Plan"), the Company may grant options to key employees to purchase shares of Class A Common Stock. An increase from 3,500,000 to 4,500,000 in the maximum number of Class A shares available for grant was approved by the shareholders in May 1998. In addition, the Company has a Non-Employee Director Option Plan (the "Director Plan") which provides for the issue of up to 150,000 shares of Class A Common stock. The exercise price of options granted under the Plan may not be less than 100% of the fair market value of the Class A Common Stock on the date of the grant. Options granted expire from three to ten years after the grant date. Generally, options are exercisable in installments of 25% beginning one year from date of grant. The Plan permits a cash appreciation right to be granted to certain employees. Included in options outstanding at December 31, 1998 are options to purchase 12,250 shares with cash appreciation rights, 4,338 of which are exercisable. If an option holder ceases to be an employee of the Company or its subsidiaries for any reason prior to vesting of any options, all options which are not vested at the date of termination are forfeited. As of December 31, 1998 and 1997, options for 1,663,799 and 1,572,327 shares, respectively, were available for future grant.

The table below summarizes the activity of the Plan:

	Options Out-standing	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Balance at December 31, 1995	896,775	$16.85	383,278	$15.49
Granted in 1996	44,000	$22.18		
Canceled in 1996	(36,000)	$18.01		
Exercised in 1996	(66,437)	$14.21		
Balance at December 31, 1996	838,338	$17.30	444,982	$16.42
Granted in 1997(1)	643,075	$16.65		
Canceled in 1997	(107,347)	$17.76		
Exercised in 1997	(63,100)	$12.22		
Balance at December 31, 1997	1,310,966	$17.20	462,765	$17.29
Granted in 1998(2)	989,500	$25.14		
Canceled in 1998	(80,972)	$18.34		

Exercised in 1998	(344,160)	$17.01		
Balance at December 31, 1998	1,875,334	$21.38	854,514	$23.09

(1) Included in options outstanding at December 31, 1997 were 161,100 options granted in 1997 with exercise prices in excess of the fair market value of Class A stock on the date of grant. The weighted average exercise price of these options is $22.24. The weighted average exercise price of the remaining 481,975 options granted in 1997 is $14.76.

(2) Included in options outstanding at December 31, 1998 were 383,900 options granted in 1998 with exercise prices in excess of the fair market value of Class A stock on the date of grant. The weighted average exercise price of these options is $30.09. The weighted average exercise price of the remaining 605,600 options granted in 1998 is $22.01.

The Company has adopted the disclosure only provisions of SFAS No. 123. If the Company had elected to recognize compensation costs in accordance with SFAS No. 123 the reported net income (loss) would have been reduced to the pro forma amounts for the years ended December 31, 1998, 1997 and 1996 as indicated below:

	1998	1997	1996
Net income (loss):			
As reported	$24,211	$17,408	$(11,461)
Proforma	$22,427	$16,328	$(12,028)
Basic earnings (loss) per share:			
As reported	$ .95	$ .77	$ (.53)
Proforma	$ .88	$ .72	$ (.55)
Diluted earnings (loss) per share:			
As reported	$ .92	$ .76	$ (.53)
Proforma	$ .85	$ .72	$ (.55)

The Company estimated the fair value, as of the date of grant, of options outstanding in the plan using the Black-Scholes option pricing model with the following assumptions:

	1998	1997	1996
Expected life (years)	1-5	4-5	4-5
Expected future dividend yield (average)	.81%	1.25%	.85%
Expected volatility	0.35	0.40	0.40

The risk-free interest rates for 1998, 1997 and 1996 were based upon U.S. Treasury instrument rates with maturity approximating the expected term. The weighted average interest rate in 1998, 1997 and 1996 amounted to 5.6%, 6.4% and 6.0%, respectively. The weighted average fair value of options granted during the years ended December 31, 1998, 1997, and 1996 with exercise prices equal to fair market value on the date of grant were $8.36, $5.53 and $7.90, respectively. The weighted average fair value of options granted during the years ended December 31, 1998 and 1997 with exercise prices in excess of fair market value at the date of grant were $1.26 and $3.27. No options with exercise prices in excess of fair market value at the date of grant were granted in 1996.

The following table summarizes information about stock options outstanding at December 31, 1998:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
		Weighted		Weighted

Range of Exercise Prices	Number Outstanding at 12/31/98	Weighted Average Remaining Life	Average Exercise Price	Number Exercisable at 12/31/98	Average Exercise Price
$8.75 - $18.75	641,484	4.0	$15.39	346,850	$15.89
$19.50 - $22.13	674,350	6.1	$21.89	72,250	$20.99
$22.20 - $30.09	559,500	2.6	$27.64	435,414	$29.17
$8.75 - $30.09	1,875,334	4.3	$21.38	854,514	$23.09

The Company has an Employee Stock Purchase Plan by which eligible employees of the Company may authorize payroll deductions up to 4% of their regular base salary to purchase shares of Class A Common Stock at the fair market value. The Company matches these contributions with an additional contribution equal to 25% of the employee's contribution. As of the second quarter of 1998 the Company increased the match to 50% of the employee contributions. Shares are issued on the last day of each calendar quarter. The Company's contributions to the plan were approximately $513, $137 and $163 in 1998, 1997 and 1996, respectively.

19. Supplemental Data:

	Years Ended December 31, 1998	1997	1996
Research and development expense	$36,034*	$32,068	$34,269
Depreciation expense	$22,941	$21,591	$22,751
Amortization expense	$15,179	$ 9,317	$ 8,752
Interest cost incurred	$26,357	$18,988	$20,549
Other income (expense), net:			
Interest income	$ 757	$ 519	$529
Foreign exchange losses, net	(895)	(726)	(195)
Other, net	(262)	(360)	(504)
	$ (400)	$ (567)	$ (170)

* Includes write-off of purchased in-process R&D related to Cox acquisition. (See Note 4.)

Supplemental cash flow information:

	1998	1997	1996
Cash paid for interest (net of amount capitalized)	$25,078	$19,193	$20,250
Cash paid for income taxes (net of refunds)	$10,175	$ 221	$ 9,182
Supplemental schedule of noncash investing and financing activities:			
Fair value of assets acquired	$255,121	$44,029	-
Liabilities	33,950	-	-
Cash paid	221,171	44,029	-
Less cash acquired	502	-	-
Net cash paid	$220,669	$44,029	$ -

20. Information Concerning Business Segments and Geographic Operations:

In 1998 the Company adopted SFAS 131. The Company's reportable segments are the five decentralized divisions

described in Note 1, (i.e. IPD, FCD, USPD, AHD, and AAHD). Each division has a president and operates in distinct business and/or geographic area. Prior years segment data has been restated to present the required information.

The accounting policies of the segments are generally the same as those described in the "Summary of Significant Accounting Policies." Segment data includes immaterial intersegment revenues. No customer accounts for more than 10% of consolidated revenues.

The operations of each segment are evaluated based on earnings before interest and taxes (operating income). Corporate expenses and certain other expenses or income not directly attributable to the segments are not allocated. Eliminations include intersegment sales. Geographic revenues represent sales to third parties by country in which the selling legal entity is domiciled. Operating assets directly attributable to business segments are included in identifiable assets (i.e. sum of accounts receivable, inventories, net property, plant and equipment and net intangible assets). Cash, prepaid expenses, and other corporate and non allocated assets are included in unallocated. For geographic reporting long lived assets include net property, plant and equipment and net intangibles.

	Total Revenue	Operating Income(a)	Identifiable Assets	Depreciation and Amortization	Captial Expenditures
1998					
Business segments:					
IPD	$193,106	$ 7,971(b)	$379,217	$11,460	$14,913
USPD	178,785	11,061	209,243	8,063	6,807
FCD	53,048	17,526	85,409	5,301	3,643
AHD	166,343	37,800	151,000	8,578	2,864
AAHD	18,963	3,623	19,850	1,044	815
Unallocated	-	(12,695)	64,217	3,674	2,336
Eliminations	(5,661)	(290)	-	-	-
	$604,584	$64,996	$908,936	$38,120	$31,378
1997					
Business segments:					
IPD	$134,075	$10,975	$134,679	$ 6,525	$16,430
USPD	155,381	4,057	211,096	8,355	4,703
FCD	38,664	9,442	74,672	4,634	1,621
AHD	158,428	32,023	139,367	7,279	3,028
AAHD	15,283	2,764	19,494	1,110	151
Unallocated	-	(12,225)	52,558	3,005	1,850
Eliminations	(1,543)	(138)	-	-	-
	$500,288	$46,898	$631,866	$30,908	$27,783
1996					
Business segments:					
IPD	$141,976	$2,521	$137,051	$ 7,638	$ 5,985
USPD	152,317	(19,241)	206,310	9,493	3,727
FCD	36,032	8,538	68,361	4,691	4,931
AHD	146,005	20,993	119,001	6,631	6,778
AAHD	12,241	(302)	20,121	721	6,082
Unallocated	-	(8,268)	62,563	2,329	3,371
Eliminations	(2,387)	(321)	-	-	-
	$486,184	$3,920	$613,407	$31,503	$30,874

(a) 1998 operating income includes one-time charges related to the acquisition of Cox Pharmaceuticals and 1996 operating income includes charges for management actions. The segments are impacted as follows:

	1998	1996

IPD	$3,600	$8,051
USPD	-	5,738
AHD	-	4,542
Unallocated	-	469
	$3,600	$18,800

(b) Goodwill amortization in IPD related to the Cox acquisition in 1998 amounted to approximately $3,000.

Geographic

	Revenues			Long-lived Identifiable Assets		
	1998	1997	1996	1998	1997	1996
United States	$338,487	$294,772	$280,277	$196,745	$205,188	$190,111
Norway	86,019	91,760	89,329	85,719	86,384	87,400
Denmark	52,565	53,624	55,867	57,144	55,795	48,626
United Kingdom	73,258	8,961	6,680	196,669	-	-
Other foreign (primarily Europe)	54,255	51,171	54,031	23,564	2,009	3,584
	$604,584	$500,288	$486,184	$559,841	$349,376	$329,721

21. Selected Quarterly Financial Data (unaudited):

	Quarter				Total
	First	Second	Third	Fourth	Year
1998					
Total revenue	$126,562	$139,513	$164,337	$174,172	$604,584
Gross profit	$53,417	$59,162	$66,695	$73,986	$253,260
Net income	$5,402	$2,305(a)	$7,551	$8,953	$24,211
Earnings per common share(b)					
Basic	$.21	$.09	$.30	$.34	$.95
Diluted	$.21	$.09	$.28	$.32	$.92
1997					
Total revenue	$121,424	$118,986	$125,240	$134,638	$500,288
Gross profit	$48,122	$51,440	$51,559	$59,932	$211,053
Net income	$2,260	$3,470	$5,257	$6,421	$17,408
Earnings per common share(c)					
Basic	$.10	$.16	$.23	$.27	$.77
Diluted	$.10	$.16	$.22	$.26	$.76

(a) The second quarter of 1998 results include non-recurring charges of $3,600 pre-tax ($3,130 after tax) or $.12 per share related to the acquisition of Cox Pharmaceuticals. (See Note 4.)

(b) The sum of the earnings per share for the four quarters in 1998 does not equal the total for the year due to higher dilution in the third and fourth quarter calculations from the effect of the convertible debt using the if-converted method. The convertible debt was anti-dilutive for the year and therefore not included in the full year calculation.

(c) The sum of the earnings per share for the four quarters in 1997 does not equal the total for the year due to higher net income recognized in the third and fourth quarters combined with a higher number of shares outstanding during the second half of the year which does not have the same proportional effect on the total year calculation.

22. Subsequent Events

New bank credit facility:

In January 1999, the Company signed a $300,000 credit agreement with a consortium of banks. (See Note 9.)

Merger of Wade Jones distribution business:

In January 1999, the AHD contributed the distribution business of its Wade Jones Company ("WJ") into a partnership with G&M Animal Health Distributors and T&H Distributors. The WJ distribution business which was merged had annual sales of approximately $30,000 and assets (primarily accounts receivable and inventory) of less than $10,000. WJ will own 50% of the new entity, WYNCO LLC ("WYNCO").

WYNCO is a regional distributor of animal health products and services primarily to integrated poultry and swine producers and independent dealers operating in the Central South West and Eastern regions of the U.S. WYNCO will be the exclusive distributor for the Company's animal health products. Manufacturing and premixing operations at Wade Jones will remain part of the Company.

Strategic alliance with Ascent Pediatrics:

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 7 1/2% 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.

In addition, Ascent and the Company have entered into an agreement under which the Company will have the option during the first half of 2002 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.

The transactions are subject to the approval of Ascent's stockholders at a meeting expected to be held during the second quarter of 1999.

EXECUTION COPY

$300,000,000

CREDIT AGREEMENT

dated as of

January 20, 1999,

among

ALPHARMA U.S. INC.

as Borrower,

THE BANKS NAMED HEREIN,

as Banks,

UNION BANK OF NORWAY

as Arranger,

DEN NORSKE BANK ASA,

as Co-Arranger

and

UNION BANK OF NORWAY,

as Agent

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Exhibit K	-	Form of Notice of Assignment and Acceptance

CREDIT AGREEMENT dated as of January 20, 1999 among ALPHARMA U.S. INC., a Delaware corporation (together with its successors and assigns, the "Borrower"), the Banks parties hereto from time to time (the "Banks"), UNION BANK OF NORWAY, as Agent, UNION BANK OF NORWAY, as Arranger, DEN NORSKE BANK ASA, as Co-Arranger and Co-Syndication Agent and SUMMIT BANK, as Working Capital Agent, Documentation Agent and Co-Syndication Agent.

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Banks provide financing for, among other things, (a) the refinancing of certain existing indebtedness of the Borrower and (b) for general corporate purposes, and the Banks are willing to make funds

available for such purposes, but only upon the terms and subject to the conditions contained herein;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1. Defined Terms. As used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisition Related Guarantor" means an Affiliate of the Borrower to whom the proceeds of a Borrowing are, directly or indirectly, made available for purposes of effecting an acquisition of Equity or assets.

"Acquisition Related Guaranty" means a guaranty of the obligations of the Borrower pursuant to the Loan Documents made by an Acquisition Related Guarantor in connection with a Borrowing made in respect of an acquisition of Equity or assets substantially in the form of Exhibit B hereto.

"Affiliate" means, as to any Person, any Subsidiary of such Person and any other Person which, directly or indirectly, controls, is controlled by or is under common control with such Person. For the purposes of this definition, "control" means the possession of the power to direct or cause the direction of management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise and as to the Parent Guarantor and any of its Subsidiaries shall be deemed to include (without limitation) A.L. Industrier AS.

"Agency Fee" has the meaning specified in Section 5.5(c).

"Agent" means Union Bank of Norway, in its capacity as the Agent, or any successor in such capacity.

"Agreement" means this Credit Agreement, as further modified, amended or supplemented from time to time.

"Agreement Date" means the date set forth as such on the last signature page hereof.

"Agreement Termination Date" means the first day on which all the Commitments have been reduced to zero, this Agreement is

terminated and no Loan Party has any obligations outstanding under this Agreement or any other Loan Document.

"A.L. Pharma A/S" means A.L. Pharma A/S, a Danish corporation.

"Alpharma AS" means Alpharma AS, a Norwegian corporation.

"Alternate Base Rate" means a fluctuating rate per annum equal at all times to the higher of (i) the Base Rate and (ii) the Federal Funds Rate, in each case plus the Applicable Margin.

"Alternate Base Rate Working Capital Loan" means a Working Capital Loan bearing interest at the Alternate Base Rate.

"Applicable Law" means (a) all applicable common law and principles of equity and (b) all applicable provisions of all (i) constitutions, statutes, rules, regulations and orders of governmental bodies, (ii) governmental approvals and (iii) orders, decisions, judgments and decrees of all courts (whether at law, in equity or admiralty) and arbitrators.

"Applicable Margin" shall mean a percentage per annum determined in accordance with the Pricing Grid.

"Arrangement Fee" has the meaning specified in Section 5.5(b).

"Arranger" means Union Bank of Norway.

"Assignment of Intercompany Note" means the Assignment made by the Parent Guarantor in favor of the Agent, substantially in the form of Exhibit H hereto.

"Available Revolving Credit Commitment" means, as to any Bank, at any time of determination, an amount equal to (x) such Bank's Revolving Credit Commitment at such time minus (y) such Bank's aggregate Outstanding Revolving Extensions of Credit at such time.

"Base Rate" means the rate of interest announced from time to time by the Working Capital Agent as its "base rate" or "base lending rate". This rate of interest is determined from time to time by the Working Capital Agent as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by the Working Capital Agent to any particular class or category of customers of the Working Capital Agent.

"Banks" means the lenders listed on the signature pages

hereof, and such other lenders as may become parties hereto from time to time pursuant to Section 12.7.

"Borrower" has the meaning specified in the recitals hereof.

"Borrowing" means a Term Loan Borrowing, a Revolving Loan Borrowing or a Working Capital Loan Borrowing (as the case may be).

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and Oslo, Norway and on which dealings are also carried on in Dollars in the London interbank market.

"Capital Market Transaction" means the issuance of any Equity (including convertible debt securities but excluding any other debt securities), in each case whether by means of a public offering, private placement, or other capital market method.

"Capitalized Lease" means, as applied to any Person, any lease of property by such Person as lessee which is or should be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Cash Equivalents" means any one or more of the following instruments:

(a) open-market commercial paper issued by corporations organized in the United States of America, maturing not later than 270 days after the date of issuance thereof and having at the time of acquisition a rating of at least A-1 from Standard & Poor's Rating Group or P-1 from Moody's Investors Services, Inc.

(b) readily marketable direct obligations issued by the United States of America, or by any agency thereof that are unconditionally guaranteed or backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition thereof; and

(c) certificates of deposit or bankers' acceptances maturing within one year from the date of creation thereof issued by any Bank or by a commercial bank or trust company organized under the laws of the United States of America, or of any state thereof, having combined capital, surplus and undivided profits of not less than $1,000,000,000 (or its equivalent in any other currency) and having, in respect of its long-term senior debt securities, a rating of at least A- from Standard & Poor's Rating Group or A3 from Moody's Investors Services, Inc.,

in each case so long as the same (x) provide for the payment of principal and interest (and not principal alone or interest alone) and (y) are not subject to any contingency regarding the payment of principal or interest.

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, any tax treaty, law (including, without limitation, the Code), rule or regulation (or any change in the application or judicial, administrative or other official interpretation of any treaty, law, rule or regulation).

"Co-Arranger" means Den norske Bank ASA.

"Code" means the Internal Revenue Code of 1986 (or any successor legislation thereto), as amended from time to time.

"Commitment" means, as to any Bank, the aggregate of such Bank's Term Loan Commitment and Revolving Credit Commitment and "Commitments" means, as to all of the Banks, the aggregate of the Term Loan Commitments and Revolving Credit Commitments of all the Banks.

"Commitment Fee" means any of the fees paid by the Borrower pursuant to Section 5.5(a).

"Consolidation" means any adjustment of Interest Periods in respect of Term Loans in accordance with Section 2.4(a) of this Agreement.

"Consolidation Date" means the day that is six (6) months after the Initial Funding Date with respect to Term Loans or such earlier date on which the Consolidation of Term Loans occurs as the Agent may designate by notice to the Banks.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum derived substance or waste, or any constituent of such substance or waste, including any substance regulated under any Environmental Law.

"Credit Support Document" means the Parent Guaranty, the Subsidiary Guaranties, the Pledge Agreements, the Assignment of Intercompany Note and the Acquisition Related Guaranties.

"Default" means any event which with the passing of time or the giving of notice or both would become an Event of Default.

"Documentation Agent" means Summit Bank, in its capacity as Documentation Agent, or any successor in such capacity.

"Dollars" and the sign "$" each mean the lawful money of the United States of America.

"Dumex" means Dumex - Alpharma A/S, a Danish corporation.

"Earnings from Operations" has the meaning specified in the Parent Guaranty.

"EBITDA" has the meaning ascribed thereto in the Parent Guaranty.

"Effective Date" means the first day on which the conditions set forth in Section 6.1 are satisfied or waived.

"Environmental Law" means the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. 12Sl et seq.), the Clean Air Act (42 U.S.C. 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. 651 et seq.), in each case as amended or supplemented from time to time, and any analogous future federal or present or future state or local statutes, including, without limitation, transfer of ownership notification statutes such as the New Jersey Environmental Cleanup Responsibility Act (N.J. Stat. Ann. 13:lK-6 et seg.) and the Connecticut Industrial Transfer Law of 1985 (Conn. Gen. Stat. 22a-134 et seq.) and the regulations promulgated pursuant thereto.

"Environmental Liabilities and Costs" means, as to any Person, all liabilities, obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees, and costs of investigation and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand, by any Person, whether based in contract, tort, implied or express warranty, strict liability, any criminal or civil statute, including any Environmental Law, Permit, order or agreement with any Government Authority or other Person, arising from environmental, health or safety conditions, or the Release or threatened Release of a Contaminant into the environment, resulting from the past, present or future operations of such Person or its Subsidiaries.

"Environmental Lien" means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

"Equity" means all shares, options, equity interests, general or limited partnership interests, joint venture interests or participation or other equivalents (regardless of how designated) of or in a corporation, limited liability company, partnership or other entity, whether voting or non-voting, and including, without limitation, common stock, preferred stock, purchase rights, warrants or options for any of the foregoing.

"Equity Ratio" has the meaning specified in the Parent Guaranty.

"ERISA" means the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto) and the rules and regulations promulgated thereunder, as amended from time to time.

"ERISA Affiliate" shall mean a corporation, partnership or other entity which is considered one employer with the Borrower under Section 4001 of ERISA or Section 414 of the Code.

"ERISA Event" means (i) a Reportable Event with respect to a Title IV Plan; (ii) the withdrawal of the Borrower, any of its Subsidiaries or any ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (iii) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; or (iv) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC.

"Eurocurrency Liabilities" has the meaning specified in Regulation D.

"Eurodollar Loans" means Loans bearing interest at the Eurodollar Rate plus the Applicable Margin.

"Eurodollar Rate" means, for any Interest Period, the rate per annum equal to (a) the rate quoted by the Agent as appearing on the Telerate Page 3750 or on any other relevant Telerate page as of 11:00 A.M. (London time) on the second Business Day before the first day of such Interest Period for a period equal to such Interest Period or (b) if such rate does not appear on the Telerate Page 3750 or on any other relevant Telerate page, such other widely published rate at which deposits in Dollars are offered in the London interbank market at 11:00 A.M. (London time) as the Agent may select on the second Business Day before the first day of such Interest Period for a period equal to such Interest Period.

"Eurodollar Reserve Requirement" means, at any time, the then current maximum rate for which reserves (including any marginal, supplemental or emergency reserve) are required to be

maintained under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding five billion Dollars against Eurocurrency Liabilities.

"Eurodollar Working Capital Loans" means a Working Capital Loan bearing interest at the Eurodollar Rate plus the Applicable Margin.

"Event of Default" has the meaning specified in Section 10.1.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Final Judgment" has the meaning specified in Section 10.1(f).

"Fiscal Quarter" means any three month period ending March 31, June 30, September 30 or December 31 of any Fiscal Year.

"Fiscal Year" means each twelve-month period ending December 31, or such other fiscal year end date as may be determined by the Borrower following the Agreement Date.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the rules, regulations, opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession and which are applicable to the circumstances as of the date of determination.

"GAAS" means generally accepted auditing standards in the United States of America as in effect from time to time and set forth in the rules, regulations, opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general

use by significant segments of the accounting profession and which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Indebtedness" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, including obligations evidenced by bonds, debentures, notes or other similar instruments, (ii) all obligations of such Person to pay the deferred purchase price of Property or services, except as provided below, (iii) all obligations of such Person as lessee under Capitalized Leases, (iv) all Indebtedness of others secured by a Lien on any Property of such Person, whether or not such Indebtedness is assumed by such Person, (v) all Indebtedness of others directly or indirectly guaranteed or otherwise assumed by such Person, including any obligations of others endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation any Indebtedness in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation, or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation (but not including any obligation under a performance bond), (vi) all obligations of such Person as issuer, customer or account party under letters of credit or bankers' acceptances that are either drawn or that back financial obligations that would otherwise be Indebtedness, and (vii) for purposes of Section 10.1(e) only, all obligations of such Person in respect of Swap Agreements.

"Indebtedness for Borrowed Money" of any Person means at any date, without duplication, Indebtedness described in clauses (i), (iii), (v) and (vii) of the definition of Indebtedness.

"Indemnified Liability" has the meaning specified in Section 12.4(b).

"Indemnified Person" has the meaning specified in Section 12.4(b).

"Initial Funding Date" means, with respect to each of the Term Loans, Revolving Loans and Working Capital Loans, the date on which (i) the conditions set forth in Sections 6.1 and 6.2 are satisfied or waived and (ii) the initial Term Loans, Revolving

Loans or Working Capital Loans, respectively, are made hereunder.

"Intercreditor Agreement" means the Intercreditor Agreement among the Agent, the Banks and the Other Lenders, substantially in the form of Exhibit C hereto.

"Interest Period" means, with respect to any Eurodollar Loans, (a) in the case of the first such Interest Period, the period commencing on the date such Loans are made and ending (i) six months thereafter, in the case of Term Loans, and (ii) one, three or six months (or 12 months, in accordance with Section 5.1(b)) thereafter, in the case of Revolving Loans and Eurodollar Working Capital Loans, as selected by the Borrower in its Notice of Borrowing or Notice of Interest Period given to the Agent pursuant to Section 2.2, 3.2, 4.2 or 5.1, as the case may be, and (b) thereafter, the period commencing on the last day of the immediately preceding Interest Period and ending (i) six months thereafter, in the case of Term Loans, and (ii) one, three, six or twelve months thereafter, in the case of Revolving Loans and Eurodollar Working Capital Loans, as selected by the Borrower in its Notice of Interest Period given to the Agent or the Working Capital Agent, as the case may be, pursuant to Section 5.1, subject, however, to the following:

(A) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension for any Loan would be to extend such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(B) any Interest Period in respect of Loans that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month;

(C) no Interest Period may extend beyond (I) the Term Loan Maturity Date, in the case of the Term Loans or (II) the Revolving Credit Commitment Termination Date, in the case of Revolving Loans and Eurodollar Working Capital Loans; and

(D) there shall be outstanding at any one time in the aggregate no more than (I) four (4) Interest Periods prior to the Consolidation Date and one (1) Interest Period thereafter, with respect to Term Loans, (II) six (6) Interest Periods (no more than four of which may have a duration of one month) with respect to Revolving Loans and (III) ten (10) Interest Periods with respect to Eurodollar

Working Capital Loans.

"IRS" means the Internal Revenue Service, or any successor thereto.

"Issuing Bank" means Summit Bank or First Union National Bank, N.A., as the case may be, as the issuer of Letters of Credit hereunder, together with its successors and assigns in such capacity.

"Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Lending Office" opposite its name on Schedule I or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Letter of Credit" has the meaning specified in Section 4.4.

"Letter of Credit Documents" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations, each as the same may be modified and supplemented and in effect from time to time.

"Letter of Credit Liability" means, without duplication, at any time and in respect of any Letter of Credit, the sum of (a) the undrawn face amount of such Letter of Credit plus (b) the aggregate unpaid principal amount of all Reimbursement Obligations of the Borrower at such time due and payable in respect of all drawings made under such Letter of Credit. For purposes of this Agreement, a Working Capital Bank (other than the Issuing Bank) shall be deemed to a hold a Letter of Credit Liability in an amount equal to its Ratable Portion of the Letter of Credit under Section 4.4 hereof, and the Issuing Bank shall be deemed to hold a Letter of Credit Liability in an amount equal to its retained interest in the related Letter of Credit after giving effect to the acquisition by the Banks other than the Issuing Bank of their participation interests under said Section 4.4.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement.

"Loan Documents" means (i) this Agreement, the Notes, the

Credit Support Documents and the Intercreditor Agreement and (ii) all other agreements, documents and instruments that may hereafter be entered into relating to or arising out of any agreement, document or instrument referred to in clause (i).

"Loan Party" means any Person (other than the Agent, the Banks, the Arranger, the Co-Arranger, the Working Capital Agent, the Documentation Agent and the Other Lenders) that is a party to a Loan Document.

"Loans" means, collectively, the Term Loans, the Revolving Loans and the Working Capital Loans.

"Majority Banks" means, at any time, Banks holding 66 2/3% or more of (a) until the Initial Funding Date, the Commitments and (b) thereafter, the sum of (i) the then aggregate unpaid principal amount of Term Loans held by the Banks and (ii) the Revolving Credit Commitments or, if the Revolving Credit Commitments have been terminated, the then aggregate unpaid principal amount of Revolving Loans, Working Capital Loans and Letter of Credit Liabilities; provided, that for purposes of the last paragraph of Section 10.1(A) hereof, the relevant percentage for determining Majority Banks shall be 51%.

"Majority Working Capital Banks" means, at any time, Working Capital Banks holding 66 2/3% or more of the aggregate amount of the Working Capital Loan Commitments.

"Margin Ratio" means, as at the last day of any period, the ratio of (a) Total Indebtedness on such day to (b) EBITDA for such period, as calculated in accordance with Annex A hereto.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Change" means a change that has resulted, or would result, in a Material Adverse Effect.

"Material Adverse Effect" means, in the judgment of the Majority Banks (or, for purposes of any notice of a Material Adverse Effect to be given by a Loan Party, in the judgment of such Loan Party), a material adverse effect on the business, financial condition, operations or Properties of the Borrower and its Subsidiaries or of the Parent Guarantor and its Subsidiaries (as the case may be), in each case taken as a whole.

"Material Credit Agreement Change" means, in the judgment of the Majority Banks (or, for purposes of any notice of a Material Credit Agreement Change to be given by a Loan Party, in the judgment of such Loan Party), a change that has materially adversely affected or would materially adversely affect the legality, validity or enforceability of any payment obligation of

the Borrower, the Parent Guarantor, any of the Subsidiary Guarantors or the Acquisition Related Guarantors under this Agreement or any other Loan Document.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower, any of its Subsidiaries or any ERISA Affiliate is making, is obligated to make, has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Net Cash Proceeds" means:

(a) in reference to asset sales, proceeds in cash as and when received by the Borrower or any of its Subsidiaries, or the Parent Guarantor or any of its Subsidiaries, from, or in connection with, the sale by the Borrower or any of its Subsidiaries, or the Parent Guarantor or any of its Subsidiaries, to any Person (other than the Borrower or any of its Subsidiaries, or the Parent Guarantor or any of its Subsidiaries) of any asset outside of the ordinary course of business (including, without limitation, the sale of any facility, division, plant or other real property or interest in real property outside the ordinary course of business), net of the direct costs relating to such sale, including, without limitation, (i) legal, accounting and investment banking fees and sale commissions, (ii) taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements in each case arising directly from such sale), (iii) amounts required to be applied to the repayment of Indebtedness relating to the asset that is the subject of such sale and not otherwise provided for by the terms of such sale, and (iv) reasonable reserves for purchase price adjustments; and

(b) in reference to Capital Market Transactions by any Person, the proceeds in cash received from such Capital Market Transactions, net of all issuance fees, discounts, and other costs.

For purposes of this definition, proceeds received by any Subsidiary of the Borrower or of the Parent Guarantor other than a wholly owned Subsidiary shall be deemed to be Net Cash Proceeds received by the Borrower or the Parent Guarantor only in an amount proportionate to the equity ownership interest of the Borrower or the Parent Guarantor in the Subsidiary receiving such proceeds.

"New Permitted Indebtedness" has the meaning specified in the Parent Guaranty.

"Non-U.S. Subsidiary" means, as to any Person, each Subsidiary of such Person that is incorporated or organized under the laws of a jurisdiction outside of the United States of America.

"Notes" means the Term Notes, the Revolving Credit Notes and the Working Capital Notes.

"Notice of Assignment and Acceptance" has the meaning specified in Section 12.7(a).

"Notice of Borrowing" means a notice of the Borrower substantially in the form of Exhibit D hereto specifying therein (i) the date of the proposed Borrowing, (ii) the aggregate amount of such proposed Borrowing, (iii) the initial Interest Period or Interest Periods for such Loans and (iv) whether such Borrowing is to be a Term Loan Borrowing, a Revolving Loan Borrowing or a Working Capital Loan Borrowing.

"Notice of Interest Period" has the meaning specified in Section 5.1.

"Original Banks" means each financial institution that is a "Bank" as of the Agreement Date.

"Other Lenders" shall mean (i) as of the Agreement Date, First Union National Bank, and (ii) at any time thereafter, the banks and financial institutions party to the Intercreditor Agreement at such time (other than the Banks and the Agent).

"Outstanding Revolving Extensions of Credit" means, as to any Bank at any time, the aggregate principal amount of all Revolving Loans, Working Capital Loans and Letter of Credit Liabilities made by such Bank then outstanding.

"Parent Guarantor" means Alpharma, Inc., a Delaware corporation.

"Parent Guaranty" means the Guaranty dated as of January 20, 1999 made by the Parent Guarantor in respect of the obligations of the Borrower pursuant to the Loan Documents, as the same may be further amended or modified from time to time.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Pension Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), which is not an individual account plan, as defined in Section 3(34) of ERISA, and which the Borrower, any of its Subsidiaries or any ERISA Affiliate now or in the future

maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Permit" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable requirement of law.

"Permitted Indebtedness" has the meaning specified in the Parent Guaranty.

"Permitted Liens" has the meaning specified in the Parent Guaranty.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or Governmental Authority.

"Plan" shall mean an employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to by the Borrower or an ERISA Affiliate.

"Pledge Agreement" means each pledge made by the Shareholders of a Pledge Subsidiary in favor of the Agent on behalf of the Banks in respect of 65% of the total combined voting power of all classes of stock entitled to vote (within the meaning of Section 956 of the Code and the regulations thereunder) of such Pledge Subsidiary, in form and substance satisfactory to the Agent.

"Pledge Subsidiary" means A.L.-Pharma A/S, Alpharma AS and each Principal Subsidiary that is a Non-U.S. Subsidiary.

"Pricing Grid" shall mean the pricing grid attached hereto as Annex A.

"Principal Subsidiary" means (a) at all times, the Scandinavian Principal Companies, and (b) at any time (except as otherwise provided for in this Agreement or any other Loan Document), any Subsidiary of the Parent Guarantor that (i) owns more than 5% of the total assets of the Parent Guarantor and its Subsidiaries on a consolidated basis, or (ii) is responsible for more than 5% of the total revenues of the Parent Guarantor and its Subsidiaries, on a consolidated basis; provided, however, that on and as of the Agreement Date, Principal Subsidiary shall mean each of the entities listed on Schedule 5(n) to the Parent Guaranty and at any time thereafter, shall mean (except as otherwise provided for in this Agreement or any other Loan Document) the entities listed as "Principal Subsidiaries" (as determined in accordance with this definition) on the certificate

of the Responsible Financial Officer of the Parent Guarantor most recently delivered pursuant to Section 6(g)(v) of the Parent Guaranty.

"Prior UBN Facility" means the Credit Agreement dated as of September 28, 1994 as amended by (i) a Consent and Agreement dated as of December 19, 1994, (ii) an Amendment No. 2 to Credit Agreement dated as of December 1, 1995, (iii) an Amendment No. 3 dated as of February 26, 1997 and (iv) an Amendment No. 4 dated as of April 10, 1997 among the Borrower, the banks and financial institutions set forth therein, Union Bank of Norway, as agent and arranger, and Den norske Bank ASA, as Co-Arranger.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Qualified Plan" means an employee pension benefit plan, as defined in Section 3(2) of ERISA, which is intended to be tax-qualified under Section 401(a) of the Code, and which the Borrower, any of its Subsidiaries or any ERISA Affiliate now or in the future maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Ratable Portion" means, as to any Bank at any time of determination, (i) with respect to Term Loans and Working Capital Loans, respectively, the percentage obtained by dividing the amount of such Bank's Term Loan Commitment or Working Capital Loan Commitment, as the case may be, at such time by the aggregate amount of all of the Banks' Term Loan Commitments or Working Capital Loan Commitments, as the case may be at such time, (ii) with respect to a Revolving Loan Borrowing, the percentage obtained by dividing the amount of such Bank's Available Revolving Credit Commitment at such time by the aggregate amount of all of the Banks' Available Revolving Credit Commitments at such time, (iii) with respect to a Bank's outstanding Revolving Loans, the percentage obtained by dividing the aggregate principal amount of all Revolving Loans made by such Bank then outstanding by the aggregate principal amount of all Revolving Loans made by all the Banks then outstanding, (iv) with respect to Letters of Credit and any Working Capital Bank's liability thereunder, the percentage obtained by dividing the amount of such Working Capital Bank's Working Capital Loan Commitment by the aggregate amount of all of the Working Capital Banks' Working Capital Loan Commitments and (v) with respect to the aggregate amount of all Commitments, the percentage obtained by dividing the aggregate Commitment of such Bank by the aggregate amount of all Commitments of all the Banks.

"Register" has the meaning specified in Section 12.7(g)

hereof.

"Regulation D", "Regulation T", "Regulation U" and "Regulation X" means Regulation D, T, U, and X, respectively, of the Board of Governors of the Federal Reserve System (or any successor thereto), as in effect from time to time, or any successor thereto.

"Reimbursement Obligations" means, at any time, the obligations of the Borrower then outstanding, or that may thereafter arise, in respect of all Letters of Credit then outstanding, to reimburse amounts paid by the Issuing Bank in respect of any drawings under a Letter of Credit.

"Release" means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, disbursal, leaching or migration into the indoor or outdoor environment or into or out of any property owned by such Person, including the movement of Contaminants through or in the air, soil, surface water, ground water or property.

"Remedial Action" means all actions required to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment, (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (iii) perform preremedial studies and investigations and post-remedial monitoring and care.

"Reportable Event" means any of the events described in Section 4043(b)(1), (2), (3), (5), (6), (8) or (9) of ERISA.

"Responsible Financial Officer" of any Person means the chief financial officer, treasurer, assistant treasurer, controller, secretary, assistant secretary or other officer of such Person listed in the certificate delivered to the Agent pursuant to Section 6.1(a)(iii) or otherwise notified to the Agent as being authorized to execute documents and certificates and otherwise act on behalf of such Person in connection with financial matters arising under this Agreement or any other Loan Document.

"Responsible Officer" of any Person means any of the officers of such Person listed in the certificate delivered to the Agent pursuant to Section 6.1(a)(iii) or otherwise notified to the Agent as being authorized to execute and deliver documents and certificates and otherwise act on behalf of such Person in all matters (other than financial matters) arising under this Agreement or any other Loan Document.

"Revolving Credit Availability Period" means the period beginning (x) on the Agreement Date, for purposes of Section 4.1(a) hereof, and (y) February 5, 1999, for purposes of Section 3.1(a) hereof, and in each case ending on the Revolving Credit Commitment Termination Date.

"Revolving Credit Commitment" means, as to any Bank, the obligation of such Bank, if any, to make Revolving Loans, Working Capital Loans and to automatically acquire a participation in the Issuing Bank's liability under any Letters of Credit in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Schedule II, as the same may be changed from time to time pursuant to the terms hereof.

"Revolving Credit Commitment Termination Date" means the earlier of (i) the day that is five (5) years after the Agreement Date or such other day to which the Revolving Credit Commitment Termination Date shall have been extended in accordance with Section 3.4 hereof and (ii) the date of the earlier termination or cancellation in full of the Revolving Credit Commitment pursuant to the terms hereof, including pursuant to Section 10.1.

"Revolving Note" means any promissory note in the form of Exhibit A-2.

"Revolving Loan" means a Loan made to the Borrower pursuant to Section 3.1.

"Revolving Loan Borrowing" means a borrowing by the Borrower consisting of Revolving Loans made on the same day by the Banks ratably according to their respective Revolving Credit Commitments.

"Scandinavian Principal Companies" means Alpharma AS and Dumex-Alpharma A/S.

"Shareholder" means, with respect to any corporation, the holder of any of the Equity of such Person.

"Single-Employer Plan" shall mean a single employer plan as defined in section 4001(a)(15) of ERISA which is subject to the provisions of Title IV of ERISA.

"Subordinated Indebtedness" has the meaning specified in the Parent Guaranty.

"Subsidiary" means, with respect to any Person, any corporation, partnership or other business entity of which more than 50% of the outstanding Equity having ordinary voting power to elect a majority of the board of directors of such entity

(irrespective of whether, at the time, Equity of any other class or classes of such entity shall have or might have voting power by reason of the happening of any contingency) is, or of which more than 50% of the interests in which are, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person.

"Subsidiary Guarantor" means each Principal Subsidiary that is incorporated or organized under the laws of a jurisdiction located in the United States of America.

"Subsidiary Guaranty" means any of the guaranties of the obligations of the Borrower delivered by each of the Subsidiary Guarantors, pursuant to this Agreement, substantially in the form of Exhibit G hereto.

"Summit Bank Facility" means the $65,000,000 loan facility made available to the Borrower pursuant to a Credit Agreement dated as of September 11, 1997 among the Borrower, the banks named therein, Summit Bank, as agent, and Summit Bank, as arranger (as amended from time to time).

"Swap Agreement" means, with respect to any Person, any obligation with respect to an interest rate or currency swap or similar obligation obligating such Person to make payments, whether periodically or upon the happening of a contingency, except that if any agreement relating to such obligation provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount thereof.

"Tax" means any federal, state, local or foreign tax, assessment or other governmental charge or levy (including any withholding tax) upon a Person or upon its assets, revenues, income or profits.

"Tax Affiliate" means, as to any Person, (i) any Subsidiary of such Person, or (ii) any Affiliate of such Person with which such Person files or is required to file consolidated, combined or unitary tax returns.

"Term Loan Availability Period" means the period beginning on February 5, 1999 and ending on the Term Loan Commitment Termination Date.

"Term Loan Borrowing" means a borrowing by the Borrower consisting of Term Loans made on the same day by the Banks ratably according to their respective Term Loan Commitments.

" Term Loan Commitment" has the meaning specified in Section

2.1(a).

"Term Loan Commitment Termination Date" means the earlier of (i) the date that is sixty (60) days after the Agreement Date, (ii) the date on which a fourth Term Loan Borrowing is made pursuant to the terms of this Agreement, and (iii) the date of the earlier termination or cancellation in full of the Term Loan Commitment pursuant to the terms hereof, including pursuant to Section 10.1.

"Term Loan" means a Loan made to the Borrower pursuant to Section 2.1.

"Term Loan Maturity Date" means the sixth anniversary of the Initial Funding Date with respect to Term Loans.

"Term Note" means any promissory note in the form of Exhibit A-1.

"Title IV Plan" means a Pension Plan, other than a Multiemployer Plan, which is covered by Title IV of ERISA.

"Total Indebtedness" means, for any period, all Indebtedness of the Parent Guarantor and its Subsidiaries (on a consolidated basis) (including Indebtedness under the Loan Documents) for such period.

"U.S." means the United States of America.

"Vancomycin Facility" means the $9,000,000 loan facility made available to Dumex-Alpharma A/S pursuant to a Guarantee Facility Agreement dated December 20, 1995 among Dumex-Alpharma A/S, Sparekassen Bikuben A/S and Union Bank of Norway, as guarantors, the lenders named therein, Union Bank of Norway, as arranger, and Sparekassen Bikuben A/S, as agent (as amended from time to time).

"Withdrawal Liability" means, as to any Person, at any time, the aggregate amount of the liabilities, if any, of such Person pursuant to Section 4201 of ERISA.

"Working Capital Agent" means Summit Bank, in its capacity as the Working Capital Agent, or any successor in such capacity.

"Working Capital Banks" means Summit Bank and First Union National Bank, N.A.

"Working Capital Extensions of Credit" means as to any Working Capital Bank at any time, an amount equal to the sum of (a) the aggregate principal amount of all Working Capital Loans made by such Working Capital Bank then outstanding and (b) the

aggregate principal amount of such Working Capital Bank's Ratable Portion of the Letter of Credit Liability at such time.

"Working Capital Loan Borrowing" means a borrowing by the Borrower consisting of Working Capital Loans made on the same day by the Working Capital Banks ratably according to the respective Working Capital Loan Commitments.

"Working Capital Loan" means a Loan made to the Borrower pursuant to Section 4.1.

"Working Capital Loan Commitment" means, as to any Working Capital Bank, the obligation of such Working Capital Bank, if any, to make Working Capital Loans and to automatically acquire a participation in the Issuing Bank's liability under any Letters of Credit in an aggregate principal amount not to exceed the amount set forth under the heading "Working Capital Loan Commitment" opposite such Working Capital Banks' name on Schedule II, as the same may be changed from time to time pursuant to the terms hereof.

"Working Capital Note" means any promissory note in the form of Exhibit A-3.

"Year 2000 Issue" means the failure of computer software, hardware and firmware systems and equipment containing embedded computer chips to properly receive, transmit, process, manipulate, store, retrieve, re-transmit or in any other way utilize data and information due to the occurrence of the year 2000 or the inclusion of dates on or after January 1, 2000.

1.2. Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

1.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II

AMOUNT AND TERMS OF THE TERM LOANS

2.1. The Term Loans.

(a) Commitment to Lend. On the terms and subject to the conditions contained in this Agreement, each Bank severally agrees to make up to four (4) Term Loans to the Borrower from

time to time on any Business Day during the Term Loan Availability Period, each such Loan being part of a Term Loan Borrowing, in an aggregate amount not to exceed at any time outstanding the amount set forth opposite such Bank's name on Schedule II as its "Term Loan Commitment" (as adjusted from time to time by reason of assignments in accordance with the provisions of Section 12.7 and as such amount may be reduced pursuant to Section 2.3, such Bank's "Term Loan Commitment"); provided, however, that following the making of each such proposed Term Loan, (i) the aggregate principal amount of all Term Loans outstanding shall not exceed the aggregate amount of the Term Commitments and (ii) the aggregate principal amount of all Loans outstanding shall not exceed the aggregate amount of the Commitments, in each case at such time.

(b) Evidence of Debt. (i) Each Bank shall maintain in accordance with its usual practice an account or accounts and shall receive from the Borrower (through the Agent) a single Term Note payable to the order of such Bank, both evidencing the Indebtedness to such Bank resulting from each Term Loan made by such Bank to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(ii) The Register maintained by the Agent pursuant to Section 12.7(g) shall include a "Term Loan control account" for each Bank, in which account shall be recorded (A) the date and amount of each Term Loan Borrowing hereunder, (B) the amount of each Bank's Term Loan comprising such Borrowing and the Interest Period applicable thereto, (C) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank with respect to each such Term Loan hereunder and (D) the amount of any sum received by the Agent from the Borrower with respect to such Term Loans hereunder and each Bank's Ratable Portion thereof.

(iii) The entries made in the Register in respect of Term Loans shall be conclusive and binding for all purposes, absent manifest error.

2.2. Making the Term Loans. (a) Each Term Loan Borrowing shall be made upon receipt of a Notice of Borrowing given by the Borrower to the Agent not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed Term Loan Borrowing.

(b) The Agent shall give to each Bank prompt notice of its receipt of a Notice of Borrowing in respect of Term Loans and, upon its determination thereof, notice of the applicable interest rate under Section 5.3(b). Each Bank shall, before 11:00

A.M. (New York City time) on the date of the proposed Term Loan Borrowing, make available for the account of its Lending Office to the Agent at its address referred to in Section 12.2, in immediately available funds, such Bank's Ratable Portion of such proposed Term Loan Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article VI, the Agent will make such funds available to the Borrower at the Agent's above-referenced address.

(c) Each Term Loan Borrowing pursuant to this Section 2.2 shall be in an aggregate amount of not less than $10,000,000 or an integral multiple of $5,000,000 in excess thereof. The maximum number of Term Loan Borrowings permitted under this Agreement shall be four (4).

(d) Each Notice of Borrowing pursuant to this Section 2.2 shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such proposed Borrowing the applicable conditions set forth in Article VI, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund any Term Loan Borrowing when such Term Loan, as a result of such failure, is not made on such date. A certificate as to such amounts submitted to the Borrower and the Agent by such Bank shall be conclusive and binding absent manifest error.

(e) Unless the Agent shall have received notice from a Bank prior to the date of any proposed Term Loan Borrowing pursuant to this Section 2.2 that such Bank will not make available to the Agent such Bank's Ratable Portion of such Term Loan Borrowing, the Agent may assume that such Bank has made such Ratable Portion available to the Agent on the date of such Term Loan Borrowing in accordance with this Section 2.2 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such Ratable Portion available to the Agent and the Agent has so made available such amount, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Term Loans comprising the Term Loan Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Term Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Agent such

corresponding amount, such payment shall not relieve such Bank of any obligation it may have to the Borrower hereunder.

(f) The failure of any Bank to make the Term Loan to be made by it as part of any Term Loan Borrowing pursuant to this Section 2.2 shall not relieve any other Bank of its obligation, if any, hereunder to make its Term Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Term Loan to be made by such other Bank on the date of any such Term Loan Borrowing.

2.3. Termination/Reduction of the Term Loan Commitments.

(a) Optional Reductions. The Borrower shall have the right, upon at least five Business Day's prior notice (which shall be irrevocable) to the Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Term Loan Commitments of the Banks; provided, however, that each partial reduction shall be in the aggregate amount of not less than $10,000,000 or an integral multiple of $5,000,000 (or such lesser amount as may be necessary to reduce to zero the amount of the Term Loan Commitments) in excess thereof; provided, further, that no such termination or reduction of the Term Loan Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Term Loans made on the effective date thereof, the aggregate outstanding principal amount of Term Loans of all Banks would exceed the aggregate amount of the Term Loan Commitments. Once canceled pursuant hereto, no such canceled portion of the Term Loan Commitments may be reinstated.

(b) Cancellation of Unused Portion. On the Term Loan Commitment Termination Date, the unused portion of each Bank's Term Loan Commitment shall be canceled and will no longer be available for any Term Loan Borrowings thereafter.

(c) Payment of Cancellation and Commitment Fees. Simultaneously with any termination, reduction or cancellation of the Term Loan Commitments pursuant to this Section 2.3, the Borrower shall pay to the Agent for the account of each relevant Bank the applicable Commitment Fee, if any, on the amount of the Term Loan Commitments so terminated, reduced or canceled and owed to such Bank through the date of such termination or reduction. If any such termination, reduction or cancellation of the Term Loan Commitments occurs during the period from the Agreement Date through the second anniversary thereof, then the Borrower shall also pay to the Agent for the account of each Bank a cancellation fee equal to .25% of the amount of the Term Loan Commitments so terminated or reduced.

2.4. Consolidation and Repayment of Term Loans.

(a) Consolidation. If more than one Term Loan Borrowing is made, then on the Consolidation Date, the Interest Periods for the Term Loans shall be adjusted by the Agent so that on and after the Consolidation Date, there will be no more than one (1) Interest Period outstanding with respect to the Term Loans. The Agent shall give the Banks 30 days' prior notice of the proposed Consolidation Date (which shall be no later than six months after the Initial Funding Date with respect to Term Loans). The Borrower shall indemnify the Banks in accordance with Section 12.4(c) for any costs resulting from such Consolidation.

(b) Repayment. The Borrower shall repay the outstanding principal amount of the Term Loans in eleven (11) consecutive semi-annual installments in the amounts set forth in the table below (subject to (x) proportional adjustment in the event that less than the full amount of the Term Loan Commitment is advanced and (y) adjustment to reflect any prepayments pursuant to Section 5.4); provided that, in any event, on the Term Loan Maturity Date, the Borrower shall pay the full principal amount of all Term Loans then outstanding (together with all accrued and unpaid interest thereon):

The day that is the following number of months after the Initial Funding Date with respect to Term Loans	Installment Amount
12 months	$2,500,000
18 months	$2,500,000
24 months	$7,500,000
30 months	$7,500,000
36 months	$7,500,000
42 months	$7,500,000
48 months	$7,500,000
54 months	$7,500,000
60 months	$7,500,000
66 months	$7,500,000
72 months	$35,000,000

ARTICLE III

AMOUNT AND TERMS OF THE REVOLVING LOANS

3.1. The Revolving Loans.

(a) Commitment to Lend. On the terms and subject to the conditions contained in this Agreement, each Bank severally agrees to make Revolving Loans to the Borrower from time to time

on any Business Day during the Revolving Credit Availability Period, each such Loan being part of a Revolving Loan Borrowing, in an aggregate amount not to exceed at any time outstanding such Bank's Available Revolving Credit Commitment (as adjusted from time to time by reason of assignments in accordance with the provisions of Section 12.7 and as such amount may be reduced pursuant to Section 3.3); provided, however, that, following the making of each such proposed Revolving Loan, (i) the Outstanding Revolving Extensions of Credit of all the Banks shall not exceed the aggregate amount of the Revolving Credit Commitments of the Banks and (ii) the Outstanding Revolving Extensions of Credit made by any Bank shall not exceed such Bank's Revolving Credit Commitment, in each case at such time.

(b) Evidence of Debt. (i) Each Bank shall maintain in accordance with its usual practice an account or accounts and shall receive from the Borrower a single Revolving Credit Note payable to the order of such Bank, and both shall evidence the Indebtedness to such Bank resulting from each Revolving Loan made by such Bank to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(ii) The Register maintained by the Agent pursuant to Section 12.7(g)(i) shall include a "Revolving Loan control account" for each Bank, in which account shall be recorded (A) the date and amount of each Revolving Loan Borrowing hereunder, (B) the amount of each Bank's Revolving Loan comprising such Borrowing and the Interest Period applicable thereto, (C) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Bank with respect to each such Revolving Loan hereunder and (D) the amount of any sum received by the Agent from the Borrower with respect to such Revolving Loans hereunder and each Bank's Ratable Portion thereof.

(iii) The entries made in the Register in respect of the Revolving Loans shall be conclusive and binding for all purposes, absent manifest error.

(c) Repayment of Revolving Loans. (i) The Borrower shall repay the outstanding principal amount of the Revolving Loans (together with all accrued but unpaid interest thereon) in full on the Revolving Credit Commitment Termination Date. Within the limits of each Bank's Available Revolving Credit Commitment, prior to the Revolving Credit Commitment Termination Date, amounts borrowed under Section 3.1(a) and repaid may be reborrowed under Section 3.1(a), subject to Section 3.2(c) below.

(ii) The Borrower shall indemnify the Banks pursuant to Section 12.4(c) in the event that any repayment shall be made on

a day other than the last day of an Interest Period for the Loan or Loans being prepaid.

3.2. Making the Revolving Loans. (a) Each Revolving Loan Borrowing shall be made upon receipt of a Notice of Borrowing, given by the Borrower to the Agent not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed Revolving Loan Borrowing.

(b) The Agent shall give to each Bank prompt notice of its receipt of a Notice of Borrowing in respect of Revolving Loans and, upon its determination thereof, notice of the applicable interest rate under Section 5.3(b). Each Bank shall, before 11:00 A.M. (New York City time) on the date of the proposed Revolving Loan Borrowing, make available for the account of its Lending Office to the Agent at its address referred to in Section 12.2, in immediately available funds, such Bank's Ratable Portion of such proposed Revolving Loan Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article VI, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(c) Each Revolving Loan Borrowing pursuant to this Section 3.2 shall be in an aggregate amount of not less than $10,000,000 or an integral multiple of $5,000,000 in excess thereof (or such lesser amount as may be necessary to draw down the full amount of the Available Revolving Credit Commitments). The maximum aggregate number of Interest Periods that may be outstanding in respect of Revolving Loans at any one time is six (6). The maximum aggregate number of Revolving Loan Borrowings comprised of Loans having an Interest Period of one (1) month duration that may be made during any 12 month period (commencing with the Agreement Date) is four (4).

(d) Each Notice of Borrowing pursuant to this Section 3.2 shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such proposed Borrowing the applicable conditions set forth in Article VI, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund any Revolving Loan to be made by such Bank as part of such proposed Revolving Loan Borrowing when such Revolving Loan, as a result of such failure, is not made on such date. A certificate as to such amounts submitted to the Borrower and the Agent by such Bank shall be conclusive and binding, absent manifest error.

(e) Unless the Agent shall have received notice from a

Bank prior to the date of any proposed Revolving Loan Borrowing pursuant to this Section 3.2 that such Bank will not make available to the Agent such Bank's Ratable Portion of such Revolving Loan Borrowing, the Agent may assume that such Bank has made such Ratable Portion available to the Agent on the date of such Revolving Loan Borrowing in accordance with this Section 3.2 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such Ratable Portion available to the Agent and the Agent has so made available such amount, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Revolving Loan comprising such Revolving Loan Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Revolving Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Agent such corresponding amount, such payment shall not relieve such Bank of any obligation it may have to the Borrower hereunder.

(f) The failure of any Bank to make the Revolving Loan to be made by it as part of any Revolving Loan Borrowing pursuant to this Section 3.2 shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Loan on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Loan to be made by such other Bank on the date of any such Revolving Loan Borrowing.

3.3. Termination/Reduction of the Revolving Credit Commitments.

(a) Optional Reductions. The Borrower shall have the right, upon at least fifteen Business Days' prior notice to the Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Revolving Credit Commitments of the Banks; provided, however, that each partial reduction shall be in the aggregate amount of not less than $10,000,000 or an integral multiple of $2,000,000 (or such other lesser amount as may be necessary to reduce to zero the amount of the Revolving Credit Commitments) in excess thereof; provided, further, that no such termination or reduction of the Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the Outstanding Revolving Extensions of Credit of all the Bank's would exceed the aggregate amount of the Revolving

Credit Commitments or the Outstanding Revolving Extensions of Credit of any Bank would exceed such Bank's Revolving Credit Commitment. Once canceled pursuant hereto, no such canceled portion of the Revolving Credit Commitments may be reinstated.

(b) Payment of Cancellation and Commitment Fees. (i) Simultaneously with any termination, reduction or cancellation of the Revolving Credit Commitment pursuant to this Section 3.3, the Borrower shall pay to the Agent for the account of each Bank the applicable Commitment Fee, if any, on the amount of the Revolving Credit Commitments so terminated, reduced or cancelled and owed to such Bank through the date of such termination or reduction.

(ii) If any such termination or reduction of the Revolving Credit Commitments occurs during the period from the Agreement Date through the second anniversary thereof, then the Borrower shall also pay to the Agent for the account of each Bank a cancellation fee equal to 1/4 of 1% on the amount of the Revolving Credit Commitments so terminated or reduced.

3.4. Extension of Revolving Credit Commitment Termination Date. (a) On or before the third anniversary of the Agreement Date, the Borrower may request that the Revolving Credit Commitment Termination Date be extended for an additional one year period by submitting a request in writing to the Agent; provided, however, that the Borrower may not submit in total more than two (2) such requests for an extension of the Revolving Credit Commitment Termination Date. The Agent shall promptly inform the Banks of such request. Each Bank shall then determine, in its sole discretion, whether the Revolving Credit Commitment Termination Date will be extended as to its Revolving Loans and/or Working Capital Loans, as the case may be, and such Bank shall inform the Agent of its decision within 20 days of being informed of the Borrower's request. Failure by any Bank to so inform the Agent shall be deemed to constitute non-approval by such Bank of the request for extension. The Agent shall inform the Borrower within three months of the time when the Borrower's request was received whether its request for an extension of the Revolving Credit Commitment Termination Date has been approved and by which Banks. If all the Banks consent in writing, the then applicable Revolving Loan Commitment Termination Date shall be extended for one year effective as of the first day that all of the Banks have so consented in writing.

(b) Extension Fee. Upon approval of each extension of the Revolving Credit Commitment Termination Date in accordance with the terms hereof, the Borrower shall pay to the Agent for the account of each Bank that has approved the extension of the Revolving Credit Commitment Termination Date a fee equal to 1/8% of each such Bank's Outstanding Revolving Extensions of Credit.

(c) Non-Extending Banks. If not all the Banks consent to such an extension pursuant to this Section 3.4 (the Banks so consenting in writing being the "Consenting Banks" and any Bank not so consenting being a "Non-Consenting Bank"), the Borrower may require such Non-Consenting Bank to assign, to one or more Consenting Banks or to any other assignee which meets the requirements of clauses (A) or (B) of Section 12.7(a), all of such Non-Consenting Bank's Revolving Credit Commitment and, if applicable, Working Capital Loan Commitment and obligations in respect thereof under this Agreement by delivering to the Agent a Notice of Assignment and Acceptance, which shall have effect as provided in Section 12.7(c), and the Revolving Credit Notes and/or Working Capital Notes held by such Non-Consenting Bank; provided, however, that (A) any assignee of the Commitments and obligations of such Non-Consenting Bank shall have consented and shall have paid to such Non-Consenting Bank the aggregate principal amount of, and any interest accrued and unpaid to the date of the assignment on, the Note or Notes of such Non-Consenting Bank being assigned , (B) the Borrower shall have paid all accrued and unpaid fees owing to such Non-Consenting Bank in respect of Revolving Loans, Working Capital Loans and/or Letter of Credit Liabilities, as the case may be, under this Agreement and the recording fee due pursuant to Section 12.7(a) and (C) the Borrower shall have, at its own expense, executed and delivered to the Agent new Revolving Credit Notes and/or Working Capital Notes payable to the order of each assignee of such Non-Consenting Bank, in the amount of each such assignee's Revolving Credit Commitment and/or Working Capital Commitment, and dated the date the assignment is effective.

ARTICLE IV

AMOUNT AND TERMS OF THE WORKING CAPITAL LOANS

4.1. The Working Capital Loans

(a) Commitment to Lend. On the terms and subject to the conditions contained in this Agreement, each Working Capital Bank severally agrees to make a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments (and in addition to the issuance of Letters of Credit provided by Section 4.4) to make Working Capital Loans to the Borrower from time to time on any Business Day during the Revolving Credit Availability Period, each such Loan being part of a Working Capital Loan Borrowing; provided, however, that in no event may Working Capital Loans be borrowed hereunder if, after giving effect thereto (x) the aggregate Outstanding Revolving Extensions of Credit of any Bank at such time would exceed such Bank's Revolving Credit Commitment or (y) the aggregate principal amount

of Working Capital Extensions of Credit made by any Working Capital Bank then outstanding would exceed the Working Capital Loan Commitment of such Working Capital Bank.

(b) Evidence of Debt. (i) Each Working Capital Bank shall maintain in accordance with its usual practice an account or accounts and shall receive from the Borrower a single Working Capital Note payable to the order of such Working Capital Bank, evidencing the Indebtedness to such Working Capital Bank resulting from each Working Capital Loan made by such Working Capital Bank to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Working Capital Bank from time to time hereunder.

(ii) The Register maintained by the Working Capital Agent pursuant to Section 12.7(g)(ii) shall include a "Working Capital Loan control account" for each Working Capital Bank, in which account shall be recorded (A) the date and amount of each Working Capital Loan Borrowing hereunder, (B) the amount of each Working Capital Bank's Working Capital Loan comprising such Borrowing and the Interest Period applicable thereto, (C) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Working Capital Bank with respect to each such Working Capital Loan hereunder and (D) the amount of any sum received by the Working Capital Agent from the Borrower with respect to such Working Capital Loans hereunder and each Working Capital Bank's Ratable Portion thereof.

(iii) The entries made in the Register in respect of the Working Capital Loans shall be conclusive and binding for all purposes, absent manifest error.

(c) Repayment of Working Capital Loans. (i) The Borrower shall repay the outstanding principal amount of the Working Capital Loans (together with all accrued but unpaid interest thereon) in full on the Revolving Credit Commitment Termination Date. Within the limits of each Working Capital Bank's Working Capital Loan Commitment and Available Revolving Extensions of Credit, prior to the Revolving Credit Commitment Termination Date, amounts borrowed under Section 4.1(a) and repaid may be reborrowed under Section 4.1(a), subject to Section 4.2(c) below.

(ii) The Borrower shall indemnify the Working Capital Banks pursuant to Section 12.4(c) in the event that any repayment shall be made on a day other than the last day of an Interest Period for the Loan or Loans being prepaid.

4.2. Making the Working Capital Loans. (a) Each Working Capital Loan Borrowing shall be made upon receipt of a Notice of Borrowing, given by the Borrower to the Working Capital Agent not later than 11:00 A.M. (New York City time) on the (i) third

Business Day prior to the date of the proposed Working Capital Loan Borrowing in the case of Eurodollar Working Capital Loans or (ii) the same Business Day of the proposed Working Capital Loan Borrowing in the case of Alternate Base Rate Working Capital Loans.

(b) The Working Capital Agent shall give to each Working Capital Bank prompt notice of its receipt of a Notice of Borrowing in respect of Working Capital Loans, the amount thereof requested as Eurodollar Working Capital Loans and as Alternate Base Rate Working Capital Loans, and, in the case of a requested Eurodollar Working Capital Loan and upon the Working Capital Agent's determination thereof, notice of the applicable interest rate under Section 5.3(b). Each Working Capital Bank shall, before 11:00 A.M. (New York City time) on the date of the proposed Working Capital Loan Borrowing, make available for the account of its Lending Office to the Working Capital Agent at its address referred to in Section 12.2, in immediately available funds, such Working Capital Bank's Ratable Portion of such proposed Working Capital Loan Borrowing. After the Working Capital Agent's receipt of such funds and upon fulfillment of the applicable conditions set-forth in Article VI, the Agent will make such funds available to the Borrower at the Working Capital Agent's aforesaid address.

(c) Each Working Capital Loan Borrowing pursuant to this Section 4.2 shall be in an aggregate amount of not less than (i) $1,000,000 or an integral multiple of $1,000,000 in excess thereof, in the case of Eurodollar Working Capital Loans, and (ii) $100,000 or an integral multiple of $100,000 in excess thereof, in the case of Alternate Base Rate Working Capital Loans (or, in either case, such lesser amount as may be necessary to draw down the full amount of the Working Capital Loan Commitment). The maximum number of Interest Periods that may be outstanding in respect of Eurodollar Working Capital Loans at any one time is ten (10).

(d) Each Notice of Borrowing pursuant to this Section 4.2 shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Working Capital Bank against any loss, cost or expense incurred by such Working Capital Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such proposed Borrowing the applicable conditions set forth in Article VI, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Working Capital Bank to fund any Working Capital Loan to be made by such Working Capital Bank as part of such proposed Working Capital Loan Borrowing when such Working Capital Loan, as a result of such failure, is not made on such date. A certificate as to such amounts submitted to the Borrower and the

Working Capital Agent by such Working Capital Bank shall be conclusive and binding, absent manifest error.

(e) Unless the Working Capital Agent shall have received notice from a Working Capital Bank prior to the date of any proposed Working Capital Loan Borrowing pursuant to this Section 4.2 that such Working Capital Bank will not make available to the Working Capital Agent such Working Capital Bank's Ratable Portion of such Working Capital Loan Borrowing, the Working Capital Agent may assume that such Working Capital Bank has made such Ratable Portion available to the Working Capital Agent on the date of such Working Capital Loan Borrowing in accordance with this Section 4.2 and the Working Capital Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Working Capital Bank shall not have so made such Ratable Portion available to the Working Capital Agent and the Working Capital Agent has so made available such amount, such Working Capital Bank and the Borrower severally agree to repay to the Working Capital Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Working Capital Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to the Working Capital Loan comprising such Working Capital Loan Borrowing and (ii) in the case of such Working Capital Bank, the Federal Funds Rate. If such Working Capital Bank shall repay to the Working Capital Agent such corresponding amount, such amount so repaid shall constitute such Working Capital Bank's Working Capital Loan as part of such Borrowing for purposes of this Agreement. If the Borrower shall repay to the Working Capital Agent such corresponding amount, such payment shall not relieve such Working Capital Bank of any obligation it may have to the Borrower hereunder.

(f) The failure of any Working Capital Bank to make the Working Capital Loan to be made by it as part of any Working Capital Loan Borrowing pursuant to this Section 4.2 shall not relieve any other Working Capital Bank of its obligation, if any, hereunder to make its Working Capital Loan on the date of such Borrowing, but no Working Capital Bank shall be responsible for the failure of any other Working Capital Bank to make the Working Capital Loan to be made by such other Working Capital Bank on the date of any such Working Capital Loan Borrowing.

4.3. Termination/Reduction of the Working Capital Loan Commitments. The Borrower shall have the right, upon at least thirty days' prior notice to the Working Capital Agent, to terminate in whole or permanently reduce ratably in part the unused portions of the respective Working Capital Loan Commitments of the Working Capital Banks; provided, however, that

(i) each partial reduction shall be in the aggregate amount of not less than $5,000,000 or an integral multiple of $1,000,000 (or such other lesser amount as may be necessary to reduce to zero the amount of the Working Capital Loan Commitments) in excess thereof; (ii) the reduction or termination of the Working Capital Loan Commitment pursuant hereto shall have no effect on the Revolving Credit Commitments of the Working Capital Banks or on the obligation of the Working Capital Banks to make Revolving Loans; and (iii) no such termination or reduction of the Working Capital Loan Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, (x) the aggregate Outstanding Revolving Extensions of Credit of any Bank would exceed such Bank's Revolving Credit Commitment or (y) the Working Capital Extensions of Credit of any Working Capital Bank then outstanding would exceed such Working Capital Bank's Working Capital Loan Commitment.

4.4. Letters of Credit. Subject to the terms and conditions of this Agreement, the Revolving Credit Commitments of the Working Capital Banks may be utilized, upon the request of the Borrower, in addition to the Revolving Loans provided for by Section 3.1 and the Working Capital Loans provided for by Section 4.1 hereof, by the issuance by an Issuing Bank of Letters of Credit (collectively, the "Letters of Credit") for the account of the Borrower or any of the Principal Subsidiaries (as specified by the Borrower), provided that in no event shall (i) the aggregate amount of the Working Capital Extensions of Credit exceed the aggregate amount of the Working Capital Loan Commitments as in effect from time to time, (ii) the principal amount of any Letter of Credit to be issued exceed the aggregate amount of the Available Revolving Credit Commitment of all Working Capital Banks immediately prior to the issuance of such Letter of Credit, (iii) any Letter of Credit be issued if, after giving effect thereto, the aggregate Outstanding Revolving Extensions of Credit of any Working Capital Bank at such time would exceed such Working Capital Bank's Revolving Credit Commitment, (iv) the outstanding aggregate amount of all Letter of Credit Liabilities exceed $15,000,000 or (v) the expiration date of any Letter of Credit extend beyond the earlier of six months after the Revolving Credit Commitment Termination Date and the date 12 months following the issuance of such Letter of Credit (provided that if the expiration date of any Letter of Credit extends beyond the Revolving Credit Commitment Termination Date, the Borrower shall provide to the Working Capital Agent cash collateral as security for the Letter of Credit Liabilities in an amount of at least equal to the Letter of Credit Liabilities under such Letter of Credit). The following additional provisions shall apply to Letters of Credit:

(a) The Borrower shall give the Working Capital Agent

at least three Business Days' irrevocable prior notice (effective upon receipt) specifying the Business Day (which shall be no later than 30 days preceding the Revolving Credit Commitment Termination Date) each Letter of Credit is to be issued, the Issuing Bank in respect thereof and the account party or parties therefor describing in reasonable detail the proposed terms of such Letter of Credit (including the beneficiary thereof) and the nature of the transactions or obligations proposed to be supported thereby (including whether such Letter of Credit is to be a commercial Letter of Credit or a standby Letter of Credit). Upon receipt of any such notice, the Working Capital Agent shall advise the Issuing Bank of the contents thereof.

(b) On each day during the period commencing with the issuance by the Issuing Bank of any Letter of Credit and until such Letter of Credit shall have expired or been terminated, the Working Capital Loan Commitment of each Working Capital Bank shall be deemed to be utilized for all purposes of this Agreement in an amount equal to such Working Capital Bank's Ratable Portion of the then undrawn face amount of such Letter of Credit. Each Working Capital Bank (other than the Issuing Bank) agrees that, upon the issuance of any Letter of Credit hereunder, it shall automatically acquire a participation in the Issuing Bank's liability under such Letter of Credit in an amount equal to such Working Capital Bank's Ratable Portion of such liability, and each Working Capital Bank (other than the Issuing Bank) thereby shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety and shall be unconditionally obligated to the Issuing Bank to pay and discharge when due, its Ratable Portion of the Issuing Bank's liability under such Letter of Credit.

(c) Upon receipt from the beneficiary of any Letter of Credit of any demand for payment under such Letter of Credit, the Issuing Bank shall promptly notify the Borrower (through the Working Capital Agent) of the amount to be paid by the Issuing Bank as a result of such demand and the date on which payment is to be made by the Issuing Bank to such beneficiary in respect of such demand. Notwithstanding the identity of the account party of any Letter of Credit, the Borrower hereby unconditionally agrees, as primary obligor and not merely as surety, to pay and reimburse the Working Capital Agent for the account of the Issuing Bank for the amount of each demand for payment under such Letter of Credit that is in substantial compliance with the provisions of such Letter of Credit at or prior to the date on which payment is to be made by the Issuing Bank to the beneficiary thereunder, without presentment, demand, protest or other formalities of any kind.

(d) Forthwith upon its receipt of a notice referred to in paragraph (c) of this Section, the Borrower shall advise the

Working Capital Agent whether or not the Borrower intends to borrow hereunder to finance its obligation to reimburse the Issuing Bank for the amount of the related demand for payment and, if it does, submit a Notice of Borrowing as provided herein.

(e) Each Working Capital Bank (other than the Issuing Bank) shall pay to the Working Capital Agent of the account for the Issuing Bank in Dollars and in immediately available funds, the amount of such Working Capital Bank's Ratable Portion of any payment under a Letter of Credit upon notice by the Issuing Bank (through the Working Capital Agent) to such Working Capital Bank requesting such payment and specifying such amount. Each such Working Capital Bank's obligation to make such payment to the Working Capital Agent for account of the Issuing Bank under this paragraph (e), and the Issuing Bank's right to receive the same, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the failure of any other Working Capital Bank to make its payment under this paragraph (e), the financial condition of the Borrower (or any other account party), the existence of any Default or the termination of the Working Capital Loan Commitments. Each such payment to the Issuing Bank shall be made without any offset, abatement, withholding or reduction whatsoever. If any Working Capital Bank shall default in its obligation to make any such payment to the Working Capital Agent or the Issuing Bank, for so long as such default shall continue the Working Capital Agent may at the request of the Issuing Bank withhold from any payments received by the Working Capital Agent under this Agreement or any Note for the account of such Working Capital Bank the amount so in default and, to the extent so withheld, pay the same to the Issuing Bank in satisfaction of such defaulted obligation.

(f) Upon the making of each payment by a Working Capital Bank to the Issuing Bank pursuant to paragraph (e) above in respect of any Letter of Credit, such Working Capital Bank shall, automatically and without any further action on the part of the Working Capital Agent, the Issuing Bank or such Working Capital Bank, acquire (i) a participation in an amount equal to such payment in the Reimbursement Obligation owing to the Issuing Bank by the Borrower hereunder and under the Letter of Credit Documents relating to such Letter of Credit and (ii) a participation equal to such Bank's Ratable Portion in any interest or other amounts payable by the Borrower hereunder and under such Letter of Credit Documents in respect of such Reimbursement Obligation (other than the commissions, charges, costs and expenses payable to the Issuing Bank pursuant to paragraph (g) of this Section). Upon receipt by the Issuing Bank from or for the account of the Borrower of any payment in respect of any Reimbursement Obligation or any such interest or other amount (including by way of setoff or application of proceeds of any collateral security), the Issuing Bank shall promptly pay to

the Working Capital Agent for the account of each Working Capital Bank entitled thereto such Working Capital Bank's Ratable Portion of such payment, each such payment by the Issuing Bank to be made in the same money and funds in which received by the Issuing Bank. In the event any payment received by the Issuing Bank and so paid to the Working Capital Banks hereunder is rescinded or must otherwise be returned by the Issuing Bank, each Working Capital Bank shall, upon the request of the Issuing Bank (through the Working Capital Agent), repay to the Issuing Bank (through the Working Capital Agent) the amount of such payment paid to such Working Capital Bank, with interest at the rate specified in paragraph (j) of this Section.

(g) The Borrower shall pay to the Working Capital Agent for account of each Working Capital Bank (ratably in accordance with their respective Ratable Portions of the Working Capital Loan Commitments) a Letter of Credit fee in respect of each Letter of Credit in an amount equal to a percentage (which shall be equal to the Applicable Margin in effect at that time) of the daily average undrawn face amount of such Letter of Credit for the period from and including the date of issuance of such Letter of Credit (x) in the case of the Letter of Credit that expires in accordance with its terms, to and including such expiration date and (y) in the case of a Letter of Credit that is drawn in full or is otherwise terminated other than on the stated expiration date of such Letter of Credit, to but excluding the date such Letter of Credit is drawn in full or is terminated (such fee to be non-refundable, to be paid in arrears on the first Business Day of each calendar quarter and on the Revolving Credit Commitment Termination Date and to be calculated for any day after giving effect to any payments made under such Letter of Credit on such day). In addition, the Borrower shall pay to the Working Capital Agent for account of the Issuing Bank a fronting fee in respect of each Letter of Credit in an amount equal to 1/4 of 1% per annum of the daily average undrawn face amount of such Letter of Credit for the period from and including the date of issuance of such Letter of Credit (i) in the case of a Letter of Credit that expires in accordance with its terms, to and including such expiration date and (ii) in the case of a Letter of Credit that is drawn in full or is otherwise terminated other than on the stated expiration date of such Letter of Credit, to but excluding the date such Letter of Credit is drawn in full or is terminated (such fee to be non-refundable, to be paid in arrears on the first Business Day of each calendar quarter and on the Revolving Credit Commitment Termination Date and to be calculated for any day after giving effect to any payments made under such Letter of Credit on such day) plus all commissions, charges, costs and expenses in the amounts customarily charged by the Issuing Bank from time to time in like circumstances with respect to the issuance of each Letter of Credit and drawings and other transactions.

(h) Promptly following the end of each calendar quarter, the Issuing Bank shall deliver (through the Working Capital Agent) to each Working Capital Bank and the Borrower a notice describing the aggregate amount of all Letters of Credit outstanding at the end of such quarter. Upon the request of any Working Capital Bank from time to time, the Issuing Bank shall deliver any other information reasonably requested by such Working Capital Bank with respect to each Letter of Credit then outstanding.

(i) The issuance by the Issuing Bank of each Letter of Credit shall, in addition to the conditions precedent set forth herein, be subject to the conditions precedent that (i) such Letter of Credit shall be in such form, contain such terms and support such transactions as shall be satisfactory to the Issuing Bank consistent with its then current practices and procedures with respect to the Letters of Credit of the same type and (ii) the Borrower shall have executed and delivered such applications, agreements and other instruments relating to such Letter of Credit as the Issuing Bank shall have reasonably requested consistent with its then current practices and procedures with respect to Letters of Credit of the same type, provided that in the event of any conflict between any such application agreement or other instrument and the provisions of this Agreement, the provisions of this Agreement shall control.

(j) To the extent that any Working Capital Bank shall fail to pay any amount required to be paid pursuant to paragraph (e) or (f) of this Section on the due date therefor, such Working Capital Bank shall pay interest to the Issuing Bank (through the Working Capital Agent) on such amount from and including such due date to but excluding the date such payment is made at a rate per annum equal to the Federal Funds Rate.

(k) The issuance by the Issuing Bank of any modification or supplement to any Letter of Credit hereunder shall be subject to the same conditions applicable under this Section to the issuance of new Letters of Credit, and no such modification or supplement shall be issued hereunder unless either (i) the respective Letter of Credit affected thereby would have complied with such conditions had it originally been issued hereunder in such modified or supplemented form or (ii) each Working Capital Bank shall have consented thereto.

The Borrower hereby indemnifies and holds harmless the Issuing Bank, each Working Capital Bank and the Working Capital Agent from and against any and all claims and damages, losses, liabilities, costs or expenses that such Working Capital Bank or the Working Capital Agent may incur (or that may be claimed against such Working Capital Bank or the Working Capital Agent by

any Person whatsoever) by reason of or in connection with the execution and deliver or transfer of or payment or refusal to pay by the Issuing Bank under any Letter of Credit.

4.5. Obligations Absolute. The Borrower's obligations under Section 4.4 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 4.4 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit issued by it, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit issued by the Issuing Lender or the relate drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

ARTICLE V

INTEREST, FEES, ETC.

5.1. Interest Period Election. (a) Subject to the adjustment of any Interest Periods in connection with a Consolidation, the applicable Interest Period for all Term Loans shall at all times be six months. With respect to any other Eurodollar Loans, after the election of an initial Interest Period pursuant to a Notice of Borrowing, the Borrower shall elect the Interest Period that shall apply to each such Eurodollar Loan after the end of the then current Interest Period with respect to such Loan; provided that all Loans related to the same Borrowing shall have the same Interest Period. Each such election shall be in substantially the form of Exhibit I hereto (a "Notice of Interest Period") and shall be made by giving (x)

in the case of Revolving Loans, the Agent and (y) in the case of Eurodollar Working Capital Loans, the Working Capital Agent, at least five (5) Business Days' prior written notice thereof specifying the Interest Period being elected. The Agent or the Working Capital Agent, as the case may be, shall promptly notify each Bank or Working Capital Bank, as the case may be, of its receipt of a Notice of Interest Period and of the contents thereof. If, within the time period required under the terms of this Section 5.1, the Agent or the Working Capital Agent, as the case may be, does not receive a Notice of Interest Period from the Borrower, or a Default shall then exist and be continuing, then the Agent or the Working Capital Agent, as the case may be, shall inform the Banks or the Working Capital Banks, as the case may be, of the same and, upon the expiration of the Interest Period therefor, the Interest Period applicable to such Loans thereafter shall be (x) one month, in the case of the Borrower's failure to deliver a Notice of Interest Period, and (y), of such duration as the Agent or the Working Capital Agent, as the case may be, may determine, in the event a Default shall then exist and be continuing, until such time as (i) in the case of the foregoing clause (x), the Borrower delivers a Notice of Interest Period in accordance with the terms of this Agreement electing a different Interest Period or (ii) such Loans become due and payable (as the case may be). Each Notice of Interest Period shall be irrevocable.

(b) Notwithstanding anything else herein contained, if requested by the Borrower in its Notice of Borrowing or in its Notice of Interest Period, the Banks or the Working Capital Banks, as the case may be, may, in their sole discretion, make Revolving Loans or Eurodollar Working Capital Loans with an applicable Interest Period of 12 months; provided that no such request shall be granted unless all of the Banks or the Working Capital Banks, as the case may be, so agree.

5.2. Interest Rate. (a) The Borrower shall pay interest on the unpaid principal amount of each Loan from the date of the making thereof until the principal amount thereof shall be paid in full at a rate per annum equal at all times to (i) in respect of Eurodollar Loans, and during the applicable Interest Period for each such Loan, the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin (subject to clause (b) below), payable in arrears (A) on the last day of such Interest Period or (B) in the case of an Interest Period having a duration of 12 months, (x) on the day that is 6 months after the day such Borrowing is made and (y) on the last day of such Interest Period and (ii) in respect of Alternate Base Rate Working Capital Loans, the Alternate Base Rate as in effect from time to time plus the Applicable Margin (subject to clause (b) below) payable quarterly in arrears on the first Business Day of each October, January, April and July.

(b) Default Rate of Interest. If any amount of principal of any Loan is not paid when due, whether at stated maturity, by acceleration or otherwise, the interest rate applicable to any such amount shall be (i) the Eurodollar Rate or Alternate Base Rate, as the case may be, applicable to such Loan (as determined in accordance with this Agreement) plus (ii) the Applicable Margin plus (iii) 1% per annum, payable on demand, and if any interest, fee or other amount payable hereunder is not paid when due, such amount shall bear interest at a rate per annum equal at all times in the case of any interest, fee or other amount payable in respect of (A) Eurodollar Loans, to the Eurodollar Rate in effect at such time, for a period and for a Dollar amount determined by the Agent or the Working Capital Agent, as the case may be, plus 2% per annum, payable on demand, and (B) Alternate Base Rate Working Capital Loans, the Alternate Base Rate in effect at such time plus 2% per annum, payable on demand.

5.3. Interest Rate Determination and Protection. (a) If the Agent shall on behalf of the Banks determine in good faith (which determination shall be conclusive and binding on the Borrower and the Banks) that, by reason of circumstances affecting the international interbank Eurocurrency market generally, adequate and reasonable means do not or will not exist for ascertaining the Eurodollar Rate applicable to any Interest Period, the Agent shall give notice of such determination (hereinafter called a "Determination Notice") to the Borrower and each of the Banks. The Borrower, the Banks and the Agent shall then negotiate in good faith in order to agree upon a mutually satisfactory interest rate (or separate rates in respect of the Loans of the several Banks) and Interest Period (or Periods) to be substituted for those which would otherwise have applied under this Agreement. If the Borrower, the Banks and the Agent are unable to agree upon an interest rate (or rates) and Interest Period (or Periods) within a period not exceeding thirty days of the giving of such Determination Notice, then the Borrower shall have the right to prepay any such Loans (without premium or penalty) and with respect to any such Loans that are not so prepaid, the Agent shall (after consultation with the Banks) set an interest rate (or separate rates in respect of the Loans of the several Banks) and an Interest Period (or Periods) all to take effect from the expiration of the Interest Period current at the date of the Determination Notice, which rate (or rates) shall be the aggregate of the Applicable Margin and the cost to each of the Banks of funding their Ratable Portion of the Loans. In the event that the condition referred to in this Section 5.3(a) shall extend beyond the end of an Interest Period so agreed or set, the foregoing procedure shall be repeated as often as may be necessary.

(b) The Agent shall give prompt notice to the Borrower

and the Banks of the applicable interest rate determined by the Agent for purposes of Section 5.2(a) or (b).

(c) If the Majority Banks notify the Agent that the Eurodollar Rate for any Interest Period will not adequately reflect the cost to such Banks of making or maintaining their respective Loans for such Interest Period, the Agent shall forthwith give notice thereof to the Borrower and the Banks stating the circumstances which have caused such notice to be given, and if such notice shall be given prior to the Loan or Loans being advanced by the Banks, the Borrower's right to borrow the Loans hereunder from the Banks shall be suspended during the continuation of such circumstances. In any event, during the thirty (30) days following the giving of such notice, the Borrower, the Agent and the Banks shall negotiate in good faith in order to arrive at an alternative interest rate or (as the case may be) an alternative basis for the Banks to fund or continue to fund their Ratable Portion of such Loans during such Interest Period. If within such thirty (30) day period an alternative interest rate or (as the case may be) an alternative basis is agreed upon, then such alternative interest rate or (as the case may be) alternative basis shall take effect in accordance with the terms of such agreement. If the Borrower, the Agent and the Banks fail to agree on such an alternative interest rate or (as the case may be) alternative basis within such thirty (30) day period and such circumstances are continuing at the end of such thirty (30) day period, then the Agent, with the agreement of each Bank shall set an interest period and interest rate representing the cost of funding of the Banks in Dollars of their Ratable Portion of such Loans plus the Applicable Margin. If the circumstance shall continue at the end of such interest period, the procedure in this Section 5.3(c) shall be repeated. If the Borrower shall not agree with such rate then the Borrower may give not less than fifteen (15) Business Days' irrevocable notice of prepayment to the Agent, in which case the aggregate Commitments of the Banks shall thereupon be canceled and, if the Loans are outstanding, the Borrower shall prepay (without premium or penalty) Loans on the first Business Day after such period together with accrued interest thereon at the applicable rate plus the Applicable Margin.

5.4. Prepayments. (a) Optional Prepayments.

(i) Eurodollar Loans. Subject to the provisions of this Section 5.4, the Borrower may prepay Eurodollar Loans on the last day of any Interest Period with respect to such Loans (or, with respect to a Loan as to which the applicable Interest Period is 12 months, on any day on which an interest payment is due pursuant to Section 5.2(a); provided that if such day is not the last day of the Interest Period in respect of such Loan, the Borrower shall continue to be liable for any costs or expenses

pursuant to Section 12.4(c)) as follows:

(A) Subject to clause (B) below, the Borrower may, upon at least (1) fifteen Business Days' prior notice to the Agent, in the case of a prepayment of Term Loans or Revolving Loans, and (2) three Business Days' prior notice to the Working Capital Agent, in the case of a prepayment of Eurodollar Working Capital Loans, in each case (which shall be irrevocable) stating the proposed date and aggregate principal amount of the prepayment, prepay without premium or penalty the outstanding principal amount of any Term Loans or Revolving Loans, in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid.

(B) The Borrower may, upon at least three Business Days' prior notice to the Working Capital Agent (which shall be irrevocable) stating the proposed date and aggregate principal amount of the prepayment, prepay without premium or penalty the outstanding principal amount of any Eurodollar Working Capital Loans in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid.

(C) Notwithstanding the foregoing, if any principal amount of any Term Loan is prepaid by the Borrower during the period from the Agreement Date through the second anniversary thereof, then such prepayment of the Term Loans made during such period shall be subject to a fee of 1/4 of 1% on the amount being prepaid.

(D) Term Loans prepaid pursuant to this Agreement may not be reborrowed.

(ii) Allocation of Prepayments. Prepayments of any type of Loan made at the Borrower's option may be allocated (A) towards payment of the next payment due, (B) pro-rata among all remaining maturities or (C) towards the final payment due, in any case with respect to such Loans at the option of the Borrower.

(b) Mandatory Prepayment. The Borrower shall prepay Term Loans, Revolving Loans, Working Capital Loans and/or Letter of Credit Liabilities to the extent necessary to ensure that the aggregate principal amount of all (i) Term Loans outstanding will not at any time exceed the aggregate of the Term Loan Commitments of the Banks, (ii) Revolving Loans, Working Capital Loans and Letter of Credit Liabilities outstanding will not at any time exceed the Revolving Credit Commitments of the Banks and (iii) Working Capital Loans and Letter of Credit Liabilities outstanding will not at any time exceed the Working Capital Loan Commitments of the Working Capital Banks. Partial prepayments

pursuant to this subsection (b) shall be applied pro rata to all Term Loans, Revolving Loans, Working Capital Loans or Letter of Credit Liabilities, as the case may be, then outstanding.

(c) Indemnification of Banks. The Borrower shall indemnify the Banks pursuant to Section 12.4(c) in the event that any prepayment shall be made on a day other than the last day of an Interest Period for the Loan or Loans being prepaid. In addition to any amounts due by the Borrower to the Banks pursuant to Section 12.4(c), the Borrower shall pay to the Agent and/or the Working Capital Agent, as the case may be, for the account of the Banks or the Working Capital Banks, as the case may be, an additional fee of 1/4% per annum on the amount so prepaid for the remainder of the Interest Period.

(d) Amount and Allocation of Prepayment. (i) Each partial prepayment of Term Loans and Revolving Loans permitted under this Section 5.4 shall be in an aggregate amount of not less than $10,000,000 or integral multiples of $5,000,000 in excess thereof. (ii) Each partial prepayment of Working Capital Loans permitted under this Section 5.4 shall be in an aggregate amount of not less than $5,000,0000 or integral multiples of $1,000,000 in excess thereof.

5.5. Fees. (a) Commitment Fees. (i) Term Loan Commitment. The Borrower will pay on the Term Loan Commitment Termination Date to the Agent for the account of each Bank in arrears a fee accruing from the Agreement Date until the Term Loan Commitment Termination Date, on such Bank's aggregate daily unused and uncancelled Term Loan Commitment as in effect from time to time at the rate of 1/8% per annum.

(ii) Revolving Credit Commitment. The Borrower will pay to the Agent for the account of each Bank quarterly in arrears a fee accruing from the Agreement Date until the Revolving Credit Commitment Termination Date on such Bank's aggregate daily unused and uncancelled Revolving Credit Commitment, as in effect from time to time, at the rate of 50% of the Applicable Margin for each such quarter (such rate to be re-determined on the occasion of each change in the Applicable Margin).

(b) Arrangement Fee. The Borrower will pay to the Arranger a fee (the "Arrangement Fee"), in an amount separately agreed. Such fee shall be payable with five (5) Business Days of the Agreement Date.

(c) Agency Fee. The Borrower will pay to the Agent an annual fee (the "Agency Fee") in an amount separately agreed. Such fee shall be paid (i) within seven days of the Agreement Date, (ii) each year thereafter on the anniversary of the

Agreement Date, and (iii) on termination of this Agreement in an amount equal to the accrued and unpaid portion of such fee.

(d) Working Capital Agency Fee. The Borrower will pay to the Working Capital Agent, for its own account, an annual fee (the "Working Capital Agency Fee") in accordance with a separate undertaking between the Working Capital Agent and the Borrower. such fee shall be paid (i) within seven days of the Agreement Date, (ii) each year thereafter on the anniversary of the Agreement Date, and (iii) on termination of this Agreement in an amount equal to the accrued and unpaid portion of such fee.

5.6. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Reserve Requirement) in, or in the interpretation of, any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost (other than with respect to income, franchise or withholding taxes or other taxes of a similar nature) to any Bank of agreeing to make or making, funding or maintaining any Loans, then (A) such Bank shall, as soon as such Bank becomes aware of such increased cost, but in any event not later than 90 days after such increased cost was incurred, deliver to the Borrower and the Agent a notice stating the actual amount of such increased cost incurred by such Bank; (B) the Borrower shall, promptly upon its receipt of such notice pay to the Agent, for the account of such Bank amounts sufficient to compensate such Bank for the increased cost incurred by it as set forth in the notice referred to above and (C) such Bank shall use its reasonable best efforts to designate another of its then existing offices as its Lending Office if the making of such designation would, without any detrimental effect to such Bank, as determined by such Bank in its sole discretion, avoid the need for, or reduce the amount of, future increased costs which are probable of being incurred by such Bank. The amount of increased costs payable by the Borrower to any Bank as stated in any such notice delivered to the Borrower and the Agent pursuant to the provisions of this Section 5.6(a) shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Bank shall be required under Regulation D to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, then (i) such Bank shall, within 45 days after the end of any Interest Period with respect to any Loan during which such Bank was so required to maintain such reserves, deliver to the Borrower and the Agent a notice stating (A) that such Bank was required to maintain reserves and as a result such Bank incurred additional costs in connection with making Loans and (B) in reasonable

detail, such Bank's computations of the amount of additional interest payable by the Borrower pursuant to the provisions of this Section 5.6(b), and (ii) the Borrower shall promptly upon receipt of any such notice, pay to the Agent for the account of such Bank, additional interest on the unpaid principal amount of each Loan of such Bank outstanding during the Interest Period with respect to which the above-referenced notice was delivered to the Borrower, at a rate per annum equal to the difference obtained by subtracting (x) the Eurodollar Rate for such Interest Period from (y) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Reserve Requirement of such Bank for such Interest Period. The amount of interest payable by the Borrower to any Bank as stated in any certificate delivered to the Borrower and the Agent pursuant to the provisions of this Section 5.6(b) shall be conclusive and binding for all purposes, absent manifest error.

(c) The payments required under Sections 5.6(a) and (b) are in addition to any other payments and indemnities required under this Agreement.

5.7. Illegality. Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation, in each case after the date hereof, shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Bank or its Lending Office to make Loans or to continue to fund or maintain Loans, then, on notice thereof and demand therefor by such Bank to the Borrower through the Agent, (i) the obligation of such Bank to make Loans shall be suspended until such Bank through the Agent shall notify the Borrower that the circumstances causing such suspension no longer exist and (ii) the Borrower shall forthwith prepay (without premium or penalty) in full all Loans of such Bank then outstanding, together with interest accrued thereon; provided, however, that before making any such demand, each Bank agrees to use its reasonable best efforts to designate another of its then existing offices as its Lending Office if the making of such a designation would, without any detrimental effect to such Bank, cause the making of Loans to not be subject to this Section 5.7.

5.8. Capital Adequacy. If any Bank shall, at any time, reasonably determine that (a) the adoption (i) after the date of this Agreement, of any capital adequacy guidelines or (ii) at any time, of any other applicable law, government rule, regulation or order regarding capital adequacy of banks or bank holding companies, (b) any change in (i) any of the foregoing or (ii) the interpretation or administration of any of the foregoing by any Governmental Authority, central bank or comparable agency or (c) compliance with any policy, guideline, directive or request regarding capital adequacy (whether or not having the force of

law and whether or not failure to comply therewith would be unlawful) of any Governmental Authority, central bank or comparable agency, would have the effect of reducing the rate of return on the capital of such Bank to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Bank with respect to capital adequacy in effect immediately before such adoption, change or compliance) and (x) such reduction is as a consequence of the Commitment of, or the making of any Loans by, such Bank hereunder and (y) such reduction is reasonably deemed by such Bank to be material, then (1) such Bank shall deliver to the Borrower and the Agent a notice stating the reduction in the rate of return such Bank will in the future suffer as a result of its Commitment or the making of any Loans by it to the Borrower hereunder and (2) the Borrower shall, promptly upon receipt of such notice pay to the Agent for the account of such Bank from time to time as specified by such Bank such amount as shall be sufficient to compensate such Bank for such reduced return. The amount stated in any notice delivered to the Borrower pursuant to the provisions of this Section 5.8 shall be conclusive and binding for all purposes, absent manifest error. In determining any such amount, such Bank may use reasonable averaging and attribution methods. The payments required under this Section 5.8 are in addition to any other payments and indemnities required hereunder.

5.9. Payments and Computations. (a) The Borrower shall make each payment payable by it hereunder not later than 11:00 A.M. (New York City time) on the day when due, in Dollars, to (i) in respect of Term Loans, Revolving Loans and Letter of Credit Liabilities, the Agent at its address referred to in Section 12.2 and (ii) in respect of Working Capital Loans, the Working Capital Agent, at its address referred to in Section 12.2, in each case in immediately available funds without set-off or counterclaim. The Agent or the Working Capital Agent, as the case may be, will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or fees ratably (other than amounts payable pursuant to Section 5.6, 5.7 or 5.8) to the Banks or Working Capital Banks, as the case may be, for the account of their respective Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Lending Office, in each case to be applied in accordance with the terms of this Agreement. Payment received by the Agent or Working Capital Agent, as the case may be, after 11:00 A.M. (New York City time) shall be deemed to be received on the next Business Day.

(b) No Reductions. (i) Subject to Section 5.9(b)(ii) and (iii), payments due to the Agent, the Working Capital Agent, the Documentation Agent, the Arranger or any Bank under the Loan Documents, and all other terms, conditions, covenants and

agreements to be observed and performed by the Borrower thereunder, shall be made, observed or performed by the Borrower without any reduction or deduction whatsoever, including any reduction or deduction for any set-off, recoupment, counterclaim (whether sounding in tort, contract or otherwise) or Tax.

(ii)(x) If any withholding or deduction from any payment to be made by the Borrower hereunder is required for any Taxes under any applicable law, rule or regulation, then the Borrower will

(A) pay directly to the relevant taxing authority the full amount required to be so withheld or deducted;

(B) promptly forward to the Agent or Working Capital Agent, as the case may be, an official receipt or other documentation satisfactory to the Agent or Working Capital Agent, as the case may be, evidencing such payment to such authority; and

(C) pay to the Agent or Working Capital Agent, as the case may be, for the account of the Banks or Working Capital Banks, as the case may be, such additional amount or amounts necessary to ensure that the net amount actually received by each Bank will equal the full amount such Bank would have received had no such withholding or deduction been required.

In addition, to the extent permitted by applicable law, the Borrower agrees to pay any present or future stamp or documentary taxes, excise or property taxes, or any other charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

Each Bank shall use its reasonable best efforts to designate another of its then existing offices as its Lending Office if the making of such designation would, without any detrimental effect to such Bank (as determined by the Bank in its sole discretion), avoid the need for, or reduce the amount of, such withholding or deduction from any payment to be made to such Bank by the Borrower hereunder required for any Taxes.

The Borrower will indemnify each Bank, the Agent and the Working Capital Agent for the full amount of Taxes or Other Taxes paid by such Bank, the Agent or Working Capital Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Bank, the Agent or the Working Capital Agent (as the case may be) makes written demand therefor.

If the Borrower fails to pay any Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Agent or the Working Capital Agent, for the account of the respective Banks, the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent, the Working Capital Agent and the Banks for any incremental Taxes or Other Taxes, penalties, interest or expenses that may become payable by the Agent, the Working Capital Agent or any Bank as a result of any such failure.

(y) Notwithstanding subsection (x), the Borrower shall not be required to indemnify or pay additional amounts for or on account of:

(A) Taxes imposed on or measured by the net income of the Agent, the Working Capital Agent or any Bank or franchise Taxes imposed on the Agent, the Working Capital Agent or any Bank, but in each case only to the extent imposed by the jurisdiction under the laws of which the Agent, the Working Capital Agent or such Bank is organized or doing business (other than as a result of the transactions contemplated by the Loan Documents or the Agent's, the Working Capital Agent's or any Bank's enforcement of its rights under any Loan Document) or any political subdivision or taxing authority thereof or therein, or by any jurisdiction in which the Agent's, the Working Capital Agent's or such Bank's lending office or principal executive office is located or any political subdivision or taxing authority thereof or therein (except, in each case, to the extent required by the following paragraph to make payments on a net after-tax-basis), or

(B) any Tax or Other Tax imposed by reason of either (i) the failure of the certification made by a Bank on any form provided pursuant to Section 5.9(b)(iii) to be accurate and true in all material respects unless any such failure is attributable solely to a Change in Tax Law that occurs on or after the date on which such form is provided by such Bank, or (ii) the failure by a Bank to deliver to the Borrower and the Agent two duly completed and executed copies of IRS Form 1001 or 4224 (or successor applicable forms) in accordance with the second sentence of Section 5.9(b)(iii), certifying that such Bank is entitled to receive payments under this Agreement and the Loans without deduction or withholding of any United States federal income taxes, provided that this clause (B)(ii) will not apply if such failure is attributable solely to a Change in Tax Law that occurs on or after the date hereof.

All amounts payable as additional amounts or indemnities pursuant to this Section 5.9(b) shall include an amount necessary to hold the Agent, the Working Capital Agent or the relevant Bank

harmless on a net after-tax-basis from and against all Taxes required to be paid with respect to or as a result of the payment of such additional amount or indemnity (including, without limitation, Taxes described in clause (A) of the preceding paragraph.)

(iii) Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees that it will, on or before the date that the Bank executes this Agreement (or, in the case of a Bank that becomes a Bank pursuant to an assignment described in Section 12.7, on or before the date that the Agent records the Notice of the Assignment and Acceptance by which it becomes a Bank), deliver to the Borrower and the Agent two duly completed and executed copies of IRS Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments payable to it under this Agreement and the Loans without deduction or withholding of any United States federal income taxes. Each Bank that undertakes to deliver to the Borrower and the Agent an IRS Form 1001 or 4224 under the preceding sentence further undertakes to deliver to the Agent and the Borrower two additional duly completed and executed copies of Form 1001 or 4224 (or successor applicable forms) on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower and the Agent, and such extensions or renewals thereof as may reasonably be required by the Borrower, certifying, in the case of a Form 1001 or 4224, that such Bank is entitled to receive payments under this Agreement and the Loans without deduction or withholding of any United States federal income taxes, unless, in any such case, an event (including, without limitation, any Change in Tax Law) has occurred before the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which causes such Bank to be no longer eligible to complete and deliver any such form with respect to it, in which case the Bank shall either (1) furnish to the Borrower such forms or other certification as the Bank (in its sole opinion) is legally entitled to furnish evidencing the Bank's eligibility for a complete exemption from or a reduced rate of withholding of United States federal income taxes, or (2) notify the Borrower that the Bank is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(c) Computations of the Commitment Fee. All computations of the Commitment Fee and all computations of interest based on the Eurodollar Rate shall be made by the Agent or the Working Capital Agent (as the case may be) on the basis of a year of 360 days, and all computations of other fees shall be made by the Agent or the Working Capital Agent (as the case may be) on the basis of a year of 365 or 366 days, as the case may be, in each case for the

actual number of days (including the first day but excluding the last day) occurring in the period for which such interest and fees are payable. All computations of the Commitment Fee in respect of any type of Loan shall be based on the aggregate daily unused Term Loan Commitment or Revolving Credit Commitment (as the case may be) of each Bank. Each determination by the Agent or Working Capital Agent (as the case may be) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Payment Due on Other Than Business Day. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(e) Notice of Non-Payment; Presumption of Payment. Unless the Agent or Working Capital Agent (as the case may be) shall have received notice from the Borrower prior to the date on which any payment is due to the Banks or the Working Capital Banks hereunder that the Borrower will not make such payment in full, the Agent or Working Capital Agent (as the case may be) may assume that the Borrower has made such payment in full to the Agent or Working Capital Agent (as the case may be) on such date and the Agent or Working Capital Agent (as the case may be) may, in reliance upon such assumption, cause to be distributed to each Bank or Working Capital Bank (as the case may be) on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent or Working Capital Agent (as the case may be), each Bank or Working Capital Bank (as the case may be) shall repay to the Agent or Working Capital Agent (as the case may be) forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent or Working Capital Agent (as the case may be), at the Federal Funds Rate.

5.10. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans of a certain type (i.e. Term Loans, Revolving Loans or Working Capital Loans) made by it (other than pursuant to Section 5.6, 5.7, 5.8 or 5.9) in excess of its Ratable Portion of payments on account of the Loans of the same type obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participation in the Loans of such type made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered

from such purchasing Bank, such purchase from each Bank shall be rescinded and each such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 5.10 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

ARTICLE VI

CONDITIONS OF LENDING

6.1. Conditions Precedent to the Making of the Initial Loans and/or Initial Issuance of Letters of Credit. The making of the initial Loans hereunder is subject to satisfaction of the conditions precedent that:

(a) the Agent shall have received the following, in form and substance satisfactory to the Agent, and in sufficient copies for each Bank:

(i) Certified copies of (A) the resolutions of the Board of Directors of each Loan Party approving each Loan Document to which it is a party, and (B) all documents evidencing any other necessary corporate action and required governmental and any third party approvals, licenses and consents with respect to each Loan Document to which it is a party.

(ii) A copy of the certificate of incorporation of each Loan Party certified as of a recent date by the Secretary of State of such Person's jurisdiction of incorporation (or by an official of equivalent standing in the case of a Loan Party incorporated outside the U.S.), together with certificates of such official attesting to the good standing of such Person, and a copy of the By-Laws of each such Person certified by its Secretary or one of its Assistant Secretaries.

(iii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of its officers who have been authorized to execute and deliver each Loan Document to which it is a party and each other document and certificate to be executed

or delivered hereunder on behalf of such Person.

(iv) A favorable opinion of (A) Kirkland & Ellis, special New York counsel to the Loan Parties, in substantially the form of Exhibit J-1 hereto, (B) Robert Wrobel, Vice President and Chief Legal Officer to the Loan Parties, in substantially the form of Exhibit J-2 hereto, (C) Watson, Farley & Williams, special New York counsel to the Agent, in substantially the form of Exhibit J-3 hereto, (D) Wikborg & Rein, special Norwegian counsel to the Agent, in substantially the form of Exhibit J-4 hereto, (E) Gorrissen & Federspiel, special Danish counsel to the Agent, in substantially the form of Exhibit J-5 hereto, (F) Bird & Bird, special English counsel to the Borrower in substantially the form of Exhibit J-7, and (G) McCarter & English, special New Jersey counsel to the Borrower, in substantially the form of Exhibit J-6.

(v) the Notes, duly executed on behalf of the Borrower.

(vi) a duly executed Parent Guaranty.

(vii) A Subsidiary Guaranty duly executed on behalf of each of the Subsidiary Guarantors.

(viii) A duly executed Pledge Agreement in respect of each Pledge Subsidiary (other than Dumex - Alpharma A/S a Danish company), each of which shall be substantially in the form of the pertinent exhibit attached hereto and duly executed by the Shareholders of each such Pledge Subsidiary.

(ix) The Intercreditor Agreement, duly executed and delivered by the Other Banks and the Credit Agreement Parties (as defined in the Intercreditor Agreement) and all parties thereto.

(b) On the date of such Loans, all Indebtedness (other than Permitted Indebtedness) of the Parent Guarantor and its Subsidiaries (including the Borrower) shall have been (or shall simultaneously be) repaid and all commitments thereunder canceled (including, without limitation, all Indebtedness under the Summit Bank Facility, the Vanomycin Facility and the Prior UBN Facility).

6.2. Conditions Precedent to the Making of Each Loan and Issuance of Each Letter of Credit. The obligation of each Bank to make any Loan, including the initial Loans, and to issue any Letters of Credit, including the initial Letter of Credit, shall be subject to the further conditions precedent that the following statements shall be true on the date of the making of

such Loan or issuance of such Letter of Credit, before and after giving effect thereto and to the application of the proceeds therefrom (and the acceptance by the Borrower of the proceeds of such Loan shall constitute a representation and warranty by the Borrower that on the date of such Loan such statements are true):

(i) The representations and warranties contained in Article VII hereof and in Section 5 of the Parent Guaranty (other than those stated to be made as of a particular date) are true and correct in all material respects on and as of such date as though made on and as of such date.

(ii) No event has occurred and is continuing, or would result from the Loans being made on such date, which constitutes a Default or an Event of Default.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

To induce the Agent, the Working Capital Agent and Banks to enter into this Agreement, the Borrower represents and warrants to the Agent, the Working Capital Agent and the Banks as follows:

7.1. Corporate Existence. The Borrower, its Subsidiaries and each other Loan Party (i) is a corporation duly incorporated, validly existing and in good standing (in jurisdictions where good standing is an applicable concept) and all fees and taxes due or owing to any Governmental Authority have been paid) under the laws of the jurisdiction of its incorporation; (ii) is duly qualified and in good standing (in jurisdictions where due qualification and good standing are applicable concepts) as a foreign corporation under the laws of each other jurisdiction in which the failure so to qualify would have a Material Adverse Effect; (iii) has all requisite corporate power and authority to conduct its business as now being conducted and as proposed to be conducted; (iv) is in compliance with its articles or certificate of incorporation and by-laws.

7.2. Corporate Power; Authorization; Enforceable Obligations. (a) The execution, delivery and performance by the Borrower and each other Loan Party of this Agreement or any other Loan Document to which it is a party:

(i) are within its corporate powers;

(ii) have been duly authorized by all necessary corporate action;

(iii) do not (A) contravene its certificate of

incorporation or by-laws, (B) violate any law or regulation (including, without limitation, Regulations T, U or X), or any order or decree of any court or governmental instrumentality, except those as to which the failure to comply would not have a Material Adverse Effect, (C) conflict with or result in the breach of, or constitute a default under, any instrument, document or agreement binding upon and material to the Borrower or such Loan Party, or (D) result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the Property of the Borrower, any of its Subsidiaries or any other Loan Party; and

(iv) do not and will not require any consent of, authorization by, approval of, notice to, or filing or registration with, any Governmental Authority or any other consent or approval, including any consent or approval of any Subsidiary of the Borrower or any consent or approval of the stockholders of the Borrower or any Subsidiary of the Borrower, other than (A) consents, authorizations and approvals that have been obtained, are final and not subject to review on appeal or to collateral attack, and are in full force and effect and, in the case of any such required under Applicable Law as in effect on the Agreement Date, are listed on Schedule 7.2(a)(iv), (B) notices, filings or registrations that have been given or effected, and (C) the filing of copies of Loan Documents with the Securities and Exchange Commission as exhibits to its public filings.

(b) This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is a party hereto or thereto, and is the legal, valid and binding obligation of each such Person, enforceable against it in accordance with its terms, except where such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors rights generally or equitable principles relating to enforceability.

7.3. Taxes. All federal, and all material state, local and foreign tax returns, reports and statements required to be filed by the Borrower or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed. All consolidated, combined or unitary returns which include the Borrower or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed except where such filing is being contested or may be contested. All federal, and all material state, local and foreign taxes, charges and other impositions of the Borrower, its Subsidiaries or any consolidated, combined or unitary group which includes the Borrower or any of its Subsidiaries which are due

and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof except where contested in good faith and by appropriate proceedings if adequate reserves therefor have been established on the books of the Borrower or such Subsidiary in accordance with GAAP. Proper and accurate amounts have been withheld by or on behalf of the Borrower and each of its Subsidiaries from their respective employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law and such withholdings have been timely paid to the respective governmental agencies, in all material respects. Neither the Borrower nor any of its Tax Affiliates has agreed or has been requested to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise relating to the Borrower or any of its Subsidiaries which will affect a taxable year of the Borrower or a Tax Affiliate ending after December 31, 1993, which has not been reflected in the financial statements delivered pursuant to Section 8.8 and which would have a Material Adverse Effect. The Borrower has no obligation to any Person other than the Parent Guarantor and Subsidiaries of the Parent Guarantor under any tax sharing agreement or other tax sharing arrangement.

7.4. Financial Information. (a) The reports of the Parent Guarantor on Form 10-K for the Fiscal Year ended December 31, 1997 and on Form 10-Q for the Fiscal Quarters ended March 31, 1998, June 30, 1998 and September 30, 1998, which have been furnished to the Agent and each Bank, are respectively, complete and correct in all material respects as of such respective dates, and the financial statements therein have been prepared in accordance with GAAP and fairly present the financial condition and results of operations of the Parent Guarantor and its consolidated Subsidiaries as of such respective dates (subject, in the case of such reports on Form 10-Q, to changes resulting from normal year-end adjustments).

(b) Since December 31, 1997 there has been no Material Adverse Change or Material Credit Agreement Change.

(c) None of the Parent Guarantor or any Subsidiary of the Parent Guarantor had at September 30, 1998 any obligation, contingent liability, or liability for taxes or long-term leases material to the Parent Guarantor and its Subsidiaries taken as a whole which is not reflected in the balance sheets referred to in subsection (a) above or in the notes thereto.

7.5. Litigation. There are no pending, or to the best knowledge of the Borrower threatened, actions, investigations or proceedings against or affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator

in which, individually or in the aggregate, there is a reasonable probability of an adverse decision that could have a Material Adverse Effect or result in a Material Credit Agreement Change.

7.6. Margin Regulations. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Borrowing will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

7.7. ERISA. (a) No liability under Sections 4062, 4063, 4064 or 4069 of ERISA has been or is expected by the Borrower to be incurred by the Borrower or any ERISA Affiliate with respect to any Plan which is a Single-Employer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

(b) No Plan which is a Single-Employer Plan had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof. Neither the Borrower nor any ERISA Affiliate is (A) required to give security to any Plan which is a Single-Employer Plan pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, or (B) subject to a Lien in favor of such a Plan under Section 302(f) of ERISA.

(c) Each Plan of the Borrower, each of its Subsidiaries and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code, except where the failure to comply would not result in any Material Adverse Effect.

(d) Neither the Borrower nor any of its Subsidiaries has incurred a tax liability under Section 4975 of the Code or a penalty under Section 502(i) of ERISA in respect of any Plan which has not been paid in full, except where the incurrence of such tax or penalty would not result in a Material Adverse Effect.

(e) None of the Borrower, any of its Subsidiaries or any ERISA Affiliate has incurred or reasonably expects to incur any Withdrawal Liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan which will result in Withdrawal Liability to the Borrower, any of its Subsidiaries or any ERISA Affiliate in an amount that could reasonably be expected to have a Material Adverse Effect.

7.8. No Defaults. Neither the Borrower nor any of its Subsidiaries is in breach of or default under or with respect to any instrument, document or agreement binding upon the Borrower or such Subsidiary which breach or default is reasonably probable

to have a Material Adverse Effect or result in the creation of a Lien on any Property of the Borrower or its Subsidiaries.

7.9. Investment Company Act. The Borrower is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended. The making of the Loans by the Banks, the application of the proceeds and repayment thereof by the Borrower and the consummation of the transactions contemplated by this Agreement will not violate any provision of such act or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

7.10. Insurance. All policies of insurance of any kind or nature owned by the Borrower and its Subsidiaries are maintained with reputable insurers which to the Borrower's best knowledge are financially sound. The Borrower currently maintains insurance with respect to its Properties and business and causes its Subsidiaries to maintain insurance with respect to their respective Properties and business against loss or damage of the kinds customarily insured against by corporations engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations including, without limitation, worker's compensation insurance.

7.11. Environmental Protection. (a) There are no known conditions or circumstances known to the Borrower associated with the currently or previously owned or leased properties or operations of the Borrower or its Subsidiaries or tenants which may give rise to any Environmental Liabilities and Costs which would have a Material Adverse Effect; and

(b) No Environmental Lien has attached to any Property of the Borrower or any of its Subsidiaries which would have a Material Adverse Effect.

7.12. Regulatory Matters. Except as disclosed in the Parent Guarantor's Form 10-K for the fiscal year ending December 31, 1997 or its Report on Form 10-Q for the fiscal quarter ending September 30, 1998, the Borrower and its Subsidiaries are to the best of their knowledge in compliance with all rules, regulations and other requirements of the Food and Drug Administration ("FDA") and other regulatory authorities of jurisdictions in which the Borrower or any of its Subsidiaries do business or operate manufacturing facilities, including without limitation those relating to compliance by the Borrower's or any such Subsidiary's manufacturing facilities with "Current Good Manufacturing Practices" as interpreted by the FDA, except to the extent any such noncompliance would not have a Material Adverse

Effect. Except as so disclosed, neither the FDA nor any other such regulatory authority has requested (or, to the Borrower's knowledge, are considering requesting) any product recalls or other enforcement actions that (a) if not complied with would result in a Material Adverse Effect and (b) with which the Borrower has not complied within the time period allowed.

7.13. Title and Liens. Each of the Borrower and its Subsidiaries has good and marketable title to its real properties and owns or leases all its other material Properties, in each case, as shown on its most recent quarterly balance sheet, and none of such Properties is subject to any Lien except for Permitted Liens.

7.14. Compliance with Law. Each of the Borrower and its Subsidiaries is in compliance with all Applicable Law, including, without limitation, all Environmental Laws, except where any failure to comply with any such laws would not, alone or in the aggregate, have a Material Adverse Effect on the business or financial condition of the Borrower and its Subsidiaries taken as a whole, or the Borrower's ability to perform its obligations under the Loan Documents.

7.15. Trademarks, Copyrights, Etc. The Borrower and each of its Subsidiaries own or have the rights to use such trademarks, service marks, trade names, copyrights, licenses or rights in any thereof, as in the aggregate are adequate in the reasonable judgment of the Borrower for the conduct of the business of the Borrower and its Subsidiaries as now conducted.

7.16. Disclosure. All written information relating to the Borrower, the Parent Guarantor and any of their respective Subsidiaries which has been delivered by or on behalf of the Borrower to the Agent, the Working Capital Agent or the Banks in connection with the Loan Documents and all financial and other information furnished to the Agent or the Working Capital Agent is true and correct in all material respects and contains no misstatement of a fact of a material nature. Any financial projections and other information regarding anticipated future plans or developments contained therein was based upon the Borrower's best good faith estimates and assumptions at the time they were prepared.

7.17. [Intentionally omitted.]

7.18. Subsidiaries. (a) Schedule 5(k) to the Parent Guaranty sets forth all of the Subsidiaries, their jurisdictions of incorporation and the percentages of the various classes of their capital stock owned by the Parent Guarantor or another Subsidiary of the Parent Guarantor, (b) the Parent Guarantor or another Subsidiary, as the case may be, has the unrestricted

right to vote, and (subject to limitations imposed by Applicable Law or the Loan Documents) to receive dividends and dividends on, all capital stock indicated on such Schedule as owned by the Parent Guarantor or such Subsidiary and (c) such capital stock has been duly authorized and issued and is fully paid and nonassessable.

7.19. Principal Subsidiaries. Schedule 5(l) to the Parent Guaranty sets forth all of the Principal Subsidiaries in existence as of the Agreement Date.

7.20. Year 2000 Issue. The Borrower and its Subsidiaries have reviewed, and are continuing to review, the effect of the Year 2000 Issue on the computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Borrower and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such computer systems of the Borrower and its Subsidiaries interface). The information contained in the Parent Guarantor's Form 10-Q for the Fiscal Quarter ended September 30, 1998 as to the costs to the Borrower and its Subsidiaries of any reprogramming required as a result of the Year 2000 Issue to permit the proper functioning of such systems and equipment and the proper processing of data, and the testing of such reprogramming, and of the reasonably foreseeable consequences of the Year 2000 Issue to the Borrower or any of its Subsidiaries (including reprogramming errors and the failure of systems or equipment supplied by others) is complete and correct in all material respects as of such date and such costs are not reasonably expected to result in a Default or Event of Default or to have a material adverse effect on the business, assets, operations, prospects or condition (financial or otherwise) of the Borrower or any of its Subsidiaries.

7.21. Pari Passu Obligations. The obligations of the Borrower under this Agreement and the Notes do rank at least pari passu in priority of payment with all other present unsecured Indebtedness of the Borrower.

7.22. Corporate Headquarters. The Borrower maintains dual corporate headquarters: in Oslo, Norway through Alpharma A.S. and in northern New Jersey (currently Fort Lee), U.S.A. through the Parent Guarantor.

ARTICLE VIII

AFFIRMATIVE COVENANTS

As long as any of the Loans or any other amounts shall

remain unpaid or any Bank shall have any Commitment hereunder, unless otherwise agreed by the written consent of the Majority Banks:

8.1. Compliance with Laws, Etc. The Borrower shall comply, and cause each of its Subsidiaries to comply, in all material respects with all Applicable Law except such non-compliance as would not have a Material Adverse Effect or result in a Material Credit Agreement Change.

8.2. Payment of Taxes, Etc. The Borrower and any consolidated, combined or unitary group which includes the Borrower or any of its Subsidiaries shall pay and discharge, and cause each Subsidiary of the Borrower to pay and discharge, before the same shall become delinquent, all lawful claims, Taxes, assessments and governmental charges or levies except where contested in good faith, by proper proceedings, and where adequate reserves therefor have been established on the books of the Borrower or such Subsidiary in accordance with GAAP.

8.3. Maintenance of Insurance. The Borrower shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates. The Borrower will furnish to the Agent from time to time such information as may be requested as to such insurance.

8.4. Preservation of Corporate Existence, Etc. The Borrower shall preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, their respective corporate existences; provided, that this Section 8.4 shall not apply at any time with respect to the corporate existence of a Subsidiary of the Borrower in any case where the Parent Guarantor's Board of Directors determines in good faith that such termination of corporate existence is in the best interests of the Parent Guarantor, the Borrower and their respective Subsidiaries taken as a whole and where noncompliance will not have a Materially Adverse Effect on the Borrower and its Subsidiaries or any Loan Document (other than a Loan Document delivered by a Subsidiary that at such time is no longer a Principal Subsidiary, as determined at such time); provided, further, that this Section 8.4 shall be without prejudice to the other provisions of this Agreement and the Parent Guaranty.

8.5. Books and Access. The Borrower shall, and shall cause each of its Subsidiaries to, keep proper books of record and accounts in conformity with GAAP, and upon reasonable notice and at such reasonable times during the usual business hours as

often as may be reasonably requested, permit representatives of the Agent, at its own initiative or at the request of any Bank, to make inspections of its Properties, to examine its books, accounts and records and make copies and memoranda thereof and to discuss its affairs and finances with its officers or directors and independent public accountants.

8.6. Maintenance of Properties, Etc. The Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of their respective Properties which are used or useful in the conduct of its business in good working order and condition and, from time to time make or cause to be made all appropriate repairs, renewals and replacements, except where the failure to do so would not have a Material Adverse Effect.

8.7. Application of Proceeds. The Borrower shall use the proceeds of the Loans (i) to refinance Indebtedness existing at the date hereof of the Borrower under the Summit Bank Facility, the Prior UBN Facility and the Vancomycin Facility Agreements, and (ii) general corporate purposes.

8.8. Financial Statements. The Borrower shall furnish, or shall cause to be furnished, to the Agent (with sufficient copies to the Banks):

(a) the financial statements and reports required by Sections 6(g) and (h) of the Parent Guaranty.

(b) together with each delivery of financial statements of the Parent Guarantor and its Subsidiaries pursuant to clauses (a) above, and commencing with the Fiscal Quarter ending September 30, 1998, a certificate signed by a Responsible Financial Officer of the Borrower stating that (i) such officer is familiar with both this Agreement and the business and financial condition of the Borrower, (ii) that the representations and warranties set forth in Article VII hereof are true and correct in all material respects as though such representations and warranties had been made by the Borrower on and as of the date thereof; and (iii) no Event of Default or Default has occurred and is continuing or if an Event of Default or Default has occurred and is continuing a statement as to the nature thereof, and whether or not the same shall have been cured.

8.9. Reporting Requirements. The Borrower shall furnish to the Agent for distribution to the Banks:

(a) from time to time as the Agent may reasonably request, copies of such statements, lists of Property, accounts, reports or information prepared by or for the Borrower or within the Borrower's control. In addition, the Borrower shall furnish to

the Agent for distribution to the Banks, within five (5) days after delivery thereof to the Borrower's Board of Directors, copies of budgets and forecasts prepared by or for the Borrower or within the Borrower's control;

(b) promptly and in any event within thirty (30) days after the Borrower, any of its Subsidiaries or any ERISA Affiliate knows that any ERISA Event has occurred (other than a Reportable Event for which notice to the PBGC is waived), a written statement of the chief financial officer or other appropriate officer of the Borrower describing such ERISA Event and the action, if any, which the Borrower, any of its Subsidiaries or any ERISA Affiliate proposes to take with respect thereto, and a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(c) promptly and in any event within thirty (30) days after notice or knowledge thereof, notice that the Borrower or any of its Subsidiaries becomes subject to the tax on prohibited transactions imposed by Section 4975 of the Code, together with a copy of Form 5330;

(d) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against or affecting the Borrower or any of its Subsidiaries, in which there is a reasonable probability of an adverse decision which would have a Material Adverse Effect;

(e) promptly upon the Borrower or any of its Subsidiaries learning of (i) any Event of Default or any Default, or (ii) any Material Credit Agreement Change, telephonic or telegraphic notice specifying the nature of such Event of Default, Default or Material Credit Agreement Change, including the anticipated effect thereof, which notice shall be promptly confirmed in writing within five days;

(f) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to its security holders generally, and copies of all reports and registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(g) promptly upon, and in any event within 30 days of, the Borrower or any of its Subsidiaries learning of any of the following:

(i) notice that any Property of the Borrower or any of its Subsidiaries is subject to any Environmental Liens individually or in the aggregate which would have a Material

Adverse Effect;

(ii) any proposed acquisition of stock, assets or real estate, or any proposed leasing of Property, or any other action by the Borrower or any of its Subsidiaries in which there is a reasonable probability that the Borrower or any of its Subsidiaries would be subject to any material Environmental Liabilities and Costs, provided, that, in the event of any such proposed acquisition or lease, the Borrower must furnish to the Banks evidence in a form acceptable to the Banks that the proposed acquisition will not have a Material Adverse Effect;

(h) prior to the effectiveness thereof, information relating to any proposed change in the accounting treatment or reporting practices of the Borrower and its Subsidiaries the nature or scope of which materially affects the calculation of any component of any financial covenant, standard or term contained in this Agreement;

(i) prior to the Borrower, or any of its Subsidiaries, (i) entering into any agreement relating to the sale of, or the granting of a Lien on, assets having a fair market value of $10,000,000 or more, or (ii) incurring Indebtedness (other than under the Loan Documents) pursuant to a single transaction the aggregate principal amount of which is $10,000,000 or more, the Borrower shall give the Agent 15 days' notice of its intention to enter into such an agreement; and

(j) from time to time, such other information and materials as the Agent (or the Banks through the Agent) may reasonably request.

8.10. Acquisition Related Loan. Where the proceeds of a Loan, including the initial Loans, are to be made available, either directly or indirectly, to an Affiliate of the Borrower in connection with an acquisition of Equity or assets, the Borrower shall, within 15 Business Days of the making of such Loan, deliver to the Agent (a) an Acquisition Related Guaranty duly executed by such Affiliate (an "Acquisition Related Guarantor") (which shall be in addition to, and not in substitution of, any Credit Support Document previously delivered by such Affiliate) or (b) if such Affiliate is incorporated outside the United States of America and so long as such Affiliate is not itself a Subsidiary of an Affiliate of the Borrower incorporated outside the United States, a Pledge Agreement duly executed by the Shareholders of such Affiliate; provided that Clause (b) shall not apply to any Affiliate the stock of which is at that time already subject to a valid and binding Pledge Agreement.

8.11. Additional Credit Support Documents. The Borrower

shall deliver, or shall cause to be delivered, within five (5) Business Days of delivery to the Agent of a certificate pursuant to Section 6(g)(v) of the Parent Guaranty, in respect of each Principal Subsidiary disclosed on the schedule attached to such certificate (a) a Subsidiary Guaranty duly executed by each such Principal Subsidiary or (b) if any such Principal Subsidiary is a Non-U.S. Subsidiary, either (i) a Pledge Agreement duly executed by the Shareholders of such Non-U.S. Subsidiary or (ii) if such Principal Subsidiary is a Subsidiary of a Non-U.S. Affiliate of the Borrower, a Pledge Agreement duly executed by the Shareholders of the Person that (x) directly or indirectly, owns all of the stock of such Principal Subsidiary and (y) is not a Subsidiary of a Non-U.S. Affiliate of the Borrower; provided, that this Section 8.11 shall not apply to any Principal Subsidiary as to which there already is at such time a valid and binding Subsidiary Guaranty or Pledge Agreement (as the case may be).

8.12. Delivery of Opinions. Concurrently with the execution and delivery of any additional Credit Support Documents pursuant to Sections 8.10 or 8.11 hereof, the Borrower shall deliver, or shall cause to be delivered, to the Agent an opinion of counsel relating to such additional Credit Support Document in form and substance substantially similar to the opinions rendered in connection with comparable agreements on the Effective Date.

8.13. Year 2000 Compliance. The Borrower shall take, and shall cause each of its Subsidiaries to take, all necessary action to complete in all material respects by the end of the time periods set forth in the Parent Guarantor's Form 10-Q for the Fiscal Quarter ended September 30, 1998, the reprogramming of computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Borrower and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such systems of the Borrower or any of its Subsidiaries interface) as described in such Form 10-Q and required as a result of the Year 2000 Issue to permit the proper functioning of such computer systems and other equipment and the testing of such systems and equipment, as so reprogrammed except to the extent that failure to so comply would not have a Material Adverse Effect. At the request of the Bank, the Borrower shall provide, and shall cause each of its Subsidiaries to provide, to the Bank reasonable assurance of its compliance with the preceding sentence.

8.14 Pari Passu Obligations. The Borrower will ensure that its obligations under this Agreement and the Notes will at all time rank at least pari passu in priority of payment with all other present and future unsecured Indebtedness of the Borrower.

8.15 Corporate Headquarters. The Borrower shall continue to maintain dual corporate headquarters: in Oslo, Norway through Alpharma A.S. and in northern New Jersey (currently Fort Lee), U.S.A. through the Parent Guarantor.

8.16 Indebtedness Under Other Facilities. The Borrower shall ensure that (i) on and as of the Agreement Date, neither the Borrower nor any of the Parent's Guarantors Subsidiaries shall incur any additional Indebtedness under the Summit Bank Facility, the Vanomycin Facility and the Prior UBN Facility and (ii) on and as of February 5, 1999, all amounts outstanding under the Summit Bank Facility, the Vanomycin Facility and the Prior UBN Facility shall have been repaid and all commitments thereunder canceled.

ARTICLE IX

NEGATIVE COVENANTS

So long as any of the Loans or any other amounts shall remain unpaid or any Bank shall have any Commitment hereunder, unless otherwise agreed by the written consent of the Majority Banks:

9.1. Liens, Etc. The Borrower shall not, directly or indirectly, create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its Properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Indebtedness of any Person, except Permitted Liens.

9.2. Mergers. The Borrower shall not merge or consolidate in any transaction in which it is not the surviving Person. The Borrower shall not, without the consent of the Majority Banks, permit any of its Subsidiaries to merge or consolidate in any transaction in which such Subsidiary is not the surviving Person other than in mergers of any Subsidiary into the Borrower, the Parent Guarantor or any other wholly owned Subsidiary of the Borrower or the Parent Guarantor that is incorporated in the U.S.; provided, that with respect to mergers in which the surviving entity is not the Borrower or the Parent Guarantor, then the Borrower shall cause such surviving entity to deliver a Subsidiary Guaranty if immediately after the merger the surviving entity is a Principal Subsidiary (as determined at such time) in respect of which there is not, at such time, a valid, legal and binding Subsidiary Guaranty or Pledge Agreement.

9.3. Substantial Asset Sale. The Borrower shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of all or any substantial part of its or their assets (including any of the stock of the Scandinavian Principal Companies owned by it or them), except that this Section 9.3 shall not apply to:

(a) any disposition of assets in the ordinary course of business;

(b) any disposition of assets (other than assets consisting of the stock of the Scandinavian Principal Companies or assets owned by the Scandinavian Principal Companies) (A) to the Borrower, the Parent Guarantor or any Principal Subsidiary (in respect of which there is in existence a legal, valid and binding Subsidiary Guaranty or Pledge Agreement) or (B) where the proceeds of such disposition (I) consist solely of cash or Cash Equivalents and (II) the Net Cash Proceeds of such disposition are first applied towards the prepayment of any Loans then outstanding in accordance with Section 5.4(a); provided, that for purposes of this Section 9.3, any such prepayment shall be effected on the next succeeding day on which an interest payment is due in respect of the Loan being prepaid after consummation of the asset sale, and if such day is not the last day of the Interest Period in respect of the Loan or Loans being prepaid, the Borrower shall continue to be liable for any costs or expenses pursuant to Section 12.4(c); or

(c) the contribution by Wade Jones Company, Inc., a Texas corporation, an indirect wholly-owned Subsidiary of the Parent Guarantor ("Wade Jones"), of assets relating to the distribution activities of Wade Jones in connection with the formation of Wynco, LLC, a limited liability company, among Wade Jones, G&M Animal Health Distributors, Inc., a corporation duly organised under the State of Arkansas, and T&H Distributors, LLC, a Delaware limited liability company.

9.4. Transactions with Affiliates. The Borrower shall not engage in, and will not permit any of its Subsidiaries to engage in, any transaction with an Affiliate of the Borrower or of such Subsidiary other than transactions in the ordinary course of business between a Subsidiary and its parent or among Subsidiaries of the Borrower that are on terms no less favorable to the Borrower or such Subsidiaries than as would be obtained in a comparable arms-length transaction.

9.5. Restrictions on Indebtedness. (a) The Borrower shall not incur, and shall not permit its Subsidiaries to incur, Indebtedness except (subject to clause (b) below) Permitted Indebtedness.

(b) No Permitted Indebtedness may be incurred unless the Parent Guarantor or the Borrower shall have complied with the provisions of Section 7(f) of the Parent Guaranty.

(c) The Borrower shall not, and shall not permit any of its Subsidiaries to, make any voluntary prepayments of principal in respect of Subordinated Indebtedness so long as there are any amounts outstanding under this Agreement or the Notes. For the avoidance of doubt, the parties agree that this clause (c) shall not restrict payments of principal in respect of Subordinated Indebtedness so long as (i) such Subordinated Indebtedness is evidenced by convertible bonds, notes or debentures, (ii) such payment is being made in connection with the exercise by the issuer thereof of the conversion option applicable to such Indebtedness at a time when the conversion option applicable to such Indebtedness is at a price lower than the then present market price of the security issuable upon conversion, (iii) such payment is not being made any earlier than three years of the date of issuance of such Indebtedness and (iv) the Majority Banks have consented to such payment (which consent shall not be unreasonably withheld).

ARTICLE X

EVENTS OF DEFAULT

10.1. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower or any other Loan Party shall fail to pay (i) any principal when due in accordance with the terms and provisions of this Agreement or any other Loan Document, or (ii) any interest on any amounts due hereunder or thereunder, or any fee or any other amount due hereunder or thereunder within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Loan Party in this Agreement or any other Loan Document or by any Loan Party (or any of its officers) in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made; or

(c) The Borrower or any other Loan Party shall default in the performance or observance of any term, covenant condition or agreement contained in Section 8.9(e) of the Credit Agreement or Section 6(h)(v) of the Parent Guaranty, respectively; or

(d) Any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Agreement or any

other Loan Document, which failure or change shall remain unremedied for (i) forty-five (45) days, in the case of the terms and covenants contained in Section 8 of the Parent Guaranty, and (ii) thirty (30) days, in the case of all other terms, covenants or agreements not otherwise specifically dealt with in this Section 10.1, and in either case after the earlier of the date on which (x) telephonic, telefaxed or telegraphic notice thereof shall have been given to the Agent by the Borrower pursuant to Section 8.9(e), (y) written notice thereof shall have been given to the Borrower by the Agent or (z) the Borrower or any other Loan Party knows, or should have known, of such failure; or

(e) The Borrower, the Parent Guarantor or any of their Subsidiaries shall fail to pay any principal of, or premium or interest on, any Indebtedness for Borrowed Money of the Borrower, the Parent Guarantor or such Subsidiary, in an aggregate amount of not less than $2,500,000 when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness for Borrowed Money, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness or to terminate any commitment to lend; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof and, with respect to all of the foregoing, after the expiration of the earlier of (i) any applicable grace period or the giving of any required notice or both and (ii) a period of 30 days after such Indebtedness for Borrowed Money first became due; or

(f) Each of the Borrower, the Parent Guarantor or any of the Principal Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceedings shall be instituted by or against the Borrower, the Parent Guarantor or any of the Principal Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for a material part of its Property employed in its business or any writ, attachment, execution or similar process shall be issued or levied against a material part of the Property employed in the business of the Borrower or the Parent Guarantor and their respective Subsidiaries taken as a whole, and, in the case of any such proceedings instituted against the Borrower or the Parent

Guarantor or any of the Principal Subsidiaries (but not instituted by it), either such proceedings shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceedings shall occur; or the Borrower, the Parent Guarantor or any of the Principal Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Any order for the payment of money or judgment of any court, not appealable or not subject to certiorari or appeal (a "Final Judgment"), which, with other outstanding Final Judgments, exceeds an aggregate of $5,000,000 shall be rendered against the Borrower or any of its Principal Subsidiaries and, within 60 days after entry thereof, such Final Judgment shall not have been discharged; or

(h) (i) With respect to any Plan, a final determination is made that a prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA occurred which results in direct or indirect liability of the Borrower or any of its Principal Subsidiaries, (ii) with respect to any Title IV Plan, the filing of a notice to voluntarily terminate any such plan in a distress termination, (iii) with respect to any Multiemployer Plan, the Borrower, any of its Principal Subsidiaries or any of its or their ERISA Affiliates shall incur any Withdrawal Liability, or (iv) with respect to any Qualified Plan, the Borrower, any of its Principal Subsidiaries or any of its or their ERISA Affiliates shall incur an accumulated funding deficiency or request a funding waiver from the IRS; provided that, in each case in clause (i) through (iv) above, such event or condition, together will all other such events or conditions, if any, would be reasonably likely to have a Material Adverse Effect; or

(i) This Agreement or any other Loan Document shall cease to be valid or enforceable for any reason in any material respect; provided, that in the case of the invalidity or unenforceability of a Credit Support Document, such event shall not constitute a Default if the Borrower shall have delivered, or caused to be delivered, within 15 days of learning or receiving notice of such invalidity or unenforceability additional security or credit support in form and substance satisfactory to the Agent;

(j) A Material Adverse Change shall occur; or

(k) The Borrower, the Parent Guarantor or any of their Subsidiaries (i) shall incur Indebtedness other than Permitted Indebtedness the aggregate amount of which at any time outstanding exceeds $1,000,000, (ii) shall become liable to any Person in respect of Permitted Indebtedness and such Person shall not have (within 30 days of the incurrence thereof) become a

party to the Intercreditor Agreement or (iii) any party to the Intercreditor Agreement (other than a Bank) shall have materially breached any term or provision of the Intercreditor Agreement;

then, (A) and in any such event, the Agent (I) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare the obligation of each Bank to make Loans to be terminated, whereupon the same shall forthwith terminate, and (II) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare all amounts due under this Agreement (including, without limitation, all amounts of Letter of Credit Liabilities, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and all interest thereon to be forthwith due and payable, whereupon all amounts due under this Agreement and all such interest and all such amounts shall become and be forthwith due and payable; provided, however, that upon an actual or deemed entry of an order for relief with respect to the Borrower or the Guarantor or any of its Principal Subsidiaries under the federal Bankruptcy Code, (x) the obligation of each Bank to make Loans shall automatically be terminated and (y) all amounts due under this Agreement and all such interest and all such amounts shall automatically and without further notice become and be due and payable. In addition to the remedies set forth above, the Agent may exercise any other remedies provided for by this Agreement in accordance with the terms hereof or any other remedies provided by applicable law; and

(B) with respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Working Capital Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Working Capital Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the Notes then due and payable shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower. The Borrower hereby grants to the Agent, for the ratable benefit of the Lenders, as collateral security for the payment in full of the obligations of the Borrower under the Loan Documents, a security interest in all amounts from time to time held in the cash collateral account maintained pursuant to this paragraph.

ARTICLE XI

THE AGENT AND WORKING CAPITAL AGENT

11.1. Authorization and Action. (a) Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks (or when expressly required hereunder, all the Banks), and such instructions shall be binding upon all Banks; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

(b) Each Working Capital Bank hereby appoints and authorizes the Working Capital Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Working Capital Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement, the Working Capital Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Working Capital Banks (or when expressly required hereunder, all the Working Capital Banks), and such instructions shall be binding upon all Working Capital Banks; provided, however, that the Working Capital Agent shall not be required to take any action that exposes the Working Capital Agent to personal liability or that is contrary to this Agreement or applicable law. The Working Capital Agent agrees to give to each Working Capital Bank prompt notice of each notice

11.2. The Agent's Reliance, Etc. Neither the Agent or the Working Capital Agent, their respective Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement, except for its own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, (i) the Agent and the Working Capital Agent may consult with legal counsel (including counsel

to the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) neither the Agent nor the Working Capital Agent make any warranty or representation to any Bank or Working Capital Bank (as the case may be) and it shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement; (iii) the Agent and the Working Capital Agent shall have no duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the Properties (including the books and records) of the Borrower; (iv) the Agent and the Working Capital Agent shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) the Agent and the Working Capital Agent shall not incur liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

11.3. Union Bank of Norway and Den norske Bank ASA. With respect to the Commitments of Union Bank of Norway, Den norske Bank ASA and Summit Bank, respectively, and the Loans made by each of them, each of Union Bank of Norway, Den norske Bank ASA and Summit Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not an Agent, Working Capital Agent, Documentation Agent, Arranger or Co-Arranger, as the case may be; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include each of Union Bank of Norway, Den norske Bank ASA and Summit Bank in their individual capacities. Each of Union Bank of Norway, Den norske Bank ASA and Summit Bank and their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Union Bank of Norway, Den norske Bank ASA and Summit Bank as the case may be, were not an Agent, Working Capital Agent, Documentation Agent, Arranger or Co-Arranger, as the case may be, and without any duty to account therefor to the Banks.

11.4. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent, the Working Capital Agent, the Documentation Agent, the Arranger or the Co-Arranger or any other Bank, and based on the financial statements referred to in Article VII and such other documents

and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent, the Working Capital Agent, the Arranger, the Co-Arranger or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

11.5. Determinations Under Sections 6.1. and 6.2. For purposes of determining compliance with the conditions specified in Sections 6.1 and 6.2, each Bank shall be deemed to have consented to, approved or accepted, or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Banks unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Bank prior to the applicable Borrowing specifying its objection thereto (unless such objection shall have been withdrawn by notice to the Agent to that effect or such Bank shall have made available to the Agent or Working Capital Agent (as the case may be) such Bank's ratable portion of such Borrowing).

11.6. Indemnification. Each (a) Bank agrees to indemnify the Agent and its respective Affiliates, and its respective directors, officers, employees, agents and advisors (to the extent not reimbursed by the Borrower), ratably according to such Bank's Ratable Portion of the Term Loan Commitments and the Revolving Credit Commitments, and (b) Working Capital Bank agrees to indemnify the Working Capital Agent and its respective Affiliates, and its respective directors, officers, employees, agents and advisors (to the extent not reimbursed by the Borrower), ratably according to such Bank's Ratable Portion of the Working Capital Loan Commitments, in each case from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including, without limitation, fees and disbursements of legal counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against, any such Person in any way relating to or arising out of this Agreement or any action taken or omitted by any such Person under this Agreement; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from any such Person's gross negligence or willful misconduct or from any violation or alleged violation by any such Person or any other Bank of any law, rule or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) or, with respect to the Agent or the Working Capital Agent,

any conflict or alleged conflict between its rights and duties in its capacity as such or as a Bank under this Agreement and any other rights or duties it may have in any other capacity in which it may act in connection with the consummation of the transactions contemplated by this Agreement, whether or not such Bank is a party to such transactions. Without limitation of the foregoing, each Bank agrees to reimburse any such Person promptly upon demand for its ratable share of any out-of-pocket expenses (including fees and disbursements of one counsel) incurred by such Person in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Person is not reimbursed for such expenses by the Borrower.

11.7. Successor Agents/Working Capital Agents. Any Agent or the Working Capital Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor to such Agent or Working Capital Agent, as the case may be. If no successor to such Agent or Working Capital Agent, as the case may be, shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the retiring Agent's or Working Capital Agent's, as the case may be, giving of notice of resignation or the Majority Banks removal of such retiring Agent or Working Capital Agent, as the case may be, then such (retiring) Agent on behalf of the Banks, shall appoint a successor Agent or Working Capital Agent, as the case may be, (which successor Agent or Working Capital Agent, as the case may be, shall be a Bank or another commercial bank organized under the laws of a member nation of the Organization for Economic Cooperation and Development and having a combined capital and surplus of at least $100,000,000). Upon the acceptance of any appointment as an Agent or Working Capital agent, as the case may be, hereunder by any successor Agent or Working Capital agent, as the case may be, such successor Agent or Working Capital Agent, as the case may be, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent or Working Capital Agent, as the case may be, and such retiring Agent or Working Capital Agent, as the case may be, shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's or Working Capital Agent's resignation or removal hereunder, the provisions of this Article XI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or Working Capital Agent, as the case may be.

11.8. Notices and Forwarding of Documents to Banks.

Promptly upon receipt of the same, the Agent and the Working Capital Agent (as the case may be) shall furnish to the Banks and the Working Capital Banks (as the case may be) copies of all notices received from the Borrower or any other Loan Party.

ARTICLE XII

MISCELLANEOUS

12.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that:

(a) no amendment, waiver or consent shall, unless in writing signed by all the Banks and consented to by all of the Banks, do any of the following: (i) waive any of the conditions specified in Section 6.1 or 6.2; (ii) increase the Commitments of the Banks or subject the Banks to any additional obligations; (iii) change the principal of, or decrease the interest on, any amounts payable hereunder or reduce the amount of any Commitment Fee payable to the Banks hereunder; (iv) postpone any date fixed for any scheduled payment of any Commitment Fee, or scheduled payment of principal of, or interest on, any amounts, payable hereunder; (v) change the definition of Majority Banks; (vi) terminate, or release the Parent Guarantor from its obligations under, the Parent Guaranty or (vii) amend this Section 12.1; and

(b) no amendment, waiver or consent shall, unless in writing and signed by the Agent or the Working Capital Agent in addition to the Persons required above to take such action, affect the rights or duties of the Agent or the Working Capital Agent, respectively, under this Agreement.

12.2. Notices, Etc. Except as otherwise set forth herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered by hand,

(i) if to the Borrower, at:

Alpharma U.S. Inc.
c/o Alpharma Inc.
One Executive Drive
Fort Lee, NJ 07024
Attn: Albert Marchio

Treasurer
Telephone: (201) 947-7774
Telefax: (201) 947-0795

and to:

Robert Wrobel, Esq.
Vice President and
Chief Legal Officer

Telephone: (201) 947-7774
Telecopy: (201) 592-1481

(ii) if to the Agent, at:

Union Bank of Norway
Loan Administration
P.O. Box 1172 Sentrum
N-0107 Oslo
Telephone: 011-47-22-31-90-50
Telecopy: 011-47-22-31-85-58
Attn: Loan Administration

(iii) if to the Working Capital Agent, at:

Summit Bank
750 Walnut Avenue
Cranford, New Jersey 07016
Telephone: (908) 709-5458
Telecopy: (908) 931-0399
Attn: Syndications/Loan Operations

(iv) if to any Bank, at its Lending Office specified on the signature pages hereof, and if to any other lender that becomes a "Bank", at its Lending Office specified in the Notice of Assignment and Acceptance by which it became a Bank;

or, as to the Borrower, any Bank, the Agent or the Working Capital Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, cabled or delivered, be effective when deposited in the mails, delivered to the telegraph company, confirmed by telex answerback, telecopied with confirmation of receipt, delivered to the cable company, delivered by overnight courier with confirmation of receipt or delivered by hand to the

addressee, or its agent, respectively, except that notices and communications to the Agent or the Working Capital Agent pursuant to Articles II, III, IV or XI shall not be effective until received by the Agent or the Working Capital Agent (as the case may be).

12.3. No Waiver; Remedies. No failure on the part of any Bank, the Agent or the Working Capital Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

12.4. Costs; Expenses; Indemnities. (a) The Borrower agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the other Loan Documents and the other documents to be delivered hereunder or thereunder, including, without limitation, the specified reasonable fees and out-of-pocket expenses of counsel to the Agent with respect thereto (such fees and expenses to be payable on the Effective Date) and with respect to advising the Agent as to their rights and responsibilities under this Agreement, and all costs and expenses of the Agent and the Banks (including, without limitation, reasonable counsel fees and expenses) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder and thereunder.

(b) The Borrower agrees to defend, indemnify and hold harmless each of the Agent, the Arranger, the Co-Arranger, the Working Capital Agent, the Documentation Agent and the Banks and their respective affiliates and their respective directors, officers, attorneys, agents, employees, successors and assigns (each, an "Indemnified Person") from and against any and all liabilities, obligations, losses, damages, penalties, actions, claims, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel of the Agent, the Working Capital Agent, the Documentation Agent, the Arranger, the Co-Arranger or the Banks) which may be incurred by or asserted or awarded against any Indemnified Person, in each case arising in any manner of or in connection with or by reason of this Agreement, the other Loan Documents, the Commitments or any undertakings in connection therewith, or the proposed or actual application of the proceeds of the Loans (all of the foregoing collectively, the "Indemnified Liabilities") and will reimburse each Indemnified Person on a current basis for all properly documented expenses (including outside counsel fees as they are

incurred by such party) in connection with investigating, preparing or defending any such action, claim or suit, whether or not in connection with pending or threatened litigation irrespective of whether such Indemnified Person is designated a party thereto; provided that the Borrower shall not have any liability hereunder to any Indemnified Person with respect to Indemnified Liabilities which are determined by a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of such Indemnified Person; and provided further, that if the Borrower has determined in good faith that such Indemnified Liabilities were primarily the result of such Indemnified Person's gross negligence or willful misconduct, it shall not be obligated to pay such Indemnified Liabilities until a court of competent jurisdiction has determined whether such Indemnified Person acted with gross negligence or willful misconduct. If for any reason the foregoing indemnification is unavailable to an Indemnified Person or insufficient to hold an Indemnified Person harmless, then the Borrower shall contribute to the amount paid or payable by such Indemnified Person as a result of any Indemnified Liability in such proportion as is appropriate to reflect not only the relative benefits received by the Borrower and the Agent, the Arranger, the Co-Arranger, the Working Capital Agent, the Documentation Agent, and each Bank, but also the relative fault of the Borrower and the Agent, the Arranger, the Co-Arranger, the Working Capital Agent, the Documentation Agent and each Bank, as well as any other relevant equitable considerations. The foregoing indemnity shall be in addition to any rights that any Indemnified Person may have at common law or otherwise, including, but not limited to, any right to contribution.

(c) If any Eurodollar Loans are Consolidated or if any Bank receives any payment of principal of any Eurodollar Loan other than on the last day of an Interest Period relating to such Loan, as a result of any payment made by the Borrower or acceleration of the maturity of the amounts due under this Agreement pursuant to Section 11.1 or for any other reason, the Borrower shall, upon demand by such Bank (with a copy of such demand to the Agent (or, in the event such demand relates to a Eurodollar Working Capital Loan, the Working Capital Agent), pay to the Agent of the Working Capital Agent (as the case may be) for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or Consolidation, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Loan. The foregoing obligations of the Borrower contained in paragraphs (a), (b) and (c) of this Section 12.4, and the obligations of the Borrower contained in Sections 5.6(b), 5.8 and 5.9, shall survive the payment of the Loans.

12.5. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 10.1 to authorize the Agent to declare all amounts under this Agreement due and payable pursuant to the provisions of Section 10.1 or the automatic acceleration of such amounts pursuant to the proviso to that Section, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement irrespective of whether or not such Bank shall have made any demand under this Agreement and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 12.5 are in addition to any other rights and remedies (including, without limitation, any other rights of set-off) which such Bank may have.

12.6. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower, the Agent, the Arranger, the Co-Arranger, the Documentation Agent and the Working Capital Agent and when the Agent shall have been notified by each of the Banks that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent, the Arranger, the Co-Arranger, the Working Capital Agent, the Documentation Agent and each of the Banks and their respective successors and assigns, except that (i) the Borrower shall have no right to assign its rights hereunder or any interest herein without the prior written consent of the Banks and (ii) no Bank may sell, transfer, assign, pledge or grant participation in any of its Loans or any of its rights or obligations hereunder except in accordance with Section 12.7 or as expressly required hereunder.

12.7. Assignments and Participation; Additional Banks. (a) Any Bank may, at any time, by notice substantially in the form of Exhibit K hereto (each, a "Notice of Assignment and Acceptance") delivered to the Agent for its acceptance and recording, together with a recording fee in the amount of $1,500, assign all or any part of its rights and obligations and delegate its duties under this Agreement (A) to any other Bank or any affiliate of any Bank which actually controls, is controlled by, or is under common control with such Bank or to any Federal Reserve Bank (in either case without limitation as to amount), or

(B) with the prior consent of the Borrower (provided that if all amounts due under this Agreement have been declared immediately due and payable no such consent shall be required), to any other Person (but if in part, in a minimum amount of $10,000,000 or, if less, the balance of such Bank's Term Loan Commitment and Revolving Credit Commitment); provided, however, that no Bank may make any such assignment or delegation of any of its rights or duties under this Agreement until the one hundredth day after the Effective Date (or such other date as may be agreed by the Agent and the Banks), except to any affiliate of such Bank which actually controls, is controlled by, or is under common control with such Bank or to any Federal Reserve Bank; and provided, further, that after any such assignment, the assigning Bank's aggregate Commitments hereunder shall not be less than $10,000,000.

(b) Any Bank may at any time sell or grant participations in its Commitment, or the obligations owing to or from any Person existing under this Agreement; provided, however, that (i) as between such Bank and the Borrower, the existence of such participation shall not give rise to any direct rights or obligations between the Borrower and the participants; (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations; (iii) the Borrower, the Agent, the Working Capital Agent (if applicable) and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement; and (iv) no such sale or grant of a participation shall, without the consent of the Borrower, require the Borrower to file a registration statement with the Securities and Exchange Commission or apply to qualify the Commitments or the Loans under the securities laws of any state.

(c) If an assignment is made by any Bank in accordance with the provisions of paragraph (a) above, upon acceptance and recording by the Agent, and approval by the Borrower, where applicable, of each Notice of Assignment and Acceptance, (i) the assignee thereunder shall become a party to this Agreement and the Borrower shall release and discharge the assigning Bank from its duties, liabilities or obligations under this Agreement to the extent the same are so assigned and delegated by such Bank, provided that no such consent, release or discharge shall have effect until the Borrower shall have received a fully executed copy of the Notice of Assignment and Acceptance relating to such assignment and (ii) Schedule II shall be deemed amended to give effect to such assignment. The Borrower agrees that each such disposition will give rise to a direct obligation of the Borrower to any such assignee. The Borrower agrees that, promptly following any such assignment, it shall deliver upon delivery of the applicable outstanding Notes or Notes for cancellation a new Note or Notes to the assignee and a replacement Note or Notes to

the transferor, in amounts properly reflecting such assignment.

(d) The Borrower authorizes each Bank to disclose to any prospective assignee or participant and any assignee or participant any and all financial information in such Bank's possession concerning the Borrower and this Agreement; provided, however, that prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Bank in accordance with Section 12.11.

(e) Any Bank which sells or grants participations in any Loans or its Commitment may not grant to the participants the right to vote other than on amendments, consents, waivers, modifications or other actions which change the principal amount of, postpone the scheduled maturity of, or decrease the interest rates applicable to, any Loans under, or increase the amount of, such Commitment (except with respect to participating Affiliates actually controlled by, controlling or under common control with, such Bank); provided, however, that as between the Bank and the Borrower, only the Bank shall be entitled to cast such votes.

(f) No participant in any Bank's rights or obligations shall be entitled to receive any greater payment under Section 5.6, 5.8 or 5.9 than such Bank would have been entitled to receive with respect to the rights participated, and no participation shall be sold or granted to any Person as to which the events specified in Section 5.7 have occurred on or before the date of participation.

(g) (i) The Agent shall maintain at its address referred to in Section 12.2 a copy of each Notice of Assignment and Acceptance received by it and a register, containing the terms of each Notice of Assignment and Acceptance, for the recordation of the names and addresses of each Bank and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Banks, and the Agent may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, or any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(ii) The Working Capital Agent shall maintain at its address referred to in Section 12.2 a register for the recordation of the names and addresses of each Working Capital Bank and the Working Capital Loan Commitment of, and principal amount of the Working Capital Loans owing to, each Working Capital Bank from time to time (the "Working Capital Register"). The entries in the Working Capital Register shall be conclusive

and binding for all purposes, absent manifest error, and the Borrower, the Working Capital Banks, and the Working Capital Agent may treat each Person whose name is recorded in the Working Capital Register as a Working Capital Bank hereunder for all purposes of this Agreement. The Working Capital Register shall be available for inspection by the Borrower, or any Working Capital Bank, at any reasonable time and from time to time upon reasonable prior notice.

12.8. GOVERNING LAW; SEVERABILITY. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. WHEREVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT.

12.9. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER, THE AGENT, THE WORKING CAPITAL AGENT AND THE BANKS HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(b) Each of the Borrower, the Agent, the Working Capital Agent and the Banks irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address specified for notices in or pursuant to Section 12.2 hereof, to the Agent at Watson, Farley & Williams, 380 Madison Avenue, New York, NY 10017; to the Working Capital Agent at 750 Walnut Avenue, Cranford, New Jersey 07016; and to the Banks as set forth on Schedule I, such service to become effective 30 days after such mailing.

(c) Nothing contained in this Section 12.9 shall affect the right of the Agent, the Working Capital Agent or any Bank to serve process in any other manner permitted by law or commence

legal proceedings or otherwise proceed against the Borrower or any other Loan Party in any other jurisdiction.

(d) Each of the parties hereto waives any right it may have to trial by jury in any proceeding arising out of this Agreement.

12.10. Confidentiality. Each Bank, the Working Capital Agent and the Agent agrees to keep confidential information obtained by it pursuant hereto (or otherwise obtained from the Borrower in connection with this Agreement) confidential in accordance with such Person's customary practices and agrees that it will only use such information in connection with the transactions contemplated by this Agreement and not disclose any of such information other than (i) to such Person's employees, counsel, representatives and agents who are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by this Agreement and who in each case agree to be bound by the provisions of this sentence, (ii) to the extent that disclosure by such Person is required, or to the extent that such Person has been advised by counsel that disclosure is required, in order to comply with any law, regulation or judicial order or requested or required by bank regulators or auditors or other Governmental Authority, (iii) to assignees or participants of the Loans or Commitments or potential assignees or participants of the Loans or Commitments who in each case agree in writing to be bound by the provisions of this sentence or (iv) to the extent that such information has otherwise been disclosed or made public other than by such Person, or such Person's employees, counsel, representatives or agents, in violation of this Section 12.10.

12.11. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

12.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed as of the date first above written.

ALPHARMA U.S. INC., as Borrower

By

_____
Name:
Title:

UNION BANK OF NORWAY, as Agent

By

_____
Name:
Title:

UNION BANK OF NORWAY, as Arranger

By

_____
Name:
Title:

UNION BANK OF NORWAY, as Bank

By

_____
Name:
Title:

FIRST UNION NATIONAL BANK

By

_____
Name:
Title:

DEN NORSKE BANK ASA, as Co-Arranger

By

_____
Name:
Title:

DEN NORSKE BANK ASA, as Bank

By _____
Name:
Title:

BANQUE NATIONALE DE PARIS OSLO BRANCH

By _____
Name:
Title:

LANDESBANK SCHLESWIG-HOLSTEIN
GIROZENTRALE COPENHAGEN BRANCH

By _____
Name: Nils E. Emilsson
Title: Deputy General Manager

SUMMIT BANK, as Bank

By _____
Name:
Title:

SUMMIT BANK, as Working Capital Agent

By _____
Name:
Title:

SUMMIT BANK, as Documentation Agent

By _____
Name:
Title:

Agreement Date: January 20, 1999

ANNEX A

PRICING GRID

A. The Applicable Margin shall be determined quarterly by reference to the Margin Ratio (as determined for the period of four consecutive Fiscal Quarters of the Parent Guarantor ending at the end of the period covered by the most recently delivered financial statements of the Parent Guarantor delivered pursuant to Section 6(g) of the Parent Guaranty, subject to paragraph (B) below) and certain other conditions all as set forth below; provided, however, that in no event shall the Applicable Margin be less than 1.50% during the period from the Agreement Date through the Adjustment Date (as defined below) immediately succeeding June 30, 1999; and provided, further, that if at any time the Parent Guarantor, in order to comply with Section 8(a) of the Parent Guaranty, relies on proviso (A) or (B) of such Section 8(a), then the Applicable Margin as determined hereunder shall be increased by (a) .125% per annum, in the case of proviso (A), or (b) .75% per annum, in the case of proviso (B), and in each case such increase shall remain effective until such time as the Parent Guarantor no longer relies on proviso (A) or (B) to comply with Section 8(a) of the Parent Guaranty:

Margin Ratio	Applicable Margin Eurodollar Loans	Alternate Base Rate Working Capital Loans
less than 2.5 and the Equity Ratio at such time is at least 0.35:1*	.875%	-0.75%
less than 3.5	1.125%	-0.5%
3.5 or greater but less than 4.25	1.375%	-0.25%
4.25 or greater but less than 5.25	1.50%	0%
5.25 or greater	1.625%	.25%

* This pricing not effective until the Adjustment Date following April 1, 2001.

B. Changes in the Applicable Margin resulting from changes in the Margin Ratio shall become effective on the date (the

"Adjustment Date") that is five (5) Business Days after the date on which financial statements are delivered to the Agent pursuant to Sections 6(g) (i) and (ii) of the Parent Guaranty (but in any event (x) not later than the 50th day after the end of each of the first three Fiscal Quarters and (y) not later than the 95th day after the end of each Fiscal Year (but not earlier than March 31)) and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified above, then, until such financial statements are delivered, the Margin Ratio as at the end of the fiscal period that would have been covered thereby shall for the purposes of this Pricing Grid be deemed to be 5.25 or greater.

C. For the avoidance of doubt, to the extent that financial information for periods prior to the Agreement Date is necessary in order to determine the Margin Ratio in effect on the Initial Funding Date and thereafter, the Agent shall refer to the financial statements of the Parent Guarantor most recently delivered pursuant to the Prior UBN Facility.

Schedule I

FIRST UNION NATIONAL BANK Lending Office:

First Union National Bank
1345 Chestnut Street
P.O. Box 7618
F.C. 1-8-3-18
Philadelphia, PA 19101
Attn: Foreign Corporate Department
Stephen E. Stambaugh, V.P.
Telephone: 215-973-3791
Telecopier: 215-973-6894

Address for Notice Purposes:

1345 Chestnut Street
P.O. Box 7618
F.C. 1-8-3-18
Philadelphia, PA 19101
Attn: International Corporate Department
Stephen E. Stambaugh, V.P.
Telephone: 215-973-3791
Telecopier: 215-973-6894

Address for Service of Process:

First Union National Bank
Legal Department
F. C. 1-1-17-1
Broad & Chestnut Streets
P.O. Box 7618
Philadelphia, PA 19101

DEN NORSKE BANK ASA

Lending Office:

Stranden 21
0107 Oslo
Norway
Attn: Credit Administration
Telecopier: +47-22-48-10-46

Address for Notice Purposes:

Stranden 21
0107 Oslo
Norway
Attn: Credit Administration
Telecopier: +47-22-48-10-46

Address for Service of Process:

Den norske Bank ASA, New York Branch
200 Park Avenue
New York, NY 10166-0396

SUMMIT BANK

Lending Office:

Summit Bank
750 Walnut Avenue
Cranford, NJ 07016
Attn: Syndications/Loan Operations
Telephone: (908) 709-5458
Telecopier: (908) 931-0399

Address for Notice Purposes:

Summit Bank
750 Walnut Avenue
Cranford, NJ 07016
Attn: Wayne Trotman, Sr. Vice President
Telephone: 908-709-5339
Telecopier: 908-709-6433

Address for Service of Process:

Summit Bank
Deposit Services - Elizabeth
288 North Broad Street
Elizabeth, NJ 07207

UNION BANK OF NORWAY

Lending Office:

Union Bank of Norway
Kirkegaten 18
P.O. Box 1172 Sentrum
0107 Oslo
Norway
Attn: Loan Administration
Telephone: 011-47-22-31-90-50
Telecopier: 011-47-22-31-85-58

Address for Notice Purposes:

Union Bank of Norway
Kirkegaten 18
P.O. Box 1172 Sentrum
0107 Oslo
Norway
Attn: Loan Administration
Telephone: +011-47-22-31-90-50
Telecopier: +011-47-22-31-85-58

Address for Service of Process:

Watson, Farley & Williams
380 Madison Avenue, 19th Floor
New York, NY 10017
Attn: John S. Osborne, Jr.

LANDESBANK SCHLESWIG-HOLSTEIN
GIROZENTRALE COPENHAGEN
BRANCH

Lending Office:

LB Kiel, Copenhagen Branch
Holmeus Kanal 7
Postbox 1600
1020 Copenhagen
Denmark
Attn.: Loan Administrator

Telephone: +45 33 95 01 00
Telecopier: +45 33 95 01 95

Address for Notice Purporses:

LB Kiel, Copenhagen Branch
Holmeus Kanal 7
Postbox 1600
1020 Copenhagen
Denmark
Attn.: Loan Administrator
Telephone: +45 33 95 01 00
Telecopier: +45 33 95 01 95

Address for Service of Process:

LB Kiel, Copenhagen Branch
Holmeus Kanal 7
Postbox 1600
1020 Copenhagen
Denmark
Attn.: Loan Administrator
Telephone: +45 33 95 01 00
Telecopier: +45 33 95 01 95

BANQUE NATIONALE DE PARIS
OSLO BRANCH

Lending Office:

Banque Nationale de Paris Oslo Branch
Biskop Gunnerus' gt. 2
Postboks 106 Sentrum
0102 OSLO
Norway
Attn: Irene Stoback Johansen, Corporate & International
Telephone: +47 22 82 95 00, (direct line: +47 22 82 96 21)
Telecopies: +47 22 41 08 44
Email: irene.johansen@bnpgroup.com

Address for Notice Purposes:

Banque Nationale de Paris Oslo Branch
Biskop Gunnerus' gt. 2
Postboks 106 Sentrum
0102 OSLO
Norway
Attn: Ivar Stautland, Loan Administration
Telephone: +47 22 82 95 00, (direct

line: 47 22 82 95 61)

Address for Service of Process:

Banque Nationale de Paris New York Branch
499 Park Avenue
P.O. Box 127 Church Street Station
New York, NY 10008

Schedule II

Commitments

The Banks listed below will participate in the Credit Agreement in the following manner:

Bank	Term Loan Commitment	Revolving Credit Commitment	Sum
Union Bank of Norway	30,000,000	60,000,000	90,000,000
Den norske Bank ASA	28,000,000	57,000,000	85,000,000
Summit Bank	18,000,000	37,000,000	55,000,000
First Union National Bank	8,000,000	17,000,000	25,000,000
Banque Nationale de Paris Oslo Branch	7,000,000	13,000,000	20,000,000
Landesbank Kiel	8,000,000	17,000,000	25,000,000
Sum	100,000,000	200,000,000	300,000,000

Portion of Revolving Credit Commitment
Available as Working Capital Loan Commitment

	Working Capital Loan Commitment
First Union National Bank, N.A.	15,000,000
Summit Bank	15,000,000
	30,000,000

Schedule 7.2(a)(iv)

Required Consents and Approvals

None

Alpharma Inc.

Subsidiaries of the Registrant

EXHIBIT 21

NAME	JURISDICTION WHICH ORGANIZED
United States:	
A.L. Specialty Chemicals, Inc.	Delaware
Alpharma NW Inc.	Washington
Alpharma U.S. Inc.	Delaware
Barre Parent Corporation	Delaware
Alpharma USPD Inc.	Maryland
G. F. Reilly Company	Delaware
ParMed Pharmaceuticals, Inc.	Delaware
NMC Laboratories, Inc.	New York
Odin Pharmaceuticals Inc.	New Jersey
Wade Jones Company, Inc.	Texas
MikJan Corporation	Arkansas
Alpharma U.K. Holding Inc.	Delaware
Foreign:	
A.L-Pharma A/S	Denmark
Alpharma AS	Norway
Allabinc de Mexico, S.A. de C.V.	Mexico
Empressa Laboratories De Mexico S.A. de C.V.	Mexico
Dumex-Alpharma A/S	Denmark
Dumex AG	Switzerland
Dumex B.V.	Holland
Dumex-Alpharma AB	Sweden
Dumex Limited	United Kingdom
Oy Dumex-Alpharma AB	Finland
PT Dumex-Alpharma Indonesia	Indonesia
Alpharma do Brazil LTDA	Brazil
Alpharma SARL	France
Arthur H. Cox & Co. Limited	United Kingdom
Alpharma Holdings Ltd.	United Kingdom
Alpharma U.K. Ltd.	United Kingdom
Cox Investments Ltd.	United Kingdom
Alpharma Fine Chemicals, Kft.	Hungary

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement of Alpharma Inc. on Form S-8 (File No. 33-60495) and Form S-3 (File Nos. 333-57501 and 333-70229) of our report dated February 24, 1999, on our audits of the consolidated financial statements of Alpharma Inc. and Subsidiaries as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, which report is included in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP
Florham Park, New Jersey
March 25, 1999

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PARENT GUARANTY

GUARANTY, dated as of January 20, 1999, made by Alpharma Inc., a Delaware corporation (together with its successors and assigns, the "Parent Guarantor"), in favor of the banks (the "Banks") parties from time to time to the Credit Agreement (as defined below), Union Bank of Norway as agent (the "Agent"), Summit Bank, as working capital agent, documentation agent and co-syndication agent, Union Bank of Norway, as arranger (the "Arranger"), and Den norske Bank ASA, as co-arranger (the "Co-Arranger", and collectively with the Banks, the Agent, the Documentation Agent and the Arranger, the "Guaranteed Parties").

W I T N E S S E T H:

WHEREAS, the Guaranteed Parties have entered into the Credit Agreement dated as of January 20, 1999 (said agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "Credit Agreement") with Alpharma U.S. Inc., a corporation organized and existing under the laws of the State of Delaware (the "Borrower");

WHEREAS, it is a condition precedent to the Initial Funding Date under the Credit Agreement that the Parent Guarantor shall have executed and delivered this a Guaranty;

NOW, THEREFORE, in consideration of the premises and in order to induce the Banks to make the loans under the Credit Agreement, the Parent Guarantor hereby agrees as follows (with terms used herein and not otherwise defined used with the meaning ascribed thereto in the Credit Agreement):

SECTION 1. Guaranty. The Parent Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower now or hereafter existing under (a) the Loan Documents and (b) Swap Agreements entered into with a Bank, in either case whether for borrowed money, reimbursement on account of letters of credit, interest, fees or any other amounts due thereunder or otherwise (the

"Guaranteed Obligations") and any and all expenses (including counsel fees and expenses) reasonably incurred by any Guaranteed Party in enforcing any rights under this Guaranty.

SECTION 2. Guaranty Absolute. The Parent Guarantor guarantees that the obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guaranteed Party with respect thereto. The liability of the Parent Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Loan Documents (including this Guaranty) or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Loan Documents;

(c) any exchange, release or nonperfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower, or a guarantor.

SECTION 3. Waiver. The Parent Guarantor hereby waives all notices with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Guaranteed Party protect, secure, perfect or insure any security interests or lien on any property subject thereto or exhaust any right or take any action against the Borrower, or any other person or entity or any collateral.

SECTION 4. Subrogation. (a) The Parent Guarantor shall not exercise any rights which it may have acquired by way of subrogation under this Guaranty, by any payment made hereunder or otherwise nor shall the Parent Guarantor seek any reimbursement from the Borrower in respect of payments made by the Parent Guarantor hereunder, unless and until all of the Guaranteed Obligations shall have been paid and discharged, in full, and if any payment shall be made to the Parent Guarantor on account of such subrogation or reimbursement rights at any time when the Guaranteed Obligations shall not have been paid and discharged, in full, each and every amount so paid shall forthwith be paid to the Agent to be credited and applied against the Guaranteed

Obligations, whether matured or unmatured.

(b) If, pursuant to Applicable Law, the Parent Guarantor, by payment or otherwise, becomes subrogated to all or any of the rights of the Guaranteed Parties under any of the Loan Documents, the rights of the Guaranteed Parties to which the Parent Guarantor shall be subrogated shall be accepted by the Parent Guarantor "as is" and without any representation or warranty of any kind by the Guaranteed Parties, express or implied, with respect to the legality, value, validity or enforceability of any of such rights, or the existence, availability, value, merchantability or fitness for any particular purpose of any collateral and shall be without recourse to the Guaranteed Parties.

SECTION 5. Representations and Warranties. The Parent Guarantor hereby represents and warrants as follows:

(a) Incorporation and Good Standing. It is (i) a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; and (ii) duly qualified and in good standing as a foreign corporation under the laws of each other jurisdiction in which the failure so to qualify would have a Material Adverse Effect.

(b) Corporate Power and Authorization. The execution, delivery and performance by the Parent Guarantor of this Guaranty are within the Parent Guarantor's corporate powers, have been duly authorized by all necessary corporate action, do not contravene the Parent Guarantor's charter or by-laws, any law or any contractual restriction binding on or affecting and material to the Parent Guarantor, and do not result in or require the creation of any Lien upon or with respect to any of its properties.

(c) Authorization. No authorization, consent or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Parent Guarantor of this Guaranty, other than (i) consents, authorizations and approvals that have been obtained, are final and not subject to review on appeal or to collateral attack, and are in full force and effect and, in the case of any such required under Applicable Law as in effect on the Agreement Date, are listed on Schedule 7.2(a)(iv) of the Credit Agreement, (ii) notices, filings or registrations that have been given or effected, and (iii) the filing of copies of Loan Documents with the Securities and Exchange Commission as exhibits to its public filings.

(d) Valid Guaranty. This Guaranty is a legal, valid and binding obligation of the Parent Guarantor, enforceable against

the Parent Guarantor in accordance with its terms, except where such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditor's rights generally or equitable principles relating to enforceability.

(e) Litigation. There is no pending or threatened action or proceeding affecting the Parent Guarantor or its Subsidiaries before any court, governmental agency or arbitrator, in which, individually or in the aggregate, there is a reasonable probability of an adverse decision which could have a Material Adverse Effect or result in a Material Credit Agreement Change.

(f) Taxes. All federal, and all material state, local and foreign tax returns, reports and statements required to be filed by the Parent Guarantor or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed. All consolidated, combined or unitary returns which include the Parent Guarantor or any of its Subsidiaries have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed except where such filing is being contested or may be contested. All federal, and all material state, local and foreign taxes, charges and other impositions of the Parent Guarantor, its Subsidiaries or any consolidated, combined or unitary group which includes the Parent Guarantor or any of its Subsidiaries which are due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof except where contested in good faith and by appropriate proceedings if adequate reserves therefor have been established on the books of the Parent Guarantor or such Subsidiary in accordance with GAAP. Proper and accurate amounts have been withheld by or on behalf of the Parent Guarantor and each of its Subsidiaries from their respective employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law and such withholdings have been timely paid to the respective governmental agencies, in all material respects. Neither the Parent Guarantor nor any of its Tax Affiliates has agreed or has been requested to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise relating to the Borrower or any of its Subsidiaries which will affect a taxable year of the Parent Guarantor or a Tax Affiliate ending after December 31, 1993, which has not been reflected in the financial statements delivered pursuant to Section 6(g) and which would have a Material Adverse Effect. The Parent Guarantor has no obligation to any Person other than the Borrower and the Parent Guarantor's Subsidiaries under any tax sharing agreement or other tax sharing

arrangement.

(g) Financial Information. (i) The reports of the Parent Guarantor on Form 10-K for the Fiscal Year ended December 31, 1997 and on Form 10-Q for the Fiscal Quarters ended March 31, 1998, June 30, 1998 and September 30, 1998 which have been furnished to the Agent and each Bank, are respectively complete and correct in all material respects as of such respective dates, and the financial statements therein have been prepared in accordance with GAAP and fairly present the financial condition and results of operations of the Parent Guarantor and its consolidated Subsidiaries as of such respective dates (subject, in the case of such reports on Form 10-Q, to changes resulting from normal year-end adjustments).

(ii) Since December 31, 1997 there has been no Material Adverse Change or Material Credit Agreement Change.

(iii) None of the Parent Guarantor or any Subsidiary of the Parent Guarantor had at September 30, 1998 any obligation, contingent liability, or liability for taxes or long-term leases material to the Parent Guarantor and its Subsidiaries taken as a whole which is not reflected in the balance sheets referred to in subsection (i) above or in the notes thereto.

(h) ERISA.

(i) No liability under Sections 4062, 4063, 4064 or 4069 of ERISA has been or is expected by the Parent Guarantor to be incurred by the Parent Guarantor or any ERISA Affiliate with respect to any Plan which is a Single-Employer Plan in an amount that could reasonably be expected to have a Material Adverse Effect.

(ii) No Plan which is a Single-Employer Plan had an accumulated funding deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ended prior to the date hereof. Neither the Parent Guarantor nor any ERISA Affiliate is (A) required to give security to any Plan which is a Single-Employer Plan pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, or (B) subject to a Lien in favor of such a Plan under Section 302(f) of ERISA.

(iii) Each Plan of the Parent Guarantor, each of its Subsidiaries and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code, except where the failure to comply would not result in any Material Adverse Effect.

(iv) Neither the Parent Guarantor nor any of its Subsidiaries has incurred a tax liability under Section 4975 of the Code or a penalty under Section 502(i) of ERISA in respect of any Plan which has not been paid in full, except where the incurrence of such tax or penalty would not result in a Material Adverse Effect.

(v) None of the Parent Guarantor, any of its Subsidiaries or any ERISA Affiliate has incurred or reasonably expects to incur any Withdrawal Liability under Section 4201 of ERISA as a result of a complete or partial withdrawal from a Multiemployer Plan which will result in Withdrawal Liability to the Parent Guarantor, any of its Subsidiaries or any ERISA Affiliate in an amount that could reasonably be expected to have a Material Adverse Effect.

(i) No Defaults. Neither the Parent Guarantor nor any of its Subsidiaries is in breach of or default under or with respect to any instrument, document or agreement binding upon the Parent Guarantor or such Subsidiary which breach or default is reasonably probable to have a Material Adverse Effect or result in the creation of a Lien on any Property of the Parent Guarantor or its Subsidiaries.

(j) Disclosure. All written information relating to the Parent Guarantor and any of its Subsidiaries which has been delivered by or on behalf of the Parent Guarantor or the Borrower to the Agent or the Banks in connection with the Loan Documents and all financial and other information furnished to the Agent is true and correct in all material respects and contains no misstatement of a fact of a material nature. Any financial projections and other information regarding anticipated future plans or developments contained therein was based upon the Parent Guarantor's best good faith estimates and assumptions at the time they were prepared.

(k) Subsidiaries. (i) Schedule 5(k) hereto sets forth all of the Subsidiaries, their jurisdictions of incorporation and the percentages of the various classes of their capital stock owned by the Parent Guarantor or another Subsidiary of the Parent Guarantor, (ii) the Parent Guarantor or another Subsidiary, as the case may be, has the unrestricted right to vote, and to receive dividends and dividends on, all capital stock indicated on such Schedule as owned by the Parent Guarantor or such Subsidiary (subject to limitations imposed by Applicable Law or the Loan Documents) and (iii) such capital stock has been duly authorized and issued and is fully paid and nonassessable.

(l) Principal Subsidiaries. Schedule 5(l) hereto sets forth all of the Principal Subsidiaries in existence as of the Agreement Date.

(m) Insurance. All policies of insurance of any kind or nature owned by the Parent Guarantor and its Subsidiaries are maintained with reputable insurers which to the Parent Guarantor's best knowledge are financially sound. The Parent Guarantor currently maintains insurance with respect to its Properties and business and causes its Subsidiaries to maintain insurance with respect to their respective Properties and business against loss or damage of the kinds customarily insured against by corporations engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations including, without limitation, worker's compensation insurance.

(n) Environmental Protection. (i) There are no known conditions or circumstances known to the Parent Guarantor associated with the currently or previously owned or leased properties or operations of the Parent Guarantor or its Subsidiaries or tenants which may give rise to any Environmental Liabilities and Costs which would have a Material Adverse Effect; and

(ii) No Environmental Lien has attached to any Property of the Parent Guarantor or any of its Subsidiaries which would have a Material Adverse Effect.

(o) Regulatory Matters. Except as disclosed in the Parent Guarantor's Form 10-K for the fiscal year ending December 31, 1997 or its Report on Form 10-Q for the fiscal quarter ending September 30, 1998, the Parent Guarantor and its Subsidiaries are to the best of their knowledge in compliance with all rules, regulations and other requirements of the Food and Drug Administration ("FDA") and other regulatory authorities of jurisdictions in which the Parent Guarantor or any of its Subsidiaries do business or operate manufacturing facilities, including without limitation those relating to compliance by the Parent Guarantor's or any such Subsidiary's manufacturing facilities with "Current Good Manufacturing Practices" as interpreted by the FDA, except to the extent any such noncompliance would not have a Material Adverse Effect. Except as so disclosed, neither the FDA nor any other such regulatory authority has requested (or, to the Parent Guarantor's knowledge, are considering requesting) any product recalls or other enforcement actions that (a) if not complied with would result in a Material Adverse Effect and (b) with which the Borrower has not complied within the time period allowed.

(p) Title and Liens. Each of the Parent Guarantor and its Subsidiaries has good and marketable title to its real properties and owns or leases all its other material Properties, in each

case, as shown on its most recent quarterly balance sheet, and none of such Properties is subject to any Lien except for Permitted Liens.

(q) Compliance with Law. Each of the Parent Guarantor and its Subsidiaries is in compliance with all Applicable Law, including, without limitation, all Environmental Laws, except where any failure to comply with any such laws would not, alone or in the aggregate, have a Material Adverse Effect on the business or financial condition of the Parent Guarantor and its Subsidiaries taken as a whole, or the Parent Guarantor's ability to perform its obligations under the Loan Documents.

(r) Trademarks, Copyrights, Etc. The Parent Guarantor and each of its Subsidiaries own or have the rights to use such trademarks, service marks, trade names, copyrights, licenses or rights in any thereof, as in the aggregate are adequate in the reasonable judgment of the Parent Guarantor for the conduct of the business of the Parent Guarantor and its Subsidiaries as now conducted.

(s) Year 2000 Issue. The Parent Guarantor and its Subsidiaries have reviewed, and are continuing to review, the effect of the Year 2000 Issue on the computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Parent Guarantor and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such computer systems of the Parent Guarantor and its Subsidiaries interface). The information contained in the Parent Guarantor's Form 10-Q for the Fiscal Quarter ended September 30, 1998 as to the costs to the Parent Guarantor and its Subsidiaries of any reprogramming required as a result of the Year 2000 Issue to permit the proper functioning of such systems and equipment and the proper processing of data, and the testing of such reprogramming, and of the reasonably foreseeable consequences of the Year 2000 Issue to the Parent Guarantor or any of its Subsidiaries (including reprogramming errors and the failure of systems or equipment supplied by others) is complete and correct in all material respect as of such date and such costs are not reasonably expected to result in a Default or Event of Default or to have a material adverse effect on the business, assets, operations, prospects or condition (financial or otherwise) of the Parent Guarantor or any of its Subsidiaries.

(t) Pari Passu Obligations. The obligations of the Parent Guarantor under this Guaranty do rank at least pari passu in priority of payment with all other present unsecured Indebtedness of the Parent Guarantor.

(u) Corporate Headquarters. The Parent Guarantor and the

Borrower maintain dual corporate headquarters: in Oslo, Norway through Alpharma A.S. and in northern New Jersey (currently Fort Lee), U.S.A. through the Parent Guarantor.

SECTION 6. Affirmative Covenants. As long as any of the Guaranteed Obligations or any other amounts shall remain unpaid, or any Bank shall have any Commitment under the Credit Agreement, unless otherwise agreed by the written consent of the Majority Banks:

(a) Compliance with Laws, Etc. The Parent Guarantor shall comply, and cause each of its Subsidiaries to comply, in all material respects with all Applicable Law except such non-compliance as would not have a Material Adverse Effect or result in a Material Credit Agreement Change.

(b) Payment of Taxes, Etc. The Parent Guarantor and any consolidated, combined or unitary group which includes the Parent Guarantor or any of its Subsidiaries shall pay and discharge, and cause each Subsidiary of the Parent Guarantor to pay and discharge, before the same shall become delinquent, all lawful claims, Taxes, assessments and governmental charges or levies except where contested in good faith, by proper proceedings, and where adequate reserves therefor have been established on the books of the Parent Guarantor or such Subsidiary in accordance with GAAP.

(c) Maintenance of Insurance. The Parent Guarantor shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Parent Guarantor or such Subsidiary operates. The Parent Guarantor will furnish to the Agent from time to time such information as may be requested as to such insurance.

(d) Preservation of Corporate Existence, Etc. The Parent Guarantor shall preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, their respective corporate existences; provided, that this Section 6(d) shall not apply at any time with respect to the corporate existence of a Subsidiary of the Parent Guarantor (other than the Borrower and the Scandinavian Principal Companies) in any case where the Parent Guarantor's Board of Directors determines in good faith that such termination of corporate existence is in the best interests of the Parent Guarantor and its Subsidiaries taken as a whole and where noncompliance will not have a Materially Adverse Effect on the Parent Guarantor and its Subsidiaries or any Loan Document (other than a Loan Document delivered by a Subsidiary that at such time is no longer a Principal Subsidiary, as determined at

such time); provided, further that this Section 6(d) shall be without prejudice to the other provisions of this Guaranty and the Credit Agreement.

(e) Books and Access. The Parent Guarantor shall, and shall cause each of its Subsidiaries to, keep proper books of record and accounts in conformity with GAAP, and upon reasonable notice and at such reasonable times during the usual business hours as often as may be reasonably requested, permit representatives of the Agent, at its own initiative or at the request of any Bank, to make inspections of its Properties, to examine its books, accounts and records and make copies and memoranda thereof and to discuss its affairs and finances with its officers or directors and independent public accountants.

(f) Maintenance of Properties, Etc. The Parent Guarantor shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of their respective Properties which are used or useful in the conduct of its business in good working order and condition and, from time to time make or cause to be made all appropriate repairs, renewals and replacements, except where the failure to do so would not have a Material Adverse Effect.

(g) Financial Statements. The Parent Guarantor shall furnish, or cause to be furnished, to the Agent (with sufficient copies for the Banks):

(i) as soon as available but not later than fifty (50) days after the close of each of the first three (3) Fiscal Quarters of each Fiscal Year of the Parent Guarantor, consolidated and consolidating balance sheets of the Parent Guarantor and its Subsidiaries as at the end of such Fiscal Quarter and the related consolidated and consolidating statements of operations and the consolidated statement of cash flows of the Parent Guarantor and its Subsidiaries for such Fiscal Quarter and (in the case of the second and third Fiscal Quarters) for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case in comparative form the consolidated figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail and certified by a Responsible Financial Officer of the Parent Guarantor as fairly presenting, in accordance with GAAP, the financial condition and results of operations of the Parent Guarantor and its Subsidiaries, subject to changes resulting from normal year-end audit adjustments; provided, that to the extent set forth therein and otherwise complying with the requirements of this clause, the Parent Guarantor may satisfy the requirements hereof by delivering its Form 10Q for the applicable period;

(ii) (1) as soon as available but no later than ninety-five (95) days after the close of each Fiscal Year of the Parent Guarantor, consolidated and consolidating balance sheets of the Parent Guarantor and its Subsidiaries as at the end of such year and the related consolidated and consolidating statements of operations and the consolidated statement of cash flows of the Borrower and its Subsidiaries for such year, setting forth in each case in comparative form the consolidated and consolidating figures for the previous Fiscal Year, all in reasonable detail and certified in the case of the consolidated financial statements by PriceWaterhouseCoopers or another firm of nationally recognized independent public accountants, which report shall state without qualification as to the scope of the audit or as to going concern that such consolidated financial statements present fairly the financial position and the results of operations as at the dates and for the periods indicated in conformity with GAAP and that the audit by such accountants in connection with such consolidated financial statements has been made in accordance with GAAS, (2) as soon as available but not later than one hundred twenty (120) days after the close of each Fiscal Year of the Parent Guarantor, a certificate from such accounting firm that in the course of the regular audit of the business of the Parent Guarantor and its Subsidiaries, which audit was conducted by such accounting firm in accordance with GAAS, such accounting firm reviewed the financial covenants included in Section 8 and such review disclosed no evidence that an Event of Default or Default has occurred based on such financial covenants or, if in the opinion of such accounting firm, such an Event of Default or Default has occurred and is continuing, a statement as to the nature thereof; provided, that to the extent set forth therein and otherwise complying with the requirements of this clause, the Parent Guarantor may satisfy the requirements hereof by delivering its Form 10K for the applicable period;

(iii) together with each delivery of financial statements of the Parent Guarantor pursuant to clauses (i) and (ii) above and commencing with the Fiscal Quarter ending December 31, 1998, a certificate issued by a Responsible Financial Officer of the Parent Guarantor (1) demonstrating compliance at the end of the accounting period described in such statements with the financial covenants contained herein and (2) containing in reasonable detail the component figures contained in the respective total figures stated in such certificate;

(iv) together with each delivery of financial statements of the Parent Guarantor and its Subsidiaries

pursuant to clauses (i) or (ii) above, and commencing with the Fiscal Quarter ending September 30, 1998, a certificate signed by a Responsible Financial Officer of the Parent Guarantor stating that (1) such officer is familiar with both this Guaranty and the business and financial condition of the Parent Guarantor (2) that the representations and warranties set forth in Section 5 hereof are true and correct in all material respects as though such representations and warranties had been made by the Parent Guarantor on and as of the date thereof (other than those that are expressly stated to be made as of a certain date), and (3) no Event of Default or Default has occurred and is continuing or if an Event of Default or Default has occurred and is continuing a statement as to the nature thereof, and whether or not the same shall have been cured;

(v) together with each delivery of financial statements of the Parent Guarantor and its Subsidiaries pursuant to clause (ii) above, a certificate signed by a Responsible Financial Officer of the Parent Guarantor stating that as of the date of such certificate, the entities listed on a schedule attached thereto are all of the Principal Subsidiaries in existence at such time (describing any changes in the entities constituting Principal Subsidiaries since the delivery of the last such certificate);

(vi) together with each delivery of financial statements of the Parent Guarantor and its Subsidiaries pursuant to clauses (i) or (ii) above, a schedule substantially in the form of Schedule 6(g)(vi) hereto, certified by a Responsible Financial Officer of the Parent Guarantor, setting forth any changes in the outstanding long-term indebtedness of the Parent Guarantor and its Subsidiaries since the date of the previously delivered schedule.

(vii) together with each delivery of financial statements of the Parent Guarantor pursuant to clauses (i) and (ii) above and commencing with the Fiscal Year ending December 31, 1998, a report providing information on the status of actions taken by the Parent Guarantor and its Subsidiaries in order to comply with Section 6(l) of the Parent Guaranty; provided, that to the extent set forth therein and otherwise complying with the requirements of this clause, the Parent Guarantor may satisfy the requirements hereof by delivering its Form 10K for the applicable period.

(h) Reporting Requirements. The Parent Guarantor shall furnish to the Agent for distribution to the Banks:

(i) from time to time as the Agent may reasonably request, copies of such statements, lists of Property, accounts, reports or information prepared by or for the Parent Guarantor or within the Parent Guarantor's control. In addition, the Parent Guarantor shall furnish to the Agent for distribution to the Banks, within fifteen (15) days after delivery thereof to the Parent Guarantor's Board of Directors, copies of budgets and forecasts prepared by or for the Parent Guarantor or within the Parent Guarantor's control (including, without limitation, any such accounts, reports, information, final budgets and forecasts delivered to the Parent Guarantor's Board of Directors in connection with a proposed Acquisition, except to the extent that any such information about the company or product to be Acquired is subject to a confidentiality agreement and cannot be properly disclosed);

(ii) promptly and in any event within thirty (30) days after the Parent Guarantor, any of its Subsidiaries or any ERISA Affiliate knows that any ERISA Event has occurred (other than a Reportable Event for which notice to the PBGC is waived), a written statement of the chief financial officer or other appropriate officer of the Parent Guarantor describing such ERISA Event and the action, if any, which the Borrower, any of its Subsidiaries or any ERISA Affiliate proposes to take with respect thereto, and a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(iii) promptly and in any event within thirty (30) days after notice or knowledge thereof, notice that the Parent Guarantor or any of its Subsidiaries becomes subject to the tax on prohibited transactions imposed by Section 4975 of the Code, together with a copy of Form 5330;

(iv) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against or affecting the Parent Guarantor or any of its Subsidiaries, in which there is a reasonable probability of an adverse decision which would have a Material Adverse Effect;

(v) promptly upon the Parent Guarantor or any of its Subsidiaries learning of (i) any Event of Default or any Default, or (ii) any Material Credit Agreement Change, telephonic or telegraphic notice specifying the nature of such Event of Default, Default or Material Credit Agreement Change, including the anticipated effect thereof, which notice shall be promptly confirmed in writing within five days;

(vi) promptly after the sending or filing thereof, copies of all reports which the Parent Guarantor sends to its security holders generally, and copies of all reports and registration statements which the Parent Guarantor or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(vii) promptly upon, and in any event within 30 days of, the Parent Guarantor or any of its Subsidiaries learning of any of the following:

(1) notice that any Property of the Parent Guarantor or any of its Subsidiaries is subject to any Environmental Liens individually or in the aggregate which would have a Material Adverse Effect;

(2) any proposed acquisition of stock, assets or real estate, or any proposed leasing of Property, or any other action by the Parent Guarantor or any of its Subsidiaries in which there is a reasonable probability that the Parent Guarantor or any of its Subsidiaries would be subject to any material Environmental Liabilities and Costs, provided, that, in the event of any such proposed acquisition or lease, the Parent Guarantor must furnish to the Agent evidence in a form acceptable to the Agent that the proposed acquisition will not have a Material Adverse Effect;

(viii) prior to the effectiveness thereof, information relating to any proposed change in the accounting treatment or reporting practices of the Parent Guarantor and its Subsidiaries the nature or scope of which materially affects the calculation of any component of any financial covenant, standard or term contained in this Guaranty; and

(ix) prior to the Parent Guarantor, or any of its Subsidiaries, (i) entering into any agreement relating to the sale of, or the granting of a Lien on, assets having a fair market value of $10,000,000 or more, or (ii) incurring Indebtedness pursuant to a single transaction the aggregate principal amount of which is $10,000,000 or more, the Parent Guarantor shall give the Agent 15 days' notice of its intention to enter into such an agreement; and

(x) from time to time, such other information and materials as the Agent (or the Banks through the Agent may reasonably request.

(i) Additional Credit Support Documents. The Parent Guarantor shall deliver, or shall cause to be delivered, within

five (5) Business Days of delivery to the Agent of a certificate pursuant to Section 6(g)(v) hereof, in respect of each Principal Subsidiary, disclosed on the schedule attached to such certificate (a) a Subsidiary Guaranty duly executed by each such Principal Subsidiary or (b) if any such Principal Subsidiary is a Non-U.S. Subsidiary, a Pledge Agreement duly executed by the Shareholders of such Non-U.S. Subsidiary; provided, that this Section (i) shall not apply to any Principal Subsidiary as to which there already is at such time a valid and binding Subsidiary Guaranty or Pledge Agreement (as the case may be).

(j) Delivery of Opinions. Concurrently with the execution and delivery of any additional Credit Support Documents pursuant to Section 6(i) hereof, the Parent Guarantor shall deliver, or shall cause to be delivered, to the Agent an opinion of counsel relating to such additional Credit Support Document in form and substance substantially similar to the opinions rendered in connection with comparable agreements on the Effective Date.

(k) Stock Exchange Listing. The Parent Guarantor's Class A common stock shall at all times be listed on The New York Stock Exchange.

(l) Year 2000 Compliance. The Parent Guarantor shall take, and shall cause each of its Subsidiaries to take, all necessary action to complete in all material respects by the end of the time periods set forth in the Parent Guarantor's Form 10-Q for the Fiscal Quarter ended September 30, 1998, the reprogramming of computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Parent Guarantor and its Subsidiaries or used or relied upon in the conduct of their business (including systems and equipment supplied by others or with which such systems of the Parent Guarantor or any of its Subsidiaries interface) as described in such Form 10-Q and required as a result of the Year 2000 Issue to permit the proper functioning of such computer systems and other equipment and the testing of such systems and equipment, as so reprogrammed except to the extent that failure to so comply would not have a Material Adverse Effect. At the request of the Bank, the Parent Guarantor shall provide, and shall cause each of its Subsidiaries to provide, to the Bank reasonable assurance of its compliance with the preceding sentence.

(m) Pari Passu Obligations. The obligations of the Parent Guarantor under this Agreement and the Notes do rank and will at all time rank at least pari passu in priority of payment with all other present and future unsecured Indebtedness of the Parent Guarantor.

(n) Appointment of Financial Adviser. If at any time the Parent Guarantor, in order to comply with Section 8(a) hereof,

relies on proviso (B) of such Section 8(a), then the Parent Guarantor shall promptly retain a financial adviser or an investment bank (in either case of internationally recognized standing) to advise and assist the Parent Guarantor in raising sufficient Equity to restore (i) the Equity Ratio to a minimum of 0.25:1 and (ii) the Adjusted Equity Ratio to a minimum of 0.30:1. Copies of the engagement letter pursuant to which such financial adviser or investment bank is retained shall be promptly delivered to each of the Banks.

(o) Corporate Headquarters. The Parent Guarantor shall, and shall cause the Borrower to, maintain dual corporate headquarters: in Oslo, Norway through Alpharma A.S. and in northern New Jersey (currently Fort Lee), U.S.A. through the Parent Guarantor.

SECTION 7. Negative Covenants. So long as any of the Guaranteed Obligations or any other amounts shall remain unpaid or any Bank shall have any Commitment under the Credit Agreement, unless otherwise agreed by the written consent of the Majority Banks:

(a) Liens, Etc. The Parent Guarantor shall not, directly or indirectly, create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its Properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Indebtedness of any Person, except the following (collectively, "Permitted Liens").

(i) Liens created by the Loan Documents;

(ii) Liens listed on Schedule 7(a)(ii) hereto;

(iii) Liens securing a tax, assessment or other governmental charge or levy or the claim of a materialman, mechanic, carrier, warehouseman or landlord for labor, materials, supplies or rentals and any other statutory lien (other than Environmental Liens), but only if (A) such Lien was incurred in the ordinary course of business and (B) the liability secured by such Lien (1) is not delinquent or (2) is being contested in good faith by appropriate proceedings and adequate reserves or other appropriate provisions have been provided therefor in an amount not less than the amount required by GAAP;

(iv) Liens consisting of a deposit or pledge made in the ordinary course of business in connection with, or to secure payment of, obligations under worker's compensation, unemployment insurance or similar legislation;

(v) Liens constituting an encumbrance in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property that does not have a materially adverse effect on the Parent Guarantor or its Subsidiaries;

(vi) Liens of landlords or of mortgagees of landlords arising by operation of law or pursuant to the terms of real property leases, provided that the rental payments secured thereby are not yet due and payable;

(vii) Any interest or title of a lessor under any lease entered into by the Parent Guarantor or any of its Subsidiaries in the ordinary course of its business and covering only the assets so leased;

(viii) Liens to secure the performance of bids, trade contracts (other than for borrowed money), obligations for utilities leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(ix) judgment or other similar Liens arising in connection with legal proceedings, provided that there shall be no period of more than 15 consecutive days during which a stay of enforcement of the related judgment shall not be in effect

(b) Mergers. The Parent Guarantor shall not merge or consolidate in any transaction in which it or the Borrower is not the surviving Person. The Parent Guarantor shall not, without the consent of the Majority Banks, permit any of its Subsidiaries to merge or consolidate in any transaction in which such Subsidiary is not the surviving Person other than in mergers of any Subsidiary (other than the Borrower) into the Parent Guarantor, the Borrower or any other wholly owned Subsidiary of the Parent Guarantor or the Borrower that is incorporated in the U.S.; provided, that with respect to mergers in which the surviving entity is not the Parent Guarantor or the Borrower, then the Parent Guarantor shall cause such surviving entity to deliver a Subsidiary Guaranty if immediately after the merger the surviving entity is a Principal Subsidiary (as determined at such time) in respect of which there is not, at such time, a valid, legal and binding Subsidiary Guaranty or Pledge Agreement.

(c) Substantial Asset Sale. The Parent Guarantor shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of all or any substantial part of its or their assets (including any of the stock of the

Scandinavian Principal Companies owned by it or them), except that this Section 7(c) shall not apply to (i) any disposition of assets (A) in the ordinary course of business or (B) any disposition of assets (other than assets consisting of the stock of the Scandinavian Principal Companies or assets owned by the Scandinavian Principal Companies) (I) to the Parent Guarantor, the Borrower or any Principal Subsidiary (in respect of which there is in existence a legal, valid and binding Subsidiary Guaranty or Pledge Agreement) or (II) where the proceeds of such disposition (x) consist solely of cash or Cash Equivalents and (y) the Net Cash Proceeds of such disposition are first applied towards the prepayment of any Loans then outstanding in accordance with Section 5.4(a) of the Credit Agreement; provided, that for purposes of this Section 7(c), any such prepayment shall be effected on the next succeeding day on which an interest payment is due in respect of the Loan being prepaid after consummation of the asset sale, and if such day is not the last day of the Interest Period in respect of the Loan or Loans being prepaid, the Borrower shall continue to be liable for any costs or expenses pursuant to Section 12.4(c) or (ii) the contribution by Wade Jones Company, Inc., a Texas corporation, an indirect wholly-owned Subsidiary of the Parent Guarantor ("Wade Jones"), of assets relating to the distribution activities of Wade Jones in connection with the formation of Wynco, LLC, a limited liability company, among Wade Jones, G&M Animal Health Distributors, Inc., a corporation duly organised under the State of Arkansas, and T&H Distributors, LLC, a Delaware limited liability company.

(d) Transactions with Affiliates. The Parent Guarantor shall not engage in, and will not permit any of its Subsidiaries to engage in, any transaction with an Affiliate of the Parent Guarantor or of such Subsidiary other than transactions in the ordinary course of business between a Subsidiary and its parent or among Subsidiaries of the Parent Guarantor that are on terms no less favorable to the Parent Guarantor or such Subsidiaries than as would be obtained in a comparable arms-length transaction.

(e) Activities. The Parent Guarantor shall not engage in any business activities, own any Properties or incur any obligations or Indebtedness other than (a) as contemplated by the Loan Documents, (b) the ownership of the Equity of its Subsidiaries and of the real estate and improvements thereon relating to its manufacturing facility in Chicago Heights, Illinois , (c) business activities, the ownership of Properties and the incurrance of obligations or Permitted Indebtedness in connection with the operation of its animal health business and (d) the incurrance of obligations in connection with the guaranty or similar assurance of payment or performance of the obligations or Permitted Indebtedness of its Subsidiaries; provided that in

the case of the foregoing sub-clauses (c) or (d) only so long as such business activities or obligations do not violate any other provision of this Guaranty or any other Loan Document.

(f) Restrictions on Indebtedness. (i) Subject to clause (ii) below, the Parent Guarantor shall not incur, and shall not permit its Subsidiaries to incur, Indebtedness except the following (collectively, "Permitted Indebtedness"):

(A) Indebtedness under the Loan Documents;

(B) Any Indebtedness incurred by the Parent Guarantor or the Borrower (but not any other Subsidiary of the Parent Guarantor) if prior to, and immediately after, the incurrence thereof, the Senior Ratio is equal to or less than 3.5;

(C) Subordinated Indebtedness of the Parent Guarantor or the Borrower; or

(D) Permitted Intercompany Indebtedness;

(E) Indebtedness incurred pursuant to a Permitted Credit Line up to an aggregate principal amount which does not exceed the principal amount disclosed on Schedule 7(f)(i)(E) hereto under the heading "Total Permitted Credit Line"; or

(F) Indebtedness of the Parent Guarantor or the Borrower under Swap Agreements entered into in the ordinary course of business with any Bank.

provided, that prior to the incurrence of Subordinated Indebtedness, the Agent shall have received an opinion of counsel relating to such Subordinated Indebtedness and stating that in the opinion of such counsel the Indebtedness of the Loan Parties under the Loan Documents is senior indebtedness within the meaning of such term (or a term analogous thereto) as used in the terms and provisions relating to such Subordinated Indebtedness.

(ii) Notwithstanding clause (i) above, no Permitted Indebtedness may be incurred unless (A) the Parent Guarantor or the Borrower shall have given the Agent at least 7 Business Days' prior notice of the intention to incur such Indebtedness in accordance with the terms hereof and (B) if the principal amount of such Indebtedness is $1,000,000 or more, the Person to whom the debtor in respect of such Indebtedness shall be obligated becomes a party to the Intercreditor Agreement (unless it is already a party to such agreement); provided, however, that clause (B) hereof shall not apply to (1) Subordinated Debt or (2) Indebtedness that is otherwise Permitted Indebtedness and that is issued pursuant to a (x) registration statement filed with the

Securities and Exchange Commission or (y) a private placement with institutional investors. In the case of such a private placement with institutional investors, the Parent Guarantor or the Borrower shall use its reasonable best efforts to ensure that the institutional investors in such private placement become parties to the Intercreditor Agreement.

(iii) The Parent Guarantor shall not, and shall not permit any of its Subsidiaries to, make any voluntary pre-payments of principal in respect of Subordinated Indebtedness so long as there are any amounts outstanding under the Loan Documents. For the avoidance of doubt, the parties agree that this clause (iii) shall not restrict payments of principal in respect of Subordinated Indebtedness so long as (A) such Subordinated Indebtedness is evidenced by convertible bonds, notes or debentures, (B) such payment is being made in connection with the exercise by the issuer thereof of the conversion option applicable to such Indebtedness at a time when the conversion option applicable to such Indebtedness is at a price lower than the then present market price of the security issuable upon conversion, (C) such payment is not being made any earlier than three years from the date of issuance of such Indebtedness and (D) the Majority Banks have consented to such payment (which consent shall not be unreasonably withheld).

SECTION 8. Financial Covenants. As long as any of the Guaranteed Obligations shall remain unpaid or any Bank shall have any Commitment under the Credit Agreement, unless otherwise agreed by the written consent of the Majority Banks:

(a) Minimum Equity Ratio. The Equity Ratio of the Parent Guarantor and its Subsidiaries shall not at any time be less than (i) 0.2:1, from the Agreement Date through December 31, 1998, and (ii) 0.3:1 thereafter; provided, however, (A) if at any time after December 31, 1998 the Adjusted Equity Ratio is equal to or greater than 0.3:1, then the Equity Ratio during any such period shall not at any time be less than 0.25:1 and provided, further, (B) if prior to December 31, 1999 the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition, then from the Significant Acquisition Date through the earlier of (x) June 30, 2000 and (y) six (6) months after such transaction is consummated, during any period for which the Adjusted Equity Ratio is equal to or greater than 0.3:1, the Equity Ratio shall for such period not be less than 0.20:1. For purposes of this Section 8(a), the "Adjusted Equity Ratio" shall mean, at any time, the ratio of (A) the sum of (I) the Net Worth of the Parent Guarantor and its Subsidiaries on a consolidated basis plus (II) 50% of the aggregate principal amount of Subordinated Indebtedness outstanding at such time to (B) the total value of the assets of the Parent Guarantor and its Subsidiaries on a consolidated basis as shown on the Parent Guarantor's then most

recent quarterly consolidated balance sheet.

(b) Total Indebtedness to EBITDA. The ratio of (i) Total Indebtedness to (ii) EBITDA as at the last day of any period of four consecutive Fiscal Quarters of the Parent Guarantor shall not be less than (A) 5.50:1, from the Agreement Date through December 31, 2000, (B) 5.25:1, from January 1, 2001 through December 31, 2001, and (C) 5.00:1 thereafter; provided, however, that if prior to December 31, 2000 the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition, then the ratio of Total Indebtedness to EBITDA shall not be less than 6.0:1 from the Significant Acquisition Date through the earlier of (x) December 31, 2000 and (y) eighteen (18) months after such transaction is consummated.

(c) Interest Coverage Ratio. The ratio of (i) EBITDA to (ii) Total Interest Expense for any period of four consecutive Fiscal Quarters of the Parent Guarantor shall not be less than (A) 2.25:1, from the Agreement Date through December 31, 2000, (B) 2.50:1, from January 1, 2001 through December 31, 2001, and (C) 3.00:1 thereafter; provided, however, that if prior to December 31, 2000 the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition, then the ratio of EBITDA to Total Interest Expense shall not be less than 2.0:1 from the Significant Acquisition Date through the earlier of (x) December 31, 2000 and (y) eighteen (18) months after such transaction is consummated.

SECTION 9. Payments and Computations. (a) The Parent Guarantor shall make each payment payable by it hereunder not later than 11:00 A.M. (New York City time) on the day when due, in Dollars, to the Agent at its address referred to in Section 12.2 of the Credit Agreement in immediately available funds without set-off or counterclaim, for the account of the several Banks.

(b) No Reductions. (i) Subject to Section 9(b)(ii) and (iii), payments due to the Agent, the Arranger, the Co-Arranger or any Bank hereunder, and all other terms, conditions, covenants and agreements to be observed and performed by the Parent Guarantor hereunder, shall be made, observed or performed by the Parent Guarantor without any reduction or deduction whatsoever, including any reduction or deduction for any set-off, recoupment, counterclaim (whether sounding in tort, contract or otherwise) or Tax.

(ii)(x) If any withholding or deduction from any payment to be made by the Parent Guarantor hereunder is required for any Taxes under any applicable law, rule or regulation, then the Parent Guarantor will

(A) pay directly to the relevant taxing authority the full amount required to be so withheld or deducted;

(B) promptly forward to the Agent an official receipt or other documentation satisfactory to the Agent evidencing such payment to such authority; and

(C) pay to the Agent for the account of the Banks such additional amount or amounts necessary to ensure that the net amount actually received by each Bank will equal the full amount such Bank would have received had no such withholding or deduction been required.

In addition, to the extent permitted by applicable law, the Parent Guarantor agrees to pay any present or future stamp or documentary taxes, excise or property taxes, or any other charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Guaranty or the Notes (hereinafter referred to as "Other Taxes").

Each Bank shall use its reasonable best efforts to designate another of its then existing offices as its Lending Office if the making of such designation would, without any detrimental effect to such Bank (as determined by the Bank in its sole discretion), avoid the need for, or reduce the amount of, such withholding or deduction from any payment to be made to such Bank by the Parent Guarantor hereunder required for any Taxes.

The Parent Guarantor will indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor.

If the Parent Guarantor fails to pay any Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Agent, for the account of the respective Banks, the required receipts or other required documentary evidence, the Parent Guarantor shall indemnify the Agent and the Banks for any incremental Taxes or Other Taxes, penalties, interest or expenses that may become payable by the Agent or any Bank as a result of any such failure.

(y) Notwithstanding subsection (x), the Parent Guarantor shall not be required to indemnify or pay additional amounts for or on account of:

(A) Taxes imposed on or measured by the net income of the Agent or any Bank or franchise Taxes imposed on the Agent or any Bank, but in each case only to the extent imposed by the jurisdiction under the laws of which the Agent or such Bank is organized or doing business (other than as a result of the transactions contemplated by the Loan Documents or the Agent's or any Bank's enforcement of its rights under any Loan Document) or any political subdivision or taxing authority thereof or therein, or by any jurisdiction in which the Agent or such Bank's lending office or principal executive office is located or any political subdivision or taxing authority thereof or therein (except, in each case, to the extent required by the following paragraph to make payments on a net after-tax-basis), or

(B) any Tax or Other Tax imposed by reason of either (i) the failure of the certification made by a Bank on any form provided pursuant to Section 9(b)(iii) to be accurate and true in all material respects unless any such failure is attributable solely to a Change in Tax Law that occurs on or after the date on which such form is provided by such Bank, or (ii) the failure by a Bank to deliver to the Parent Guarantor (or the Borrower) and the Agent two duly completed and executed copies of IRS Form 1001 or 4224 (or successor applicable forms) in accordance with the second sentence of Section 9(b)(iii), certifying that such Bank is entitled to receive payments under this Guaranty and the Loans without deduction or withholding of any United States federal income taxes, provided that this clause (B)(ii) will not apply if such failure is attributable solely to a Change in Tax Law that occurs on or after the date hereof.

All amounts payable as additional amounts or indemnities pursuant to this Section 9(b) shall include an amount necessary to hold the Agent or the relevant Bank harmless on a net after-tax-basis from and against all Taxes required to be paid with respect to or as a result of the payment of such additional amount or indemnity (including, without limitation, Taxes described in clause (A) of the preceding paragraph.)

(iii) Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees that it will, on or before the date that the Parent Guarantor delivers this Guaranty (or, in the case of a Bank that becomes a Bank pursuant to an assignment described in Section 12.7 of the Credit Agreement, on or before the date that the Agent records the Notice of the Assignment and Acceptance by which it becomes a Bank), deliver to the Parent Guarantor and the Agent two duly completed and executed copies of IRS Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments payable to it under this Guaranty and the Loans without deduction or withholding of any United States federal income taxes. Each Bank

that undertakes to deliver to the Parent Guarantor and the Agent an IRS Form 1001 or 4224 under the preceding sentence further undertakes to deliver to the Agent and the Parent Guarantor two additional duly completed and executed copies of Form 1001 or 4224 (or successor applicable forms) on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Parent Guarantor and the Agent, and such extensions or renewals thereof as may reasonably be required by the Parent Guarantor, certifying, in the case of a Form 1001 or 4224, that such Bank is entitled to receive payments under this Guaranty and the Loans without deduction or withholding of any United States federal income taxes, unless, in any such case, an event (including, without limitation, any Change in Tax Law) has occurred before the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which causes such Bank to be no longer eligible to complete and deliver any such form with respect to it, in which case the Bank shall either (1) furnish to the Parent Guarantor such forms or other certification as the Bank (in its sole opinion) is legally entitled to furnish evidencing the Bank's eligibility for a complete exemption from or a reduced rate of withholding of United States federal income taxes, or (2) notify the Parent Guarantor that the Bank is not capable of receiving payments without any deduction or withholding of United States federal income tax.

SECTION 10. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic or telecopy communication) and mailed, telegraphed, telecopied or delivered, if to the Parent Guarantor, addressed to it at One Executive Drive, Fort Lee, New Jersey 07024, Tel: (201) 947-7774, Fax: (201) 947-0795 Attention: Albert N. Marchio, II, Treasurer, if to the Agent, addressed to it at the address specified in the Credit Agreement, or as to each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid, and shall, when delivered or telecopied, be effective when received.

SECTION 11. No Waiver; Remedies. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 12. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default (as defined in the Credit Agreement), each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Parent Guarantor against any and all of the obligations of the Parent Guarantor now or hereafter existing under this Guaranty, irrespective of whether or not such Bank shall have made any demand under this Guaranty. Each Bank agrees promptly to notify the Parent Guarantor after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

SECTION 13. Continuing Guaranty; Transfer of Interest. This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until indefeasible payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty, (ii) be binding upon the Parent Guarantor, its successors and permitted assigns, provided that the Parent Guarantor may not assign or transfer its obligations hereunder without the consent of the Majority Banks, and (iii) inure to the benefit of and be enforceable by any Guaranteed Party and its respective successors, transferees, and assigns, without limiting the generality of the foregoing clause (iii), any Bank may assign or otherwise transfer all or any part of its rights and obligations under the Credit Agreement in accordance therewith, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to such Bank herein or otherwise, subject, however, to the provisions of Article XII of the Credit Agreement.

SECTION 14. Reinstatement. This Guaranty shall remain in full force and effect and continue to be effective should any petition be filed by or against any Loan Party (as defined in the Credit Agreement) for liquidation or reorganization, should any Loan Party become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of any Loan Party's assets, and shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Guaranteed Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Guaranteed Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment

or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored, or returned, the Guaranteed Obligations shall, to the fullest extent permitted by law, be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

SECTION 15. Defined Terms. (a) As used in this Guaranty, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adjusted Equity Ratio" has the meaning specified in Section 8(a).

"Current Assets" means, at any time, as to the Parent Guarantor and its Subsidiaries, the consolidated current assets of the Parent Guarantor and its Subsidiaries for the then most recently ended Fiscal Quarter, as shown on the Parent Guarantor's then most recent consolidated balance sheet at such time.

"Current Liabilities" of the Parent Guarantor and its Subsidiaries means, at any time, (a) the consolidated current liabilities of the Parent Guarantor and its Subsidiaries plus (b) to the extent not included in (a), the current liabilities of any Person (other than the Parent Guarantor or any of its Subsidiaries) that are guaranteed by the Parent Guarantor or any of its Subsidiaries, in each case for the then most recently ended Fiscal Quarter as shown on the Parent Guarantor's then most recent consolidated balance sheet at such time.

"Earnings from Operations" means, at any time, operating income for the Parent Guarantor and its Subsidiaries on a consolidated basis as set forth in the consolidated statement of income of the Parent Guarantor and its Subsidiaries for the immediately preceding four consecutive Fiscal Quarters (or such fewer number of consecutive Fiscal Quarters as shall have ended immediately following the Effective Date) for which financial statements have been delivered to the Banks pursuant to Section 6(g) of this Guaranty; provided, however, that if the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition, then there shall be in the foregoing calculation of EBIT the EBIT attributable to the product or product line so acquired.

"EBIT" means, at any time, an amount equal to (a) the consolidated net income of the Parent Guarantor and its Subsidiaries before interest expense and provision for taxes (excluding extraordinary gains and losses and gains from sales of assets other than sales of inventory in the ordinary course of business), in each case determined in accordance with GAAP for the immediately preceding four consecutive Fiscal Quarters (as

shown on the Parent Guarantor's consolidated financial statements and other reports, statements, budgets and forecasts, if any, most recently delivered to the Agent);

"EBITDA" means, for any period, an amount equal to (a) the consolidated net income of the Parent Guarantor and its Subsidiaries plus, to the extent deducted in computing such net income, interest expense and provision for taxes plus (b) the amount of all amortization of intangibles and depreciation that were deducted in arriving at such amount minus (c) the amount of all non-cash gains that were added in arriving at such amount, in each case determined in accordance with GAAP for such period (as shown on the Parent Guarantor's most recent consolidated financial statements delivered to the Agent); provided, however, that extraordinary gains and losses and gains from sales of assets other than sales of inventory in the ordinary course of business shall be excluded from the calculation of such consolidated net income; provided further, that if the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition during such period, then there shall be included in the foregoing calculation of EBITDA the EBITDA of the acquired Person and/or the EBIT attributable to the acquired product or product line, as the case may be, for such period; provided, further, that subject to the consent of the Banks (which shall not be unreasonably withheld), the following items may be excluded from the calculation of EBITDA for purposes of calculating the Margin Ratio under the Credit Agreement and compliance with Sections 7(f)(i)(B), 8(b) and 8(c) of this Guaranty: (i) one time charges resulting from reorganizations of the Parent Guarantor and/or both existing and new Subsidiaries, (ii) gains and/or losses from the sale of a business and (iii) one time charges in connection with an acquisition as may be required in accordance with GAAP (and, for the avoidance of doubt, the Banks have consented to the exclusion of the one time charge relating to the acquisition of Arthur H. Cox & Co. Limited, a U.K. company, and English company, and its Subsidiaries from the calculation of EBITDA as aforesaid).

"Equity Ratio" means, at any time, the ratio of (a) the Net Worth of the Parent Guarantor and its Subsidiaries to (b) the total value of the assets of the Parent Guarantor and its Subsidiaries as shown on the Parent Guarantor's then most recent quarterly consolidated balance sheet.

"Net Worth" means, at any time, as to the Parent Guarantor and its Subsidiaries on a consolidated basis, the excess of total assets over total liabilities, as shown on the Parent Guarantor's then most recent consolidated balance sheet.

"Permitted Credit Lines" means the lines of credit available to the Parent Guarantor and its Subsidiaries that are listed on

Schedule 7(f)(i)(E) hereto.

"Permitted Indebtedness" has the meaning specified in Section 7(a).

"Permitted Liens" has the meaning specified in Section 7(a).

"Permitted Intercompany Indebtedness" means Indebtedness incurred by the Parent Guarantor, the Borrower, a Subsidiary Guarantor or a Pledged Subsidiary and owing to the Parent Guarantor, the Borrower, a Subsidiary Guarantor or a Pledged Subsidiary (as the case may be).

"Senior Ratio" means at any time the sum of (a) the aggregate principal amount of all Senior Indebtedness at such time outstanding divided by (b) EBITDA at such time.

"Senior Indebtedness" means all Indebtedness of the Parent Guarantor and its Subsidiaries on a consolidated basis other than Subordinated Indebtedness.

"Significant Acquisition" means an acquisition (whether in a single transaction or in a series of transactions over any 12 month period) of Equity or assets having a fair market value greater than $50,000,000 in the aggregate.

"Significant Acquisition Date" means, with respect to a Significant Acquisition, the date on which the transaction involving such Significant Acquisition (or, if a series of transactions, the first transaction in which the fair market value of the Acquisition when aggregated with all other acquisitions during such 12 month period exceeded $50,000,000) is consummated.

"Subordinated Indebtedness" means, as to the Parent Guarantor and its Subsidiaries, Indebtedness that (a) is subject to subordination terms that are no less favorable to the Banks than those contained in Exhibit A hereto and that are otherwise satisfactory to the Agent and (b) does not commence to amortize or otherwise require any mandatory installments of principal until six months after the Termination Date.

"Total Capital" means, at any time, as to the Parent Guarantor and its Subsidiaries on a consolidated basis, the sum for the Parent Guarantor and its Subsidiaries of (a) Net Worth plus (b) Subordinated Indebtedness.

"Total Interest Expense" means, for any period, the cash interest expense incurred by the Parent Guarantor and its Subsidiaries, on a consolidated basis, for such period with respect to the aggregate amount of all Indebtedness outstanding

during such period; provided, however, that if the Parent Guarantor or any of its Subsidiaries makes a Significant Acquisition during such period, then there shall be included in the foregoing calculation of Total Interest Expense the Total Interest Expense of the acquired Person and/or the Total Interest Expense attributable to the acquired product or product line, as the case may be, for such period.

"Total Indebtedness" means, at any time, the aggregate principal amount of Indebtedness of the Parent Guarantor and its Subsidiaries (on a consolidated basis) outstanding at such time.

"Year 2000 Issue" means the failure of computer software, hardware and firmware systems and equipment containing embedded computer chips to properly receive, transmit, process, manipulate, store, retrieve, re-transmit or in any other way utilize data and information due to the occurrence of the year 2000 or the inclusion of dates on or after January 1, 2000.

(b) Any terms used in this Guaranty and not otherwise defined are used with the meaning ascribed thereto in the Credit Agreement.

SECTION 16. GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 17. WAIVER OF JURY TRIAL. THE PARENT GUARANTOR IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES HEREUNDER, UNDER THE CREDIT AGREEMENT OR UNDER THE OTHER LOAN DOCUMENTS RELATIVE TO EACH OF THE FOREGOING.

IN WITNESS WHEREOF, the Parent Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

ALPHARMA INC.

By: _____
Name:
Title:

Schedule 5(k)

Subsidiaries

Schedule 5(l)

Principal Subsidiaries

A. Non-U.S.

1. Alpharma AS
2. Dumex-Alpharma A/S
3. Alpharma Holdings Limited

B. U.S.

1. Alpharma USPD Inc.
2. Alpharma U.K. Holding Inc.

Schedule 6(g)(vi)

Long Term Indebtedness

[To be attached]

Schedule 7(a)(ii)

Permitted Liens

Schedule 7(f)(i)(E)

Permitted Credit Lines

[To be attached.]

Exhibit A
to
Parent Guaranty

Subordination Terms

[To be attached.]