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, 2000

( ) 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 July 19, 2000 there were 19,018,967 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

PART II. OTHER INFORMATION

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
IN THOUSANDS
(UNAUDITED)

	June 30, 2000	December 31, 1999*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 426	$ 25
Trade accounts receivable, net	21,855	17,695
Inventory	18,039	16,473
Prepaid expenses and other current assets	1,960	1,658
TOTAL CURRENT ASSETS	42,280	35,851
OTHER ASSETS	20,160	19,435
PROPERTY, PLANT AND EQUIPMENT, NET	26,196	20,812
TOTAL ASSETS	$88,636	$76,098
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of long-term debt and capital lease obligations	$ 1,314	$ 1,346
Trade accounts payable	2,505	4,523
Accrued compensation	511	1,049
Accrued expenses and other current liabilities	2,804	2,775
TOTAL CURRENT LIABILITIES	7,134	9,693
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	39,718	30,643
OTHER LONG-TERM LIABILITIES	1,373	1,372

SHAREHOLDERS' EQUITY		
Common stock	21,435	19,392
Retained earnings	18,976	14,998
TOTAL SHAREHOLDERS' EQUITY	40,411	34,390
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$88,636	$76,098

*Condensed from audited consolidated financial statements.

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Net sales	$ 18,320	$ 16,089	$ 34,964	$ 30,808
Cost of goods sold	8,534	7,766	16,765	15,049
GROSS PROFIT	9,786	8,323	18,199	15,759
Selling, general and administrative expenses	4,434	4,257	8,209	8,259
Amortization of intangibles	380	480	759	1,182
Research and development	996	638	1,730	1,100
	5,810	5,375	10,698	10,541
OPERATING INCOME	3,976	2,948	7,501	5,218
Interest expense	(472)	(300)	(1,144)	(832)
Interest and other income, net	46	119	85	411
	(426)	(181)	(1,059)	(421)
INCOME BEFORE INCOME TAXES	3,550	2,767	6,442	4,797
Income taxes	1,366	1,092	2,464	1,664
NET INCOME	$ 2,184	$ 1,675	$ 3,978	$ 3,133
Per Share:				
NET INCOME - BASIC	$ 0.11	$ 0.09	$ 0.21	$ 0.17

NET INCOME - DILUTED	$ 0.11	$ 0.09	$ 0.20	$ 0.17
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	19,000	18,196	18,901	18,170
- DILUTED	19,936	18,646	19,808	18,675

See notes to condensed consolidated financial statements.

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

	Six months ended June 30, 2000	1999
OPERATING ACTIVITIES		
Net income	$ 3,978	$ 3,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,660	2,038
Changes in operating assets and liabilities	(8,553)	(3,565)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,915)	1,606
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(6,285)	(3,078)
Product licensing/acquisition costs	(1,485)	(529)
NET CASH USED IN INVESTING ACTIVITIES	(7,770)	(3,607)
FINANCING ACTIVITIES		
Repayment of borrowings, primarily under line of credit	(11,016)	(9,214)
Increased borrowings, primarily under line of credit	20,100	11,000
Proceeds from exercise of stock options	2,043	110
Reductions in capital lease obligation	(41)	(39)
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,086	1,857
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	401	(144)
Cash and cash equivalents at beginning of period	25	736
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 426	$ 592

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, 2000 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, 1999, 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, 2000	December 31, 1999
Finished goods	$10,109	$10,316
Work in process	3,308	2,179
Raw materials and supplies	4,622	3,978
	$18,039	$16,473

Inventory at June 30, 2000 and December 31, 1999 is reported net of reserves for slow-moving, unsalable and obsolete items of $332,000 and $134,000, respectively.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	June 30, 2000	December 31, 1999
Land	$ 396	$ 396
Buildings and leasehold improvements	8,027	7,763
Furniture and equipment	19,627	17,955
Automobiles	55	55
	28,105	26,169
Accumulated depreciation	(12,577)	(11,677)
	15,528	14,492
Construction in progress	10,668	6,320
	$ 26,196	$ 20,812

Construction in progress primarily represents capital expenditures related to the Company's lyophilization project that will enable the Company to perform processes in-house that are currently being performed by a sub-contractor and implementation of a new ERP system scheduled to be in service by the end of the year.

NOTE D - INDUSTRY SEGMENT INFORMATION

The Company classifies its operations into two business segments, ophthalmic and injectable. The ophthalmic segment manufactures, markets and distributes diagnostic and therapeutic pharmaceuticals and surgical instruments and related supplies. The injectable segment manufactures, markets and distributes injectable pharmaceuticals, primarily in niche markets. Selected financial information by industry segment is presented below (in thousands).

	Three Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
NET SALES				
Ophthalmic	$ 7,289	$ 8,028	$ 14,468	$ 15,737
Injectable	11,031	8,061	20,496	15,071
Total net sales	$ 18,320	$ 16,089	$ 34,964	$ 30,808
OPERATING INCOME				
Ophthalmic	$ 472	$ 908	$ 1,727	$ 1,805
Injectable	3,987	2,392	6,643	4,142
General Corporate	(483)	(352)	(869)	(729)
Total operating income	3,976	2,948	7,501	5,218
Interest and other expense, net	(426)	(181)	(1,059)	(421)
Income before income taxes	$ 3,550	$ 2,767	$ 6,442	$ 4,797

NOTE E - PRODUCT ACQUISITION

On April 26, 2000 the Company entered into a worldwide license agreement with The Johns Hopkins University Applied Physics Laboratory. This license provides the Company exclusive rights to two patents covering the methodology and instrumentation for a method of treating age-related macular degeneration. Upon signing the agreement, the Company made an initial payment under the agreement of $1,484,500. Future payments of up to $7,215,500 are contingent upon the achievement of specifically defined milestones. There are no payments presently due under the terms of the agreement.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO 1999

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

Three Months Ended
June 30,

	2000	1999
	(in thousands)	
Ophthalmic segment	$ 7,289	$ 8,028
Injectable segment	11,031	8,061
Total net sales	$18,320	$16,089

Consolidated net sales increased 13.9% in the quarter ended June 30, 2000 compared to the same period in 1999. Ophthalmic segment sales decreased 9.2%, reflecting the loss of sales of certain products previously sourced from third parties which are no longer available to the Company at competitive prices. Injectable segment sales increased 36.8% compared to the same period in 1999 due to strong anesthesia and antidote sales and increased contract manufacturing activity.

Consolidated gross profit increased 17.6% during the quarter, with gross margins increasing from 51.7% to 53.4%. Margins for the ophthalmic segment decreased from 48.4% to 45.5%, reflecting a lower-margin sales mix. Margins for the injectable segment increased from 55.1% to 58.7%, primarily due to higher margin sales mix.

Selling, general and administrative (SG&A) expenses increased 4.2% during the quarter ended June 30, 2000 as compared to the same period in 1999, reflecting routine salary and wage and rent escalations. The percentage of SG&A expenses to sales decreased from 26.5% to 24.2%. Amortization of intangibles decreased from $480,000 to $380,000, or 20.8% from the prior year quarter, reflecting the 1999 expiration of a purchased patent.

Research and development (R&D) expense increased 56.1% in the quarter, to $996,000 from $638,000 for the same period in 1999. The increase reflects renewed clinical study enrollment for piroxicam as well as costs associated with preparing for submission of the company's Investigational New Drug Application for AK-1003 for age-related macular degeneration. Management expects R&D expenses for the remainder of 2000 to continue to increase.

Interest expense of $472,000 was up 57.3% on higher interest rates and higher debt balances, partially offset by capitalized interest related to certain major capital projects.

The Company's effective tax rate for the quarter was 38.5% compared to 39.5% for the prior-year period. The Company reported net income of $2,184,000 or $0.11 per diluted share for the three months ended June 30, 2000, compared to $1,675,000 or $0.09 per diluted share for the comparable prior year quarter.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO 1999

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

	Six Months Ended June 30,	
	2000	1999
	(in thousands)	
Ophthalmic segment	$14,468	$15,737
Injectable segment	20,496	15,071
Total net sales	$34,964	$30,808

Consolidated net sales increased 13.5% in the six months ended June 30, 2000 compared to the same period in 1999. Ophthalmic segment sales decreased 8.1%, reflecting the loss of sales of certain products previously sourced from third parties which are no longer available to the Company at competitive prices. Injectable segment sales increased 36.0% compared to the same period in 1999, primarily due to strong anesthesia and antidote sales and increased contract manufacturing activity.

Consolidated gross profit increased 15.5% during the six months ended June 30, 2000 compared to the same period in 1999, with gross margins increasing from 51.2% to 52.1%. Margins for the ophthalmic segment decreased from 51.7% to 46.1% during the comparable periods, primarily due to a lower-margin sales mix. Margins for the injectable segment increased from 50.6% to 56.2%, primarily due to higher margin sales mix.

Selling, general and administrative (SG&A) expenses were essentially flat during the six months ended June 30, 2000 as compared to the same period in 1999. The percentage of SG&A expenses to sales decreased from 26.8% to 23.5%. Amortization of intangibles decreased from $1,182,000 to $759,000 or 35.8% from the prior year period, reflecting expiration of a purchased patent in 1999.

Research and development (R&D) expense increased 57.3% in the six months to $1,730,000 from $1,100,000 for the same period in 1999. Akorn had not been engaged in any clinical trials during the first half of 1999. Management expects R&D expenses for the remainder of 2000 to continue to increase.

Interest expense of $1,144,000 was up 37.5% on higher interest rates and higher debt balances, partially offset by capitalized interest related to certain major capital projects.

The Company's effective tax rate for the six months ended June 30, 2000 was 38.2% compared to 34.7% for the prior-year period. The Company reported net income of $3,978,000 or $0.20 per diluted share for the six months ended June 30, 2000, compared to $3,133,000 or $0.17 per diluted share for the comparable prior period.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedge activities. They generally require that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. These statements, as amended, are effective January 1, 2001. The Company is in the process of evaluating the effect of the Statement on its financial statements.

FINANCIAL CONDITION AND LIQUIDITY

Working capital at June 30, 2000 was $35.1 million compared to $26.2 million at December 31, 1999. At June 30, 2000 the Company had $7.6 million of financing available under its line of credit. Management believes that existing cash and cash flows from operations are sufficient to handle the Company's working capital

requirements for the near future, but that additional financing will be necessary for acquisitions. There is no guarantee that such financing will be available or available at an acceptable cost.

For the six months ended June 30, 2000, the Company used $2,915,000 in cash from operations primarily for increases in accounts receivable and inventory and decreases in accounts payable. Investing activities, which include the purchase of product related intangibles as well as equipment, required $7,770,000 in cash. Cash provided by financing activities, a net increase of $11,086,000, was primarily funded through an increase in long-term debt and the exercise of stock options.

YEAR 2000 ISSUES

The Company established a process to identify and resolve the business issues associated with Year 2000 and expended resources to ensure that its critical processes were Year 2000 compliant. The Company did not experience any business disruptions associated with Year 2000. The Company will continue to monitor its computer applications throughout Year 2000 to ensure that any latent Year 2000 matters are addressed promptly.

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, 1999 and in Note O 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 11, 2000. Daniel E. Bruhl, M.D., was elected to the Board of Directors with 17,456,958 votes for and 29,703 votes abstaining. Floyd Benjamin was elected to the Board of Directors with 17,456,558 votes for and 30,103 votes abstaining. Doyle S. Gaw was elected to the Board of Directors with 17,454,858 votes for and 31,803 votes abstaining. John N. Kapoor, Ph.D. was elected to the Board of Directors with 17,456,558 votes for and 30,103 votes abstaining.

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 10, 2000

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,	
	2000	1999	2000	1999
Earnings:				
Income applicable to common stock	$ 2,184	$ 1,675	$ 3,978	$ 3,133
Weighted average number of shares outstanding	19,000	18,196	18,901	18,170
Net income per share - basic	$ 0.11	$ 0.09	$ 0.21	$ 0.17
Additional shares assuming conversion of options and warrants	936	450	907	505
Pro forma shares	19,936	18,646	19,808	18,675
Net income per share - diluted	$ 0.11	$ 0.09	$ 0.20	$ 0.17

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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