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 September 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.)

2500 Millbrook Drive Buffalo Grove, Illinois	60089
(Address of Principal Executive Offices)	(Zip Code)

(847) 279-6100
(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 November 2, 1998 there were 18,087,114 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)

	September 30, 1998	December 31, 1997 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 259	$ 2,413
Short-term investments	-	96
Accounts receivable, net	9,062	5,429
Inventory	12,690	9,955
Deferred income taxes	517	1,350
Prepaid expenses and other assets	736	390
TOTAL CURRENT ASSETS	23,264	19,633
PRODUCT LICENSES AND OTHER ASSETS	19,580	6,687
PROPERTY, PLANT AND EQUIPMENT, NET	14,890	12,395
TOTAL ASSETS	$ 57,734	$ 38,715
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ -	$ 1,750
Current installments of long-term debt and capital lease obligations	3,725	149
Trade accounts payable	3,060	3,447
Income taxes payable	-	462
Accrued compensation	1,160	985
Accrued expenses and other liabilities	774	1,819
TOTAL CURRENT LIABILITIES	8,719	8,612
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	25,007	9,003
OTHER LONG-TERM LIABILITIES	297	849
SHAREHOLDERS' EQUITY		
Common stock	17,513	16,241
Retained earnings	6,198	4,010
TOTAL SHAREHOLDERS' EQUITY	23,711	20,251

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 57,734	$ 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 September 30, 1998	1997	Nine Months Ended September 30, 1998	1997
Net sales	$ 15,138	$ 11,058	$ 41,177	$30,102
Cost of goods sold	7,270	6,313	20,046	17,013
GROSS PROFIT	7,868	4,745	21,131	13,089
Selling, general and administrative expenses	3,408	2,903	9,734	8,584
Amortization of intangibles	652	90	1,740	213
Research and development	1,187	342	3,143	1,071
Purchased research and development	1,298	-	1,298	-
Relocation charges	-	-	-	1,451
	6,545	3,335	15,915	11,319
OPERATING INCOME	1,323	1,410	5,216	1,770
Interest expense	(413)	(115)	(925)	(368)
Offering expenses	(350)	-	(350)	-
Interest and other income, net	35	14	33	168
	(728)	(101)	(1,242)	(200)
INCOME BEFORE INCOME TAXES	595	1,309	3,974	1,570
Income taxes	250	484	1,480	581
NET INCOME	$ 345	$ 825	$ 2,494	$ 989
Per Share:				
NET INCOME - BASIC	$ 0.02	$ 0.05	$ 0.14	$ 0.06
NET INCOME - DILUTED	$ 0.02	$ 0.05	$ 0.13	$ 0.06
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	17,948	16,606	17,829	16,599
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	18,840	17,031	18,820	16,883

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

DOLLARS IN THOUSANDS
(UNAUDITED)

	Nine months ended September 30, 1998	1997
OPERATING ACTIVITIES		
Net income	$ 2,494	$ 989
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	2,709	1,214
Purchased research and development	1,298	-
Building and equipment write down	-	400
Changes in operating assets and liabilities	(7,872)	(242)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,371)	2,361
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,464)	(1,233)
Product license acquisitions	(12,473)	(4,313)
Net maturities of investments	96	192
NET CASH USED IN INVESTING ACTIVITIES	(15,841)	(5,354)
FINANCING ACTIVITIES		
Repayment of long-term debt	(12)	(33)
Issuance of long-term debt	16,371	1,500
Proceeds from sale of stock	686	50
Reductions in capital lease obligations	(111)	(113)
Short-term borrowings, net	(1,750)	905
Debt acquisition costs	(126)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,058	2,309
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,154)	(684)
Cash and cash equivalents at beginning of period	2,413	1,380
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 259	$ 696

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 nine-month periods ended September 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 transition period 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.

In July 1998, the Company financed the acquisition of four product licenses with long-term debt in the amount of $3.332 million.

NOTE C - SUBSEQUENT EVENTS

On October 8, 1998, the Company closed the acquisition, effective July 1, 1998, of the trade name and other rights to Endosol Extra, a surgical irrigation solution, from Allergan, Inc. The Company paid Allergan $1.0 million, with $0.5 million paid upon closing and an additional $0.5 million payable on the first anniversary of the closing date.

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 September 30, 1998 Compared to 1997

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

Three Months Ended

	September 30,	
	1998	1997
	(in thousands)	
Ophthalmic division	$ 7,392	$ 6,535
Injectable division	7,746	4,523
Total net sales	$ 15,138	$11,058

Consolidated net sales increased 37% in the quarter ended September 30, 1998 compared to the same period in 1997. Ophthalmic division sales increased 13%, reflecting new product acquisitions and introductions as well as growth in the base business. Injectable division sales increased 71% compared to the same period in 1997, reflecting strong sales in the base business as well as in acquired products.

Consolidated gross profit increased 66% during the quarter ended September 30, 1998 compared to the same period in 1997, with gross margins increasing from 43% to 52%. Margins for the ophthalmic division increased from 46% to 54% during the comparable periods, primarily due to product acquisitions and a shift in sales mix to higher-margin products. Margins for the injectable division increased from 38% to 50%, primarily due to sales of acquired products.

Selling, general and administrative (SG&A) expenses increased 17% during the quarter ended September 30, 1998 as compared to the same period in 1997, reflecting increased marketing and promotional expenses and provisions for contractual and management bonus obligations. The percentage of SG&A expenses to sales decreased from 26% to 23% despite the spending increases previously noted, reflecting the ability to leverage existing operations to cover incremental sales growth.

Research and development (R&D) expense increased 247% in the quarter ended September 30, 1998, to $1,187,000 from $342,000 for the same period in 1997. The increase reflects an increased number of proprietary products under development. Improved gross profits have allowed the Company to devote substantially greater resources to developing patented products as part of its long-term growth strategy.

The Company incurred one-time charges of $1,298,000 for R&D charges related to the acquisition of Advanced Remedies, Inc. (ARI) in July 1998. The approximately $4,000,000 purchase price included, in addition to capital equipment, all Abbreviated New Drug Applications (ANDAs) for any product previously approved for ARI or under review

by the FDA. The purchase price also included regulatory files for products under development by ARI but not yet filed with the FDA. The total purchase price was allocated among the acquired assets, and the price associated with products not yet approved by the FDA was designated purchased R&D and charged to expense.

Interest expense of $413,000 was higher than the prior-year quarter's $115,000, primarily due to higher average outstanding debt balances.

The Company incurred approximately $350,000 in expenses associated with a proposed offering of 5.5 million shares of common stock. Market conditions led the Company to request withdrawal of the registration statement, and the related accounting legal and printing fees were charged to expense in the quarter ended September 30, 1998.

The Company's effective tax rate for the quarter ended September 30, 1998 was 42% compared to 37% for the prior-year period, resulting primarily from changes in the state tax provision. The Company reported net income of $345,000 or $0.02 per diluted share for the three months ended September 30, 1998. Net income for the comparable prior-year period was $825,000.

Nine Months Ended September 30, 1998 Compared to 1997

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

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
	(in thousands)	
Ophthalmic division	$ 21,206	$ 18,160
Injectable division	19,971	11,942
Total net sales	$ 41,177	$ 30,102

Consolidated net sales increased 37% in the nine months ended September 30, 1998 compared to the same period in 1997. Ophthalmic division sales increased 17%, primarily due to product acquisitions and introductions. Injectable division sales increased 67% compared to the same period in 1997, due to product acquisitions as well as strong sales in the base business.

Consolidated gross profit increased 61% during the nine months ended September 30, 1998 compared to the same period in 1997, with gross margins increasing from 43% to 51%. Margins for the ophthalmic division increased from 45% to 51% 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 41% to 52%, primarily due to product acquisitions.

Selling, general and administrative (SG&A) expenses increased 13% during the nine months ended September 30, 1998 as compared to the same period in 1997, reflecting increased marketing and promotional activities, as well as provisions for employee and management bonuses. The percentage of SG&A expenses to sales decreased from

29% to 24% despite the increases noted above, reflecting the ability to leverage existing operations to cover incremental sales growth.

Research and development (R&D) expense increased 194% in the nine months ended September 30, 1998, to $3,143,000 from $1,071,000 for the same period in 1997. The increase reflects an increased number of proprietary products under development. Improved gross profits have allowed the Company to devote substantially greater resources to developing patented products as part of its long-term growth strategy.

The Company incurred one-time charges of $1,298,000 for R&D charges related to the acquisition of Advanced Remedies, Inc. (ARI) in July 1998. The approximately $4,000,000 purchase price included, in addition to capital equipment, all Abbreviated New Drug Applications (ANDAs) for any product previously approved for ARI or under review by the FDA. The purchase price also included regulatory files for products under development by ARI but not yet filed with the FDA. The total purchase price was allocated among the acquired assets, and the price associated with products not yet approved by the FDA was designated purchased R&D and charged to expense.

During the nine months ended September 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 increased 151% to $925,000 from $368,000 in the prior-year period, reflecting higher average debt balances.

The Company incurred approximately $350,000 in expenses associated with a proposed offering of 5.5 million shares of common stock. Market conditions led the Company to request withdrawal of the registration statement, and the related accounting legal and printing fees were charged to expense in the quarter ended September 30, 1998.

The Company's effective tax rate for the nine months ended September 30, 1998 was 37%, unchanged from the prior-year period. The Company's average effective tax rate will increase due to the move to a state with higher tax rates. The Company reported net income of $2,494,000 or $0.13 per diluted share for the nine months ended September 30, 1998. Net income for the comparable prior-year period was $989,000.

FINANCIAL CONDITION AND LIQUIDITY

Working capital at September 30, 1998 was $14.5 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. The Company borrowed $6.0 million under its line of credit in July 1998 to finance acquisitions. At September 30, 1998 the Company had $1.9 million of financing available under its line of credit. 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 transition period 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

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: November 2, 1998

Akorn, Inc.
Exhibit 11.1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Earnings:				
Income applicable to common stock	$ 345	$ 825	$ 2,494	$ 989
Weighted average number of shares outstanding	17,948	16,606	17,829	16,599
Net income per share - basic	$ 0.02	$ 0.05	$ 0.14	$ 0.06
Additional shares assuming conversion of options and warrant	892	425	991	284
Pro forma shares	18,840	17,031	18,820	16,883
Net income per share - diluted	$ 0.02	$ 0.05	$ 0.13	$ 0.06

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