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, 1997

( ) 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 August 6, 1997 there were 16,609,549 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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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, 1997	December 31, 1996*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 737	$ 1,380
Short-term investments	576	576
Accounts receivable, net	5,929	4,625
Inventory	8,948	8,838
Prepaid expenses and other assets	1,704	1,502
TOTAL CURRENT ASSETS	17,894	16,921
PRODUCT LICENSES AND OTHER ASSETS	5,523	1,340
PROPERTY, PLANT AND EQUIPMENT, NET	12,880	12,833
TOTAL ASSETS	$36,297	$31,094
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 382	$ 250
Current installments of long-term debt and capital lease obligations	658	170
Trade accounts payable	3,496	1,892
Accrued compensation	752	885
Accrued expenses and other liabilities	7,643	5,520
TOTAL CURRENT LIABILITIES	12,931	8,717
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	6,124	5,211
OTHER LONG-TERM LIABILITIES	690	792

SHAREHOLDERS' EQUITY		
Common stock	14,164	14,143
Retained earnings	2,388	2,231
TOTAL SHAREHOLDERS' EQUITY	16,552	16,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$36,297	$31,094

*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	
	1997	1996	1997	1996
Net sales	$ 10,176	$ 8,159	$ 19,044	$ 16,976
Cost of goods sold	5,260	5,749	10,700	11,500
GROSS PROFIT	4,916	2,410	8,344	5,476
Selling, general and administrative expenses	3,246	2,367	5,804	4,273
Research and development	368	348	729	736
Acquisition and severance	-	677	-	677
Relocation charges	-	-	1,451	-
	3,614	3,392	7,984	5,686
OPERATING INCOME (LOSS)	1,302	(982)	360	(210)
Interest expense	(138)	(113)	(254)	(240)
Interest and other income, net	14	24	155	138
	(124)	(89)	(99)	(102)
INCOME (LOSS) BEFORE INCOME TAXES	1,178	(1,071)	261	(312)
Income taxes (benefit)	436	(514)	97	(305)
NET INCOME (LOSS)	$ 742	$ (557)	$ 164	$ (7)
Per Share:				
NET INCOME (LOSS)	$ 0.04	$ (0.03)	$ 0.01	$ -
WEIGHTED AVERAGE SHARES OUTSTANDING	16,800	17,015	16,802	16,788

See notes to condensed consolidated financial statements.

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

	Six months ended June 30, 1997	1996
OPERATING ACTIVITIES		
Net income (loss)	$ 164	$ (7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	809	609
Building and equipment write down	400	-
Changes in operating assets and liabilities	1,724	(414)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,097	188
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(981)	(832)
Product license acquisitions	(4,305)	(90)
Net maturities of investments	-	594
NET CASH USED IN INVESTING ACTIVITIES	(5,286)	(328)
FINANCING ACTIVITIES		
Repayment of long-term debt	(21)	(276)
Issuance of long-term debt	1,500	400
Proceeds from sale of stock	13	474
Dividends paid	-	(583)
Pre-funded development receipts	-	150
Reductions in capital lease obligations	(78)	(108)
Short-term borrowings, net	132	492
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,546	549
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(643)	409
Cash and cash equivalents at beginning of period	1,380	482
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 737	$ 891

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, 1997 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 transition period ended December 31, 1996, included in the Company's Annual Report on Form 10-K.

NOTE B - INVENTORY

The components of inventory are as follows (in thousands):

	June 30, 1997	December 31, 1996
Finished goods	$ 5,279	$ 5,181
Work in process	1,544	1,375
Raw materials and supplies	2,125	2,282
	$ 8,948	$ 8,838

Inventory at June 30, 1997 and December 31, 1996 is reported net of reserves of $491,393 and $589,007, respectively, for slow-moving, unsaleable and obsolete items.

NOTE C - RELOCATION EXPENSES

During the quarter ended March 31, 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.

NOTE D - PRODUCT LICENSE ACQUISITION

Effective April 1, 1997, the Company entered into an agreement with Becton Dickinson and Company to acquire the rights to distribute three products. Two of the products, ICG Cardio-Green and BAL in Oil, are New Drug Application Products with no generic competition. The third product, Indigo Carmine, is a grandfathered product with several competitors in the marketplace. The acquisition transfers ownership of the NDAs and regulatory files, as well as the trade names and trademarks for the products. In exchange for the products, the Company paid Becton Dickinson and Company $4.0 million plus the cost of existing product inventory. Payment consisted of $2.7 million cash at closing, a $1.5 million promissory note secured by an irrevocable letter of credit and a final cash payment for the remaining inventory value due August 1, 1997. The cash payment was financed with existing cash balances and a $1.5 million draw on the Company's line of credit.

NOTE E - CHANGE IN ACCOUNTING ESTIMATES

During the quarter ended June 30, 1996, the Company revised its estimate for recording chargeback accruals. As a result, a reduction in net sales of $250,000 was recorded. In addition, the Company increased its estimate for unsaleable inventory by approximately $200,000, resulting in an increase in cost of goods sold.

During the quarter ended June 30, 1996, the Company recognized estimated costs of $677,000 related to acquisition costs and severance expenses associated with the acquisition of Pasadena Research Laboratories, Inc. (PRL). These estimated costs increased the reported operating loss.

During the quarter ended March 31, 1997, the Company increased its estimate for unsaleable inventory by $84,000 and changed the timing of absorption of manufacturing overhead expenses, resulting in a one-time charge of $213,000. These changes in estimates are reported as an increase in cost of goods sold.

During the quarter ended March 31, 1996, the Company increased its estimate for unsaleable inventory by approximately $300,000. This change in estimate was reported as an increase in cost of goods sold. During the same quarter, an evaluation by the Company resulted in a change in the estimated liability related to aged customer credits, resulting in a reduction of selling, general and administrative expenses of $85,000. A decision to no longer pursue Abbreviated New Drug Applications (ANDAs) for several products which had been

produced in previously-owned facilities, and for which estimated costs of transferring such ANDAs had been accrued, resulted in a $316,000 reduction of selling, general and administrative expenses.

NOTE F - RECENT ACCOUNTING PRONOUNCEMENT

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 128 "Earnings per Share" ("SFAS 128") which changes the method of calculating earnings per share (EPS). SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents such as stock options and warrants. The statement is effective for financial statements for periods ending after December 15, 1997. The Company will adopt SFAS 128 in the fourth quarter of 1997. The Company's current EPS calculation significantly conforms to basic EPS. Diluted EPS is not expected to be materially different from basic EPS since potential common shares in the form of common stock options and warrants are not estimated to be materially dilutive.

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

RESULTS OF OPERATIONS

Three Months Ended June 30, 1997 Compared to 1996
The following table sets forth, for the periods indicated, net sales by segment, excluding intersegment sales:

	Three Months Ended June 30,	
	1997	1996
	(in thousands)	
Ophthalmic distribution	$ 5,949	$ 4,553
Contract manufacturing	1,307	2,312
Injectable distribution	2,920	1,294
Total net sales	$10,176	$ 8,159

Consolidated net sales increased 25% in the quarter ended June 30, 1997 compared to the same period in 1996. Ophthalmic distribution sales increased 31%, primarily due to strong performance in the diagnostic and therapeutic product lines as well as surgical products and surgical instruments. The acquisition of ICG from Becton Dickinson in April and the introduction of the Company's generic version of Timolol Maleate also contributed to the sales increase.

Injectable distribution sales increased 126% compared to the same period in 1996, primarily due to penetration into the hospital market and strong performance in rheumatology and antidote products, including Bal in Oil, acquired from Becton Dickinson in April. The increase also reflects sales of the injectable product line acquired from Janssen Pharmaceutica, Inc. in July 1996. Sales of the Janssen products during the quarter were $734,000. Prior to the acquisition, sales of this product line were reported as contract manufacturing sales. For the quarter ended June 30, 1997, contract manufacturing sales declined 43% over the comparable period in 1996. This decline reflects the transfer of the Janssen product line to the injectable distribution segment as well as less emphasis on low-margin basic contract sales. Simultaneously, intercompany contract manufacturing sales, which are eliminated in consolidation, increased from $743,000 to $958,000 for the quarters ended June 30, 1996 and 1997, respectively. The Company has shifted its marketing efforts in the area of contract manufacturing, focusing on

Taylor's ability to provide a full range of services including product development, regulatory and sterile manufacturing.

Consolidated gross profit increased 104% during the quarter ended June 30, 1997 compared to the same period in 1996, with gross margins increasing from 30% to 48%. Margins for the ophthalmic segment increased from 30% to 46% during the comparable periods, primarily due to product acquisitions and a shift in sales mix to higher-margin products. Margins on the Company's generic version of Timolol Maleate have declined at a faster than anticipated rate, due to the large number of competitors offering the product. During the quarter ended June 30, 1996, ophthalmic sales were reduced $250,000 by a chargeback adjustment while cost of sales was increased by a $200,000 inventory adjustment. Excluding these adjustments, margins for the ophthalmic segment increased from 38% to 46%. Margins for the injectable segment (including both injectable distribution and contract manufacturing) increased from 29% to 52%, primarily due to product acquisitions and increased sales in injectable distribution as well as re-engineering of production processes to reduce costs of manufacturing.

Selling, general and administrative (SG&A) expenses increased 37% during the quarter ended June 30, 1997 as compared to the same period in 1996. This increase is primarily due to increased marketing and promotional activities in both segments, as well as a $250,000 provision for employee bonuses included in

1997. The percentage of SG&A expenses to sales increased from 29% to 32%, reflecting the increased marketing and promotional activities noted above as well as the bonus accrual.

Research and development (R&D) expense increased 6% in the quarter ended June 30, 1997, to $368,000 from $348,000 for the same period in 1996. Management expects R&D expenses in 1997 to increase over prior year levels.

During the quarter ended June 30, 1996, the Company recognized estimated costs of $677,000 related to acquisition costs and severance expenses associated with the acquisition of Pasadena Research Laboratories, Inc. (PRL). These estimated costs increased the reported operating loss.

Net interest and other expense of $124,000 was higher than the prior-year quarter's $89,000, primarily due to increased interest expense on higher average outstanding debt balances.

The Company's effective tax rate for the quarter ended June 30, 1997 was 37% compared to 48% (benefit) for the prior-year period. The effective rate for 1996 varies from the statutory rates primarily due to the inclusion of net income for PRL prior to the acquisition date as a result of the pooling of interests. PRL was a Subchapter S corporation and therefore not subject to corporate income taxes. The Company reported net income of $742,000 or $0.04 per share for the three months ended June 30, 1997. The net loss for the comparable prior-year period was $557,000 or $0.03 per share.

Six Months Ended June 30, 1997 Compared to 1996
The following table sets forth, for the periods indicated, net sales by segment, excluding intersegment sales:

	Six Months Ended June 30,	
	1997	1996
	(in thousands)	
Ophthalmic distribution	$11,625	$ 9,714
Contract manufacturing	2,931	4,776
Injectable distribution	4,488	2,486
Total net sales	$19,044	$16,976

Consolidated net sales increased 12% in the six months ended June 30, 1997 compared to the same period in 1996. Ophthalmic distribution sales increased 20%, primarily due to strong performance in the diagnostic and therapeutic product lines as well as surgical products and surgical instruments. The acquisition of ICG from Becton Dickinson in April and the introduction of the Company's generic version of Timolol Maleate also contributed to the sales increase.

Injectable distribution sales increased 81% compared to the same period in 1996, primarily due to penetration into the hospital market and strong performance in rheumatology and antidote products, including Bal in Oil, acquired from Becton Dickinson in April. The increase also reflects sales of the injectable product line acquired from Janssen Pharmaceutica, Inc. in July 1996. Sales of the Janssen products during the six month period were $1,156,000. Prior to the acquisition, sales of this product line were reported as contract manufacturing sales. For the six months ended June 30, 1997, contract manufacturing sales declined 39% over the comparable period in 1996. This decline reflects the transfer of the Janssen product line to the injectable distribution segment as well as less emphasis on low-margin basic contract sales. Simultaneously, intercompany contract manufacturing sales, which are eliminated in consolidation, increased from $1,191,000 to $2,118,000 for the six months ended June 30, 1996 and 1997, respectively. The Company has shifted its marketing efforts in the area of contract manufacturing, focusing on Taylor's ability to provide a full range of services including product development, regulatory and sterile manufacturing.

Consolidated gross profit increased 52% during the six months ended June 30, 1997 compared to the same period in 1996, with gross margins increasing from 32% to 44%. Margins for the ophthalmic segment increased from 31% to 45% during the

comparable periods, primarily due to product acquisitions and a shift in sales mix to higher-margin products. Margins on the Company's generic version of Timolol Maleate have declined at a faster than anticipated rate, due to the large number of competitors offering the product. During the six months ended June 30, 1996, ophthalmic sales were reduced $250,000 by a chargeback adjustment while cost of sales was increased by a $500,000 inventory adjustment. Excluding these adjustments, gross margins for the ophthalmic segment increased from 38% to 45%. Margins for the injectable segment (including both injectable distribution and contract manufacturing) increased from 33% to 42%, primarily due to product acquisitions and increased sales in injectable distribution as well as re-engineering of production processes to reduce costs of manufacturing. 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 33% to 46%.

Selling, general and administrative (SG&A) expenses increased 36% during the six months ended June 30, 1997 as compared to the same period in 1996. This increase is partially due to a $400,000 reduction in estimated accrued expenses reversed in 1996. Excluding these reversals, SG&A expenses increased 24% during the six month period, reflecting increased marketing and promotional activities in both segments, as well as a $250,000 provision for employee bonuses included in 1997. The percentage of SG&A expenses to sales, after exclusion of the 1996 expense reversals, increased from 28% to 30%, reflecting the increased marketing and promotional activities noted above.

Research and development (R&D) expense declined 1% in the six months ended June 30, 1997, to $729,000 from $736,000 for the same period in 1996. The decrease reflects timing of research activities rather than a change in the Company's strategy. Management expects R&D expenses in 1997 to increase over prior year levels.

During the six months ended June 30, 1996, the Company recognized estimated costs of $677,000 related to acquisition costs and severance expenses associated with the acquisition of Pasadena Research Laboratories, Inc. (PRL). These estimated costs increased the reported operating loss.

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.

Net interest and other expense of $99,000 was lower than the prior-year period's $102,000, primarily due to increased licensing fees offsetting a slight increase in interest expense on higher average outstanding debt balances.

The Company's effective tax rate for the six months ended June 30, 1997 was 37% compared to 98% (benefit) for the prior-year period. The lower effective rate in 1996 reflects the fact that PRL was a subchapter S corporation and not subject to corporate income taxes. The Company reported net income of $164,000 or $0.01 per share for the six months ended June 30, 1997 The net loss for the comparable prior-year period was $7,000.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 128 "Earnings per Share" ("SFAS 128") which changes the method of calculating earnings per share (EPS). SFAS 128 requires the presentation of "basic" EPS and "diluted" EPS on the face of the statement of operations. Basic EPS is computed by dividing the net income available to common shareholders by the weighted average shares of outstanding common stock. The calculation of diluted EPS is similar to basic EPS except that the denominator includes dilutive common stock equivalents such as stock options and warrants. The statement is effective for financial statements for periods ending after December 15, 1997. The Company will adopt SFAS 128 in the fourth quarter of 1997. The Company's current EPS calculation significantly conforms to basic EPS. Diluted EPS is not expected to be materially different from basic EPS since potential common shares in the form of common stock options and warrants are not estimated to be materially dilutive.

FINANCIAL CONDITION AND LIQUIDITY

Working capital at June 30, 1997 was $5.0 million compared to $8.2 million at December 31, 1996. The Company restructured its bank credit facilities in February 1997 to lower its short-term debt service requirements and to allow for additional financing. At June 30, 1997 the Company had $2.6 million of working capital financing available under its line of credit in addition to $2.0 million of construction and equipment financing. The Company borrowed $1.5 million under its line of credit on April 1, 1997 to finance a product license purchase from Becton Dickinson and Company, and subsequently paid down the line with cash generated from operations. See Note D 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 foreseeable 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 transition period ended December 31, 1996 and in Note W to the consolidated financial statements included in that report.

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

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11.1) Computation of Earnings (Loss) 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: August 8, 1997

Akorn, Inc.
Exhibit 11.1

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Earnings (Loss):				
Income (loss) applicable to common stock	$ 742	$ (557)	$ 164	$ (7)
Shares:				
Weighted average number of shares outstanding	16,598	16,493	16,596	16,383
Additional shares assuming conversion of options and warrants	202	522	206	405
Pro forma shares	16,800	17,015	16,802	16,788
Net income (loss) per share	$ 0.04	$ (0.03)	$ 0.01	$ -

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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