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

FORM 10-Q

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-13976

AKORN, INC.
(Exact Name of Registrant as Specified in its Charter)

LOUISIANA	72-0717400
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
100 TRI-STATE INTERNATIONAL, STE. 100 LINCOLNSHIRE, ILLINOIS	60069
(Address of Principal Executive Offices)	(Zip Code)

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

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

Yes x No ____

At July 21, 1998 there were 17,927,063 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

The information contained in this filing, other than historical information, consists of forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Such statements regarding the timing of acquiring, developing and financing new products, of bringing them on line and of deriving revenues and profits from them, as well as the effect of those revenues and profits on the company's margins and financial position, is uncertain because many of the factors affecting the timing of those items are beyond the company's control.

AKORN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
DOLLARS IN THOUSANDS
(UNAUDITED)

	June 30, 1998	December 31, 1997 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 594	$ 2,413
Short-term investments	-	96
Accounts receivable, net	8,908	5,429
Inventory	11,922	9,955
Deferred income taxes	517	1,350
Prepaid expenses and other assets	387	390
TOTAL CURRENT ASSETS	22,328	19,633
PRODUCT LICENSES AND OTHER ASSETS	13,373	6,687
PROPERTY, PLANT AND EQUIPMENT, NET	12,519	12,395
TOTAL ASSETS	$48,220	$38,715
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 250	$ 1,750
Current installments of long-term debt and capital lease obligations	3,722	149
Trade accounts payable	3,680	3,447
Income taxes payable	333	462
Accrued compensation	881	985
Accrued expenses and other liabilities	2,032	1,819
TOTAL CURRENT LIABILITIES	10,898	8,612
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	13,763	9,003
OTHER LONG-TERM LIABILITIES	297	849
SHAREHOLDERS' EQUITY		
Common stock	17,104	16,241
Retained earnings	6,158	4,010

TOTAL SHAREHOLDERS' EQUITY	23,262	20,251
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 48,220	$ 38,715

*Condensed from audited consolidated financial statements.

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net sales	$ 13,987	$ 10,176	$ 26,038	$19,044
Cost of goods sold	6,966	5,260	12,775	10,700
GROSS PROFIT	7,021	4,916	13,263	8,344
Selling, general and administrative expenses	3,675	3,246	7,420	5,804
Research and development	1,246	368	1,974	729
Relocation charges	-	-	-	1,451
	4,921	3,614	9,394	7,984
OPERATING INCOME	2,100	1,302	3,869	360
Interest expense	(301)	(138)	(492)	(254)
Interest and other income, net	-	14	2	155
	(301)	(124)	(490)	(99)
INCOME BEFORE INCOME TAXES	1,799	1,178	3,379	261
Income taxes	698	436	1,230	97
NET INCOME	$1,101	$742	$2,149	$164
Per Share:				
NET INCOME - BASIC	$0.06	$0.04	$0.12	$0.01
NET INCOME - DILUTED	$0.06	$0.04	$0.11	$0.01
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	17,850	16,598	17,769	16,596
- DILUTED	19,094	16,800	18,837	16,802

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
DOLLARS IN THOUSANDS
(UNAUDITED)

	Six months ended June 30, 1998	1997
OPERATING ACTIVITIES		
Net income	$ 2,149	$ 164
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	1,846	809
Building and equipment write down	-	400
Changes in operating assets and liabilities	(4,669)	1,724
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(674)	3,097
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(950)	(981)
Product license acquisitions	(7,580)	(4,305)
Net maturities of investments	96	-
NET CASH USED IN INVESTING ACTIVITIES	(8,434)	(5,286)
FINANCING ACTIVITIES		
Repayment of long-term debt	-	(21)
Issuance of long-term debt	8,405	1,500
Proceeds from sale of stock	583	13
Reductions in capital lease obligations	(73)	(78)
Short-term borrowings, net	(1,500)	132
Debt acquisition costs	(126)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,289	1,546
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,819)	(643)
Cash and cash equivalents at beginning of period	2,413	1,380
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 594	$ 737

See notes to condensed consolidated financial statements.

AKORN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Akorn, Inc. and its wholly owned subsidiaries (the Company). Intercompany transactions and balances have been eliminated in consolidation. These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and accordingly do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and six-month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for a full year. For further information, refer to the consolidated financial statements and footnotes for the year ended December 31, 1997, included in the Company's Annual Report on Form 10-K.

NOTE B - NONCASH TRANSACTIONS

On June 5, 1998, a former employee exercised options for 105,000 shares of the Company's common stock. The individual tendered approximately 22,000 shares of the Company's outstanding stock as consideration for the option exercise and approximately 33,000 shares to satisfy the personal income tax withholding requirements of the transaction, all of which was recorded as treasury stock. The net effect of this transaction was to increase accrued liabilities by $280,000, increase common stock and paid in capital by $185,000, and increase treasury stock by $465,000.

NOTE C - SUBSEQUENT EVENTS

On July 14, 1998, the Company announced the acquisition of three ophthalmic diagnostic products from Allergan, Inc. The Company paid Allergan $4.65 million, with $2.0 million paid upon closing, $1.5 million payable one year from the closing and $1.15 million payable two years from the closing.

On July 16, 1998, the Company announced the acquisition of the Advanced Remedies, Inc. ophthalmic manufacturing and development operation from Sidmak Laboratories, Inc. The Company paid Sidmak approximately $4.0 million cash, financed through the Company's line of credit.

NOTE D - RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which requires all items of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Other comprehensive income may include foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. The accumulated balance of other comprehensive income must be displayed separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The Company has adopted this accounting standard January 1, 1998, as required. Currently, the Company does not have any items that qualify as "other comprehensive income." Accordingly, no separate statement has been presented herein.

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which redefines how operating segments are determined and requires disclosure of certain financial and descriptive information about a company's operating segments. The Company will adopt this accounting standard as of December 31, 1998, as required. The Company expects to continue reporting on ophthalmic and injectable segments.

AKORN, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO 1997

The following table sets forth, for the periods indicated, net sales by segment, excluding intersegment sales:

Three Months Ended

	June 30,	
	1998	1997
	(in thousands)	
Ophthalmic division	$ 7,334	$ 5,949
Injectable division	6,653	4,227
Total net sales	$ 13,987	$ 10,176

Consolidated net sales increased 37% in the quarter ended June 30, 1998 compared to the same period in 1997. Ophthalmic division sales increased 23%, reflecting new product acquisitions and introductions as well as growth in the base business. Injectable division sales increased 57% compared to the same period in 1997 due to product acquisitions and increased contract manufacturing activity.

Consolidated gross profit increased 43% during the quarter ended June 30, 1998 compared to the same period in 1997, with gross margins increasing from 48% to 50%. Margins for the ophthalmic division increased from 46% to 52% during the comparable periods, primarily due to product acquisitions and a shift in sales mix to higher-margin products. Margins for the injectable division decreased from 52% to 49%, with increases due to product acquisitions partially offset by changes in product mix in the base business.

Selling, general and administrative (SG&A) expenses increased 13% during the quarter ended June 30, 1998 as compared to the same period in 1997. This increase is primarily due to increased amortization of intangibles related to product acquisitions as well as increased marketing and promotional expenses and provisions for contractual bonus obligations. The percentage of SG&A expenses to sales decreased from 32% to 26%, despite the spending increases previously noted.

Research and development (R&D) expense increased 239% in the quarter ended June 30, 1998, to $1,246,000 from $368,000 for the same period in 1997. The increase reflects an increased number of products under development. Improved gross profits have allowed the Company to devote substantial resources to developing patented products as part of its long-term growth strategy.

Interest expense of $301,000 was up 118% on higher average outstanding debt balances.

The Company's effective tax rate for the quarter ended June 30, 1998 was 39% compared to 37% for the prior-year period, resulting primarily from changes in the state tax provision. The Company reported net income of $1,101,000 or $0.06 per diluted share for the three months ended June 30, 1998. Net income for the comparable prior-year period was $742,000 or $0.04 per diluted share.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO 1997

The following table sets forth, for the periods indicated, net sales by segment, excluding intersegment sales:

	Six Months Ended June 30,	
	1998	1997
	(in thousands)	
Ophthalmic division	$13,815	$ 11,625
Injectable division	12,223	7,419

Total net sales	$26,038	$ 19,044

Consolidated net sales increased 37% in the six months ended June 30, 1998 compared to the same period in 1997. Ophthalmic division sales increased 19%, reflecting new product introductions and acquisitions as well as growth in the base business. Injectable division sales increased 65% compared to the same period in 1997, primarily due to product acquisitions and increased contract manufacturing activity.

Consolidated gross profit increased 59% during the six months ended June 30, 1998 compared to the same period in 1997, with gross margins increasing from 44% to 51%. Margins for the ophthalmic division increased from 45% to 49% during the comparable periods, primarily due to product acquisitions and introductions and a shift in sales mix to higher-margin products. Margins for the injectable division increased from 42% to 53%, primarily due to product acquisitions. During the six months ended June 30, 1997, injectable cost of sales was increased by an $84,000 inventory adjustment and a $213,000 charge for a change in the timing of overhead absorption. Excluding these charges, margins for the injectable segment increased from 46% to 53%.

Selling, general and administrative (SG&A) expenses increased 28% during the six months ended June 30, 1998 as compared to the same period in 1997. This increase is due to increased amortization of intangibles related to product acquisitions as well as increased marketing and promotional expenses and provisions for contractual bonus obligations. The percentage of SG&A expenses to sales decreased to 28%.

Research and development (R&D) expense increased 171% in the six months ended June 30, 1998, to $1,974,000 from $729,000 for the same period in 1997. The increase reflects a greater number of products under development. Improved gross profits have allowed the Company to devote substantial resources to developing patented products as part of its long-term growth strategy.

During the six months ended June 30, 1997, the Company recorded $1,451,000 in charges related to the relocation of the ophthalmic division and executive offices from Abita Springs, Louisiana to the Chicago area. The charges primarily relate to severance and retention bonus payments as well as a write-down of the Abita Springs facility and equipment to net realizable value.

Interest expense of $492,000 was up 94% on higher average outstanding debt balances.

The Company's effective tax rate for the six months ended June 30, 1998 was 36% compared to 37% for the prior-year period. The Company reported net income of $2,149,000 or $0.11 per diluted share for the six months ended June 30, 1998. Net income for the comparable prior-year period was $164,000 or $0.01 per diluted share.

FINANCIAL CONDITION AND LIQUIDITY

Working capital at June 30, 1998 was $11.4 million compared to $11.0 million at December 31, 1997. The Company amended its bank credit facilities in July 1998 to allow for additional financing. At June 30, 1998 the Company had $10.3 million available under its line of credit. The Company borrowed $6.0 million under its line of credit in July 1998 to finance acquisitions. See Note B of Notes to Condensed Consolidated Financial Statements. Management believes that existing cash, cash flows from operations and available bank credit are sufficient to handle the Company's requirements for the immediate future.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain legal proceedings in which the registrant, Akorn, Inc. (the "Company"), is involved are described in Item 3 to the Company's

Form 10-K for the year ended December 31, 1997 and in Note P to the consolidated financial statements included in that report.

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

The Company's annual meeting of shareholders was held on May 15, 1998. Daniel E. Bruhl, M.D. was elected to the Board of Directors with 16,029,603 votes for and 27,979 votes abstaining. Floyd Benjamin was elected to the Board of Directors with 16,033,225 votes for and 24,357 votes abstaining. Doyle S. Gaw was elected to the Board of Directors with 16,032,225 votes for and 25,357 votes abstaining. John N. Kapoor, Ph.D. was elected to the Board of Directors with 16,033,094 votes for and 24,488 votes abstaining. The proposal to amend the company's amended and restated 1988 Incentive Compensation Program increasing the number of shares issuable from 3.0 million to 4.5 million and to revise the definition of Fair Market Value to reflect current practice was approved with 10,107,571 votes for, 884,331 votes against and 70,722 votes abstaining.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(11.1) Computation of Earnings per Share
(27) Financial Data Schedule

(b) Reports on Form 8-K

None.

SIGNATURES

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

AKORN, INC.

/s/ Rita J. McConville

Rita J. McConville
Vice President, Chief Financial Officer and Secretary
(Duly Authorized and Principal Financial Officer)

Date: July 21, 1998

AKORN, INC.
EXHIBIT 11.1

COMPUTATION OF NET INCOME PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Earnings:				
Income applicable to common stock	$1,101	$742	$ 2,149	$164
Weighted average number of shares outstanding	17,850	16,598	17,769	16,596
Net income per share - basic	$ 0.06	$ 0.04	$ 0.12	$ 0.01
Additional shares assuming conversion of options and warrants	1,244	202	1,068	206
Pro forma shares	19,094	16,800	18,837	16,802
Net income per share - diluted	$ 0.06	$ 0.04	$ 0.11	$ 0.01

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