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, 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 October 20, 2000 there were 19,228,549 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 6. Exhibits and Reports on Form 8-K

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

	September 30, 2000	December 31, 1999*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 448	$ 25
Trade accounts receivable, net	23,185	17,695
Inventory	17,102	16,473
Prepaid expenses and other current assets	1,835	1,658
TOTAL CURRENT ASSETS	42,570	35,851
OTHER ASSETS	20,494	19,435
PROPERTY, PLANT AND EQUIPMENT, NET	28,105	20,812
TOTAL ASSETS	$91,169	$76,098
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of long-term debt and capital lease obligations	$ 249	$ 1,346
Trade accounts payable	4,294	4,523
Accrued compensation	625	1,049
Accrued expenses and other current liabilities	2,396	2,775
TOTAL CURRENT LIABILITIES	7,564	9,693
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	40,454	30,643
OTHER LONG-TERM LIABILITIES	1,373	1,372
SHAREHOLDERS' EQUITY		
Common stock	22,387	19,392
Retained earnings	19,391	14,998
TOTAL SHAREHOLDERS' EQUITY	41,778	34,390
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 91,169	$ 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 September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Net sales	$ 16,878	$ 16,795	$ 51,842	$ 47,604
Cost of goods sold	9,782	7,863	26,547	22,913
GROSS PROFIT	7,096	8,932	25,295	24,691
Selling, general and administrative expenses	4,230	4,648	12,439	12,906
Amortization of intangibles	380	356	1,139	1,539
Research and development	1,074	603	2,804	1,703
	5,684	5,607	16,382	16,148
OPERATING INCOME	1,412	3,325	8,913	8,543
Interest expense	(638)	(506)	(1,782)	(1,338)
Interest and other income, net	(104)	(6)	(19)	405
	(742)	(512)	(1,801)	(933)
INCOME BEFORE INCOME TAXES	670	2,813	7,112	7,610
Income taxes	255	1,111	2,719	2,775
NET INCOME	$ 415	$ 1,702	$ 4,393	$ 4,835
Per Share:				
NET INCOME - BASIC	$ 0.02	$ 0.09	$ 0.23	$ 0.26
NET INCOME - DILUTED	$ 0.02	$ 0.09	$ 0.22	$ 0.26
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	19,081	18,477	18,961	18,273
- DILUTED	20,013	18,881	19,804	18,702

See notes to condensed consolidated financial statements.

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

	Nine months ended September 30, 2000	Nine months ended September 30, 1999
OPERATING ACTIVITIES		
Net income	$ 4,393	$ 4,835
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Deferred taxes	(131)	-
Depreciation and amortization	2,516	2,823
Changes in operating assets and liabilities	(7,195)	(3,874)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(417)	3,784
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(8,669)	(4,288)
Product licensing/acquisition costs	(2,200)	(529)
NET CASH USED IN INVESTING ACTIVITIES	(10,869)	(4,817)
FINANCING ACTIVITIES		
Repayment of borrowings, primarily under line of credit	(18,345)	(13,642)
Increased borrowings, primarily under line of credit	27,100	14,400
Proceeds from exercise of stock options	2,995	364
Reductions in capital lease obligation	(41)	(120)
NET CASH PROVIDED BY		

FINANCING ACTIVITIES	11,709	1,002
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	423	(31)
Cash and cash equivalents at beginning of period	25	736
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 448	$ 705

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, 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):

	September 30, 2000	December 31, 1999
Finished goods	$ 8,482	$ 10,316
Work in process	2,910	2,179
Raw materials and supplies	5,710	3,978
	$ 17,102	$ 16,473

Inventory at September 30, 2000 and December 31, 1999 is reported net of reserves for slow-moving, unsalable and obsolete items of $538,000 and $134,000, respectively.

NOTE C - PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2000	December 31, 1999
Land	$ 396	$ 396
Buildings and leasehold improvements	8,110	7,763
Furniture and equipment	19,883	17,955
Automobiles	55	55
	28,444	26,169
Accumulated depreciation	(13,054)	(11,677)
	15,390	14,492
Construction in progress	12,715	6,320
	$ 28,105	$ 20,812

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Construction in progress primarily represents capital expenditures related to the Company's freeze-drying 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 September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
NET SALES				
Ophthalmic	$ 7,188	$ 8,162	$ 21,656	$ 23,900
Injectable	9,690	8,633	30,186	23,704
Total net sales	$ 16,878	$ 16,795	$ 51,842	$ 47,604
OPERATING INCOME				
Ophthalmic	$ 138	$ 1,190	$ 1,865	$ 2,995
Injectable	1,767	2,487	8,410	6,629
General Corporate	(493)	(352)	(1,362)	(1,081)
Total operating income	1,412	3,325	8,913	8,543
Interest and other expense, net	(742)	(512)	(1,801)	(933)
Income before income taxes	$ 670	$ 2,813	$ 7,112	$ 7,610

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 SEPTEMBER 30, 2000 COMPARED TO 1999

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

	Three Months Ended September 30,	
	2000	1999
	(in thousands)	

Ophthalmic segment	$ 7,188	$ 8,162
Injectable segment	9,690	8,633
Total net sales	$ 16,878	$16,795

Consolidated net sales increased marginally in the quarter ended September 30, 2000 compared to the same period in 1999. Ophthalmic segment sales decreased 11.9%, reflecting a decrease in sales of generic glaucoma, antibiotic and allergy products. Injectable segment sales increased 12.2% compared to the same period in 1999 due to improved sales in antidote products as well as increased contract development and manufacturing activity.

Consolidated gross profit decreased 20.6% during the quarter, with gross margins decreasing from 53.2% to 42.0%. Margins for the ophthalmic segment increased from 40.1% to 42.8%, reflecting improved absorption of plant overhead expenses in the Somerset, NJ operation. Margins for the injectable segment decreased from 65.6% to 41.4%, primarily due to a decrease in sales of high margin products and an increase of non-product related overhead expenses in the Decatur, IL facility.

Selling, general and administrative (SG&A) expenses decreased 9.0% during the quarter ended September 30, 2000 as compared to the same period in 1999, primarily due to lower personnel related expenses. The percentage of SG&A expenses to sales decreased from 27.7% to 25.1%. Amortization of intangibles increased from $356,000 to $380,000, or 6.7% from the prior year quarter, reflecting the incremental amortization of product licenses acquired.

Research and development (R&D) expense increased 78.1% in the quarter, to $1,074,000 from $603,000 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 $638,000 was up 26.1% 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 38.1% compared to 39.5% for the prior-year period. The Company reported net income of $415,000 or $0.02 per diluted share for the three months ended September 30, 2000, compared to $1,702,000 or $0.09 per diluted share for the comparable prior year quarter.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO 1999

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

	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
	(in thousands)	
Ophthalmic segment	$21,656	$ 23,900
Injectable segment	30,186	23,704
Total net sales	$51,842	$ 47,604

Consolidated net sales increased 8.9% in the nine months ended September 30, 2000 compared to the same period in 1999. Ophthalmic segment sales decreased 9.4%, reflecting a decrease in sales of generic glaucoma, antibiotic and allergy products. Injectable segment sales increased 27.3% compared to the same period in 1999, primarily due to strong anesthesia and antidote sales and increased contract development and manufacturing activity.

Consolidated gross profit increased 1.3% during the nine months ended September

30, 2000 compared to the same period in 1999, with gross margins decreasing from 51.9% to 48.8%. Margins for the ophthalmic segment decreased from 47.7% to 45.0% during the comparable periods, primarily due to a lower-margin sales mix. Margins for the injectable segment decreased from 53.4% to 51.5%.

Selling, general and administrative (SG&A) expenses decreased 3.6% during the nine months ended September 30, 2000 as compared to the same period in 1999. The percentage of SG&A expenses to sales decreased from 27.1% to 24.0%, primarily due to lower personnel related expenses. Amortization of intangibles decreased from $1,539,000 to $1,139,000 or 26.0% from the prior year period, reflecting expiration of a purchased patent in 1999, partly offset by the incremental amortization of product licenses acquired.

Research and development (R&D) expense increased 64.7% in the nine months to $2,804,000 from $1,703,000 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 $1,782,000 was up 33.2% 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 nine months ended September 30, 2000 was 38.2% compared to 36.5% for the prior-year period. The Company reported net income of $4,393,000 or $0.23 per diluted share for the nine months ended September 30, 2000, compared to $4,835,000 or $0.26 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.

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements". This bulletin, as amended, provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. This bulletin, as amended, is effective no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company is in the process of evaluating the effect of this bulletin on its financial statements.

FINANCIAL CONDITION AND LIQUIDITY

Working capital at September 30, 2000 was $35.0 million compared to $26.2 million at December 31, 1999. At September 30, 2000, the Company had $6.8 million of financing available under its line of credit. Management believes that existing cash and expected 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 nine months ended September 30, 2000, the Company used $417,000 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 $10,869,000 in cash. Cash provided by financing activities, a net increase of $11,709,000, 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.

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.

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

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 10, 2000

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,	
	2000	1999	2000	1999
Earnings:				
Income applicable to common stock	$ 415	$ 1,702	$ 4,393	$ 4,835
Weighted average number of shares outstanding	19,081	18,477	18,961	18,273
Net income per share - basic	$ 0.02	$ 0.09	$ 0.23	$ 0.26
Additional shares assuming conversion of options and warrants	932	404	843	429
Pro forma shares	20,013	18,881	19,804	18,702
Net income per share - diluted	$ 0.02	$ 0.09	$ 0.22	$ 0.26

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This schedule contains summary financial information from consolidated financial statements for the quarter ended September 30, 2000 and is qualified in its entirety by reference to such financial statements.
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