

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K/A

Amendment 1 to Annual Report Filed March 31, 1998 Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 1997

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

Commission File Number: 0-13976

AKORN, INC.

(Name of small business issuer as specified in its charter)

LOUISIANA 72-0717400  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

100 Tri-State International, Suite 100, Lincolnshire, Illinois 60069  
(Address of principal executive offices and zip code)

Issuer's telephone number: (847) 236-3800

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:  
None

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:  
Common Stock, No Par Value  
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, 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 held by nonaffiliates (affiliates being, for these purposes only, directors, executive officers and holders of more than 5% of the Issuer's common stock) of the Issuer as of March 5, 1998 was approximately \$61,187,000.

The number of shares of the Issuer's common stock, no par value per share, outstanding as of March 5, 1998 was 17,701,421.

This amendment corrects typographical errors in selected data elements in Item 6. Selected Consolidated Financial Data and Item 8. Financial Statements and Supplemental Data.

Item 6. Selected Consolidated Financial Data

In October 1996, the Board of Directors of the Company voted to change the Company's fiscal year from the year ending June 30 to a calendar year. The following table sets forth selected consolidated financial information for the Company for the year ended December 31, 1997, the six month transition period ended December 31, 1996 and for the four years ended June 30, 1996:

	Year Ended	Six Months	Years Ended June 30,			
	December 31, 1997	Ended December 31, 1996	1996	1995	1994	1993 (2)
<b>PER SHARE</b>						
Equity	\$ 1.20	\$ 0.98	\$ 0.97	\$ 0.93	\$ 0.76	\$ 0.47
Net Income:						
Basic	\$ 0.11	\$ 0.00	\$ 0.05	\$ 0.15	\$ 0.14	\$ 0.12
Diluted	\$ 0.11	\$ 0.00	\$ 0.05	\$ 0.15	\$ 0.14	\$ 0.12
Price: High	\$ 4.50	\$ 3.50	\$ 3.50	\$ 4.00	\$ 3.88	\$ 3.13
Low	\$ 1.84	\$ 1.63	\$ 2.06	\$ 2.25	\$ 1.88	\$ 1.50
P/E: High	41x	NM	70x	27x	28x	26x
Low	17x	NM	41x	15x	13x	13x
<b>INCOME DATA (000)</b>						
Net sales	\$42,323	\$16,519	\$33,925	\$37,505	\$31,266	\$23,612
Gross profit	18,776	5,758	11,953	15,177	13,218	9,699
Operating income	3,165	130	1,089	3,910	2,654	1,712
Interest expense	(497)	(243)	(441)	(25)	(181)	(288)
Pretax income	2,844	70	977	3,738	2,573	1,518
Income taxes (benefit)	1,052	26	189	1,232	158	(263)
Net income	\$ 1,792	\$ 44	\$ 788	\$ 2,506	\$ 2,415	\$ 1,781
Weighted average shares outstanding:						
Basic	16,614	16,580	16,383	16,236	16,185	14,159
Diluted	16,925	16,763	16,788	16,799	16,711	14,955
<b>BALANCE SHEET (000)</b>						
Current assets	\$19,633	\$13,840	\$17,001	\$15,474	\$15,044	\$ 9,209
Net fixed assets	12,395	12,833	11,524	11,060	6,346	5,325
Total assets	38,715	28,013	29,567	27,491	22,190	15,008
Current liabilities	8,612	5,636	9,351	7,016	7,106	3,764
Long-term obligations	9,852	6,003	3,915	4,890	2,380	4,328
Shareholders' equity	\$20,251	\$16,374	\$16,301	\$15,585	\$12,704	\$ 6,916
<b>FUNDS FLOW DATA (000)</b>						
From operations	\$ 64	\$ 2,553	\$ 10	\$ 712	\$ 2,212	\$ (479)
Dividends paid (1)	--	--	(583)	--	--	--
From investing	(6,387)	(2,028)	(873)	(4,943)	(3,745)	(531)
From financing	7,356	(36)	979	3,112	2,313	(26)
Change in cash & equivalents	\$ 1,033	\$ 489	\$ 116	\$ (1,119)	\$ 780	\$ (1,036)

All of the information shown in the table above for the four year period ended June 30, 1996 has been restated to reflect the combined operations of Akorn and Pasadena Research Laboratories, Inc. (PRL).

(1) Dividends paid pertain to Subchapter S distributions made to former PRL shareholders for pre-acquisition earnings.

(2) Includes the reversal of a provision for a litigation judgment (\$0.7 million), the reduction of estimated costs of reorganizing manufacturing operations (\$0.4 million) and income tax benefits (\$0.3 million).

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AKORN, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(in Thousands, Except per Share Data)

	Year Ended	Six Months	Years Ended June 30,	
	December 31, 1997	Ended December 31, 1996	1996	1995
Net sales	\$42,323	\$16,529	\$33,925	\$37,505

Cost of goods sold	23,547	10,761	21,972	22,328
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GROSS PROFIT	18,776	5,758	11,953	15,177
Selling, general and administrative expenses	12,287	4,819	8,974	10,376
Research and development	1,873	809	1,213	891
Relocation costs	1,451	--	--	--
Acquisition and severance costs	--	--	677	--
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	15,611	5,628	10,864	11,267
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OPERATING INCOME	3,165	130	1,089	3,910
Interest and other income (expense):				
Interest income	41	33	113	106
Interest expense	(497)	(243)	(441)	(25)
Gain (loss) on marketable equity securities	--	--	80	(308)
Other income, net	135	150	136	55
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	(321)	(60)	(112)	(172)
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INCOME BEFORE INCOME TAXES	2,844	70	977	3,738
Income taxes	1,052	26	189	1,232
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NET INCOME	\$ 1,792	\$ 44	\$ 788	\$ 2,506
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NET INCOME PER SHARE:				
BASIC	\$ 0.11	\$ --	\$ 0.05	\$ 0.15
	-----	-----	-----	-----
DILUTED	\$ 0.11	\$ --	\$ 0.05	\$ 0.15
	-----	-----	-----	-----
Weighted average shares outstanding:				
Basic	16,614	16,580	16,383	16,236
	-----	-----	-----	-----
Diluted	16,925	16,763	16,788	16,799
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See notes to consolidated financial statements.

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AKORN, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in Thousands)

	Year Ended December 31, 1997 ----	Six Months Ended December 31, 1996 ----	Years Ended June 30, 1996      1995 -----	
OPERATING ACTIVITIES	\$ 1,792	\$ 44	\$ 788	\$ 2,506
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,515	720	984	980
(Gain) loss on marketable equity securities	--	--	(80)	308
Provision for losses on accounts receivable and inventory	1,188	303	825	160
Deferred income taxes	34	651	(578)	2
Write down of building and equipment	400	--	--	--
Other	43	26	--	(1)
Changes in operating assets and liabilities:				
Accounts receivable	(4,170)	267	424	(350)
Inventory, prepaid expenses and other assets	(2,235)	(132)	(3,129)	(1,420)
Trade accounts payable and accrued expenses	1,721	1,438	1,229	(1,514)
Income taxes payable	461	(625)	(155)	70
Pre-funded development costs	(685)	(139)	(298)	(29)
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NET CASH PROVIDED BY OPERATING ACTIVITIES	64	2,553	10	712
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(1,154)	(1,986)	(1,360)	(4,818)
Product licensing costs	(68)	(28)	(172)	(421)
Purchases of investments	--	(576)	(1,173)	(2,023)
Sales of investments	480	902	1,832	2,319
Purchase of product intangibles	(5,645)	(340)	--	--
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NET CASH USED IN INVESTING ACTIVITIES	(6,387)	(2,028)	(873)	(4,943)
FINANCING ACTIVITIES				
Proceeds from sale of stock	2,085	29	599	256
Repayments of long-term debt	(33)	(447)	(442)	(944)

Proceeds from issuance of long-term debt	3,955	1,500	400	3,900
Pre-funded development costs	--	--	150	--
Principal payments under capital lease obligations	(151)	(74)	(151)	(58)
Short-term borrowings, net	1,500	(1,044)	1,006	128
Dividends paid	--	--	(583)	--
Debt acquisition costs	--	--	--	(170)
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NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,356	(36)	979	3,112
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,033	489	116	(1,119)
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Cash and cash equivalents at beginning of year	1,380	891	775	1,894
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,413	\$ 1,380	\$ 891	\$ 775
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See notes to consolidated financial statements.