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

FORM 10-Q

( ) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 1995

( ) 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 (State or Other Jurisdiction of Incorporation or Organization)	72-0717400 (I.R.S. Employer Identification No.)
100 Akorn Drive Abita Springs, Louisiana (Address of Principal Executive Offices)	70420 (Zip Code)

(504) 893-9300
(Registrant's telephone number including area code)

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 31, 1995 there were 14,922,907 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

The following financial statements are provided on the page numbers indicated below:

Condensed Consolidated Balance Sheets - September 30, 1995 and June 30, 1995 2

Condensed Consolidated Statements of Income - Three months ended September 30, 1995 and 1994 4

Condensed Consolidated Statements of Cash Flows - Three months ended September 30, 1995 and 1994 5

Notes to Condensed Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information called for by this item is provided on page 8.

AKORN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 1995	June 30, 1995*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 954,962	$ 767,286
Short-term investments	1,290,739	1,568,793
Accounts receivable (less allowance for bad debts of $266,455 and $266,329 at September 30 and June 30, respectively)	4,880,782	4,918,753
Inventory	6,419,281	5,979,707
Prepaid expenses and other assets	1,276,113	1,068,338
TOTAL CURRENT ASSETS	14,821,877	14,302,877
OTHER ASSETS	961,403	957,099
PROPERTY, PLANT AND EQUIPMENT	17,637,086	13,820,135
Accumulated depreciation	(6,935,466)	(6,750,743)
	10,701,620	7,069,392
Construction in progress	339,509	3,926,553
	11,041,129	10,995,945
TOTAL ASSETS	$ 26,824,409	$ 26,255,921

	1995	1995*
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of long-term debt and capital lease obligations	$ 779,726	$ 641,994
Current portion of pre-funded development costs	667,000	667,000
Trade accounts payable	1,990,380	1,718,893
Income taxes payable	903,883	781,824
Accrued payroll and commissions	511,227	625,839
Accrued reorganization costs	706,322	727,423
Accrued expenses and other liabilities	1,286,907	1,237,232
TOTAL CURRENT LIABILITIES	6,845,445	6,400,205
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	3,695,786	3,900,389
OTHER LONG-TERM LIABILITIES	874,607	957,043
SHAREHOLDERS' EQUITY		
Common stock, no par value-- authorized 20,000,000 shares; issued 15,115,673 shares at September 30 and June 30; outstanding 14,922,907 and 14,904,653 shares at September 30 and June 30, respectively	13,701,845	13,701,845
Treasury stock, at cost-- 192,766 and 211,020 shares at September 30 and June 30, respectively	(254,559)	(291,067)
Retained earnings	1,961,285	1,500,109
Unrealized gain on marketable equity securities	-	87,397
TOTAL SHAREHOLDERS' EQUITY	15,408,571	14,998,284
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 26,824,409	$ 26,255,921

*Condensed from audited consolidated financial statements.
See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months ended September 30, 1995	1994
Net sales	$ 7,888,548	$ 8,541,126
Cost of sales	5,001,214	4,919,793
GROSS PROFIT	2,887,334	3,621,333
Selling, general and administrative expenses	1,937,853	2,232,179
Research and development	235,300	169,364
	2,173,153	2,401,543
OPERATING INCOME	714,181	1,219,790
Interest expense	(86,565)	-
Interest and other income (expense)	103,828	28,406
	17,263	28,406

INCOME BEFORE INCOME TAXES	731,444	1,248,196
Income taxes	270,634	461,833
NET INCOME	$ 460,810	$ 786,363
Per Share:		
NET INCOME	$ .03	$ .05
WEIGHTED AVERAGE SHARES OUTSTANDING	15,259,700	15,286,345

See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months ended September 30, 1995	1994
OPERATING ACTIVITIES		
Net income	$ 460,810	$ 786,363
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	199,940	195,095
Gain on sale of investments	(79,859)	-
Changes in operating assets and liabilities	(375,673)	(1,360,763)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	205,218	(379,305)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(229,907)	(1,338,607)
Net maturities of investments	270,516	373,874
Product licensing costs	(28,154)	(297,682)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	12,455	(1,262,415)
FINANCING ACTIVITIES		
Repayment of long-term debt	(32,502)	(101,875)
Proceeds from sale of stock	36,874	46,938
Reductions in capital lease obligations	(34,369)	(6,161)
Short-term borrowings	-	225,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(29,997)	163,902
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,676	(1,477,818)
Cash and cash equivalents at beginning of period	767,286	1,914,735
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 954,962	$ 436,917
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid, net of amount capitalized	$ 86,061	$ -
Income taxes paid	$ 180,000	$ 370,000

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. (the "Company") and its wholly owned subsidiaries, Spectrum Scientific Pharmaceuticals, Inc. , Walnut Pharmaceuticals, Inc. and Akorn Manufacturing, Inc., formerly Taylor Pharmacal 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 with the instructions to Form 10-Q. Accordingly, they 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-month period ended September 30, 1995 are not necessarily indicative of the results that may be expected for the year ending June 30, 1996. For further information, refer to the consolidated financial statements and footnotes for the year ended June 30, 1995, included in the Company's Annual Report on Form 10-KSB.

NOTE B - INCOME TAXES

The Company is currently in discussions with the Internal Revenue Service (IRS) regarding the examination of tax return for years 1988 through 1993. The IRS has proposed adjustments to such returns which would result in additional taxes and interest due of approximately $1.5 million. Although the Company does agree with approximately $600,000 of the proposed adjustments, the Company does intend to appeal the remainder of the assessment. The Company does not currently anticipate any adverse financial statement effect from this proposed assessment as accruals for the financial statement effects of these proposed adjustments have been previously recorded.

NOTE C - EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of common shares outstanding. The computation of the weighted average number of shares outstanding for all periods presented includes the dilutive effect of stock options and warrants using the treasury stock method.

NOTE D - INVENTORY

The components of inventory are as follows:

	September 30, 1995	June 30, 1995
Finished goods	$ 3,925,036	$ 3,742,411
Work in process	1,119,867	1,042,922
Raw materials and supplies	1,374,378	1,194,374
	$ 6,419,281	$ 5,979,707

The inventories are reported net of reserves for unsaleable items of $323,765 and $344,443 as of September 30, 1995 and June 30, 1995, respectively.

NOTE E - INVESTMENTS

At June 30, 1995, the market value of the Company s marketable equity securities exceeded the cost by $87,397; therefore, an unrealized gain was recorded as a component of shareholders equity to reflect this increase in value. Subsequent to year end, the Company sold the investment and recorded a realized gain of $79,859 during the first quarter of fiscal 1996. This amount is included in interest and other income (expense) in the 1995 statement of income.

NOTE F - INTEREST CAPITALIZATION

Interest incurred during construction periods is capitalized as part of the cost of the expansion project. During the quarters ended September 30, 1995 and 1994, the Company capitalized $34,682 and $13,434, respectively, in interest costs.

NOTE G - LITIGATION

The Company is involved in various litigation and claims arising in the normal course of business. The Company's management believes that any liability the Company may have in these matters would not have a material effect on the consolidated financial statements.

NOTE H - CONTINGENCIES

In April 1994, the Company entered into a series of cross-licensing agreements with Pfizer Inc. (Pfizer), one of which provided Akorn an exclusive, royalty-free license to manufacture and market an ophthalmic form of a Pfizer prescription non-steroidal anti-inflammatory drug (NSAID). As part of this agreement, in fiscal 1994 Pfizer paid the Company an advance of $1 million to be used to fund the costs of developing the NSAID. In the event that Akorn fails to obtain FDA approval on another product under development and licensed to Pfizer (the licensed product) by December 31, 1996, the Company is required to pay a performance penalty of $1,020,000 to Pfizer. A New Drug Application (NDA) was filed for the licensed product on June 8, 1994. Given the current status of the NDA, it is management s opinion that payment of the performance penalty is remote.

AKORN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Sales

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

	Three Months Ended September 30,	
	1995	1994
	(In thousands)	
Ophthalmic distribution	$ 5,616	$ 6,071
Contract manufacturing	2,273	2,470
Total net sales	$ 7,889	$ 8,541

Net sales declined 8% in the quarter ended September 30, 1995 compared to the same period in 1994, with sales of $7.9 million versus $8.5 million. The decline in sales is primarily due to the temporary absence of the Company s lead allergy product, AK-Con-A, since the second quarter of fiscal 1995.

For the quarter ended September 30, 1995, ophthalmic distribution sales declined 7% over the comparable period in 1994. This decline is primarily related to the absence of AK-Con-A which accounted for over $1.3 million in sales for the prior year first quarter. Ophthalmic distribution net sales for the quarter ended September 30, 1994, exclusive of AK-Con-A sales, were $4.7

million as compared to $5.6 million in the current period, thereby representing a 19% increase. The Company continued to see sales increase in its core business as a result of prior year new product introductions.

As previously announced, AK-Con-A was converted to over-the-counter (OTC) status from prescription status by the Food and Drug Administration (FDA). Currently, the Company is awaiting approval for its OTC version, which was licensed to Pfizer, Inc. (Pfizer). Since sales of AK-Con-A continued through October 1994, sales growth comparisons will be affected for the second quarter of fiscal 1996 as well. However, upon approval of the OTC version, which is expected in the near future, the Company will begin to receive manufacturing profits and royalties that should bring incremental profits in the range of 2 cents per share per quarter.

For the quarter ended September 30, 1995, contract manufacturing sales declined 8% over the comparable period in 1994. This decline reflects fluctuations in ordering patterns from contract customers which is common to this business. As previously announced, the Company s largest contract manufacturing customer, which accounted for 17% and 13% of consolidated net sales for the quarters ended September 30, 1995 and 1994, respectively, has notified the Company that it will be transferring the production of certain products during fiscal 1996 and 1997 to its own facilities. Such products accounted for $1.4 million in contract manufacturing sales for fiscal 1995. This customer has also notified the Company that it will be discontinuing the sale of two other products produced by Akorn Manufacturing, Inc. (AMI). These products accounted for approximately $2.9 million in sales for AMI in fiscal 1995. The Company is presently in discussions with this customer to acquire these injectable products. This would maintain current plant throughput and provide an entre into the injectable distribution business, which would be synergistic with the ophthalmic distribution business.

In October 1995, the Company signed a contract manufacturing agreement with Jordan Pharmaceuticals, Inc. (Jordan) to develop and manufacture three new generic injectable pharmaceutical products. In addition, the agreement secured the long-term manufacture of three generic injectables currently produced by AMI for Jordan. The three new products are exempt from FDA approval under grandfather rules, and, as such, the first of the three new products should be in commercial production within six months. The combined contractual payments in the first year of the contract, including fees for product development, are expected to approximate $2 million. Previously, Jordan represented approximately $900,000 of the Company s contract business.

The Jordan agreement allows for Akorn to use information supporting the development of the products to pursue recently announced strategies in the injectable marketplace. The agreement further provides that best efforts will be used by both parties to add two new products each year to the agreement, under the same terms and conditions. This arrangement goes beyond mere contract manufacturing and represents the Company s desire to enhance its relations with contract customers.

Gross Profit

Consolidated gross profit declined 20% to $2.9 million in the quarter ended September 30, 1995 compared to $3.6 million for the same period of the previous year, with gross margins declining six percentage points. The loss of higher-margin AK-Con-A sales, lower overhead absorption in contract manufacturing and higher product costs imposed by suppliers were the primary reasons for the decline in gross profit and margins for the quarter. Gross margins are expected to remain lower than those experienced in the first half of fiscal 1995 due to the loss of AK-Con-A and increased competition from our suppliers. Gross margins are expected to be relatively stable for the remainder of fiscal 1996.

Selling, General and Administrative Expenses

Selling, general and administrative (S,G&A) expenses declined 13% during the quarter ended September 30, 1995, as compared to the same period in 1994. This reduction in S,G & A expenses is partly due to lower sales and partly due to the plan, implemented in the quarter ended March 31, 1995, to reduce certain S,G&A expenses.

The percentage of S,G&A expenses to sales declined to 24.6% for the quarter ended September 30, 1995 from 26.1% in the comparable prior year period. This decline occurred, in spite of the decline in sales, due to the cost cutting measures noted above. The Company continues to monitor the required level of S,G&A expenses in relation to sales performance.

Research and Development

Research and development (R&D) expense increased 39% to $235,000 for the quarter ended September 30, 1995, as compared to $169,000 for the same period in 1994. This increase reflects a change in the mix of products under development to a lower concentration of products which are being transferred from the Company s previous manufacturing facilities (site transfers). The estimated cost of these site transfers has been previously accrued and therefore does not have an effect on R&D expense as reported in the statements of income.

The Company also has begun the development of a non-steroidal anti-inflammatory drug (NSAID) for ophthalmic use licensed from Pfizer. It is anticipated that the majority of these development costs, which are expected to be funded substantially by monies obtained from Pfizer, will be incurred over the next 18 months. In addition, the Company recently announced its intention to enter the generic injectable business. This entre includes the plan to file two injectable Abbreviated New Drug Applications (ANDAs) over the next twelve months.

The current R&D plan calls for the filing of ten to twelve ANDAs in fiscal 1996, a much more aggressive plan than in prior years. As a result, the Company anticipates that fiscal 1996 R&D expense will be significantly higher than the prior year amount.

Interest and Other Income/Expense

Interest costs incurred during all of the prior fiscal year and through July 1995 were capitalized as part of the cost of construction related to the Company's expansion project at its Decatur manufacturing facilities. This expansion is now substantially completed and ready for its intended use. Accordingly, all future periods will include interest expense that will be charged to operations rather than capitalized based on the total outstanding borrowings.

Included in interest and other income for the quarter ended September 30, 1995 is a $79,859 gain recognized on the sale of the Company s only equity investment.

Income Taxes

The effective tax rate for the quarters ended September 30, 1995 and 1994 remained consistent at 37%. The Company has been in discussions the Internal Revenue Service (IRS) regarding the examination of tax returns for the periods of 1988 through 1993. The IRS has proposed adjustments to such returns, some of which the Company has agreed to and some which the Company will appeal. The financial statement effects of these proposed agreed upon adjustments have been previously recorded.

Net Income

Net income for the quarter ended September 30, 1995 declined to $461,000 or three cents per share compared to the prior year amount of $786,000 or five cents per share, as a result of the factors noted above.

FINANCIAL CONDITION AND LIQUIDITY

The net cash provided by operating activities for the three months ended September 30, 1995 was $205,000 compared to net cash used of approximately $379,000 for the corresponding period in 1994. While the Company's profitability declined in the current quarter, in the prior period quarter the Company had a significant buildup in inventory as a result of new product line additions. This buildup has since stabilized.

In addition to the inventory buildup, final estimated tax payments for the

fiscal year ended June 30, 1994 were made during the first quarter of fiscal 1995.

In 1996, the Company will continue to fund the payment of certain previously accrued research and development activities including the site transfer of ANDAs and development of the NDA for an NSAID discussed previously. Management believes that existing cash, cash flows from operations, and available working capital line of credit are sufficient to handle these short-term needs.

In addition to these short-term needs, the Company may be required to pay additional interest and taxes in connection with the examination by the IRS of tax returns for the periods of 1988 through 1993. The proposed adjustments by the IRS would result in additional interest and taxes currently due of approximately $1.5 million. To date, the Company and the IRS have agreed upon issues resulting in approximately $600,000 of current net taxes and interest due. Payment of the agreed upon items is expected to be made over the next 10 months under an agreement with the IRS or through arrangements with a commercial bank. Payment of the remaining unsettled issues, if any, would be based on the timing of the appeals process and the success of the Company in arguing its position with the IRS. The Company does not currently anticipate any adverse financial statement effect from this proposed assessment as accruals for the financial statement effects of these proposed adjustments have been previously recorded.

Under a previously announced cross-licensing agreement with Pfizer, the Company is required to pay a performance penalty of $1,020,000 should it be unsuccessful in obtaining approval, by December 31, 1996, of the NDA on the OTC version of AK-Con-A, which was licensed to Pfizer. Given the current status of the pending NDA, management believes the likelihood that approval will not be obtained in this time frame is remote. Accordingly, no financial statement reserves related to the potential penalty have been accrued.

The Company invested $230,000 in new property, plant and equipment during the quarter ended September 30, 1995, compared to $1.3 million during the same period in 1994. The prior year amount was primarily related to the expansion at the Company s manufacturing facilities in Decatur, Illinois which has now been substantially completed.

On September 30, 1994, the Company entered into a $6.3 million credit facility with a commercial bank. The credit facility includes the following:

- a $1.3 million Term loan for the payout of existing debt and reimbursement for the early payout of a capital lease on the AMI manufacturing facility.

- a $3.5 million Revolver/Term construction loan to finance the expansion of the AMI facilities.

- a $1.5 million Line of Credit for working capital purposes.

The entire Term loan was drawn in October 1994 and, as of September 30, 1995, $2.6 million had been drawn on the Revolver/Term construction loan.

The construction project at the Decatur facilities allows for new high-speed ophthalmic production, as well as new capabilities for suspensions, ointments and unit-dose products. The total cost of the expansion project, including additional equipment, was approximately $5.4 million. The Company has plans for capital improvements of approximately $2 million to $3 million for fiscal 1996. The amount of these improvements will be funded through internal cash flows and $900,000 remaining availability under the Revolver/Term construction loan. The timing of these expenditures will be staged to ensure compliance with debt covenant requirements.

The Company used $30,000 in financing activities for the quarter ended September 30, 1995, primarily related to the repayment of certain debt obligations. This compares with $164,000 provided by financing activities in the prior year. In the prior year, short-term borrowings of $225,000 were

made as of September 30, 1994. As of September 30, 1995, there were no borrowings under the line of credit.

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-KSB for the fiscal year ended June 30, 1995 and in Note R to the consolidated financial statements included in that report.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

The annual meeting of the Company's shareholders was held on October 28, 1995 (the Meeting). The only matter voted on at the Meeting was the election of directors.

At the Meeting all of the nominees listed were elected by the votes indicated below. There were no broker no-votes with respect to any nominee. No other directors have terms of office that continued after the Meeting.

Nominee	For	Withheld
Daniel E. Bruhl, M.D.	12,350,436	794,974
J. Ed Campbell, M.D.	12,348,300	797,110
George S. Ellis, M.D.	12,347,800	797,610
Doyle S. Gaw	12,282,408	863,002
John N. Kapoor, PhD.	12,900,831	244,579
Barry D. LeBlanc	12,900,135	245,275
David H. Turner, M.D.	12,281,430	863,980
Lawrence A. Yannuzzi, M.D.	12,277,801	867,609

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11.1) Computation of Earnings per Share

(27) Financial Data Schedules

(99.1) Press release issued by Akorn, Inc. on October 26, 1995 announcing its first quarter 1996 financial results.

(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/ Barry D. LeBlanc

_____

Barry D. LeBlanc
President and Chief Executive Officer
(Duly Authorized Officer)

/s/ Eric M. Wingerter

_____

Eric M. Wingerter
Vice President - Finance and Administration
(Principal Financial Officer)

Exhibit 11

Akorn, Inc.

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

	Three Months Ended September 30, 1995	1994
Earnings		
Income applicable to common stock	$ 461	$ 786
Shares		
Weighted average number of shares outstanding	14,910	14,802
Additional shares assuming conversion of options and warrants	350	484
Pro forma shares	15,260	15,286
Net income per share	$ .03	$ .05

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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Exhibit 99.1

AT AKORN:
Barry LeBlanc, President & CEO — (504) 893-9300
Eric Wingerter, VP-Finance

AT FRB:
Jenifer Estabrook, General Information — (312) 640-6787
Kathy Brunson, Analyst Contact — (312) 640-6696

FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 26, 1995

AKORN'S 1ST-QTR RESULTS IN LINE WITH MANAGEMENT'S EXPECTATIONS; OUTLOOK POSITIVE

ABITA SPRINGS, LA OCTOBER 26, 1995 --Akorn, Inc. (Nasdaq: AKRN) today announced that net income for the first quarter was $460,000, or 3 cents per share, on sales of $7.9 million, compared with net income of $786,000, or 5 cents per share, on sales of $8.5 million in the year-ago period.

These results were in line with our estimates and reflect the continued, temporary absence of our lead allergy product, AK-Con-A, since the second quarter of fiscal 1995," said Barry LeBlanc, Akorn's president and chief executive officer. This product accounted for approximately $1.3 million in sales and net income of nearly 3 cents per share in the prior-year period."

As previously announced, the Food and Drug Administration (FDA) switched AK-Con-A to over-the-counter (OTC) status in the second quarter of Akorn's fiscal 1995. Currently, the company is awaiting FDA approval for its OTC version, which Akorn licensed to Pfizer. Under terms of the agreement, Akorn will receive manufacturing profits and royalties that, according to the company, should bring incremental profits in the range of 2 cents per quarter upon approval.

REVIEW OF RESULTS

Net sales for the quarter ended September 30, 1995, were $7.9 million, down 8 percent from last year's $8.5 million. Gross profit declined 20 percent from $3.6 million to $2.9 million. Gross margins declined considerably, primarily due to the fact that AK-Con-A was Akorn's highest-margin product at nearly 75 percent.

Operating expenses declined 13 percent during the quarter, while research and development expenditures increased 39 percent, reflecting an accelerated program to obtain Abbreviated New Drug Applications (ANDAs). Operating expenses as a percentage of sales declined to 24.6 percent for the quarter ended September

-more-

30, 1995, from 26.1 percent for the prior-year period. The company's effective tax rate remained stable at 37 percent.

OUTLOOK

"The absence of AK-Con-A certainly had a significant effect on comparative results" LeBlanc noted. "However, current indications from the FDA regarding approval of our New Drug Application (NDA) on the OTC version of this product are very favorable, with approval expected in the very near future."

LeBlanc added, "In response to the temporary loss of AK-Con-A, we implemented cost-reduction strategies beginning in the third quarter of fiscal 1995 that were designed to achieve an average earnings run rate of 3 to 4 cents per quarter. Our operating results since that time have indicated the success of this strategy. With the recent approvals of several ANDAs along with the anticipated approval of our pending NDA, our quarterly run rate should approximate 6 to 7 cents by fiscal year end."

LeBlanc concluded, "We will continue to leverage our existing strengths in an effort to increase both sales and earnings. Our recent announcements to increase our presence in the injectable pharmaceutical market are examples of that leverage. The targeted filing of two injectable ANDAs by fiscal year end will expand Akorn's presence in the sterile generic pharmaceutical marketplace. In addition, our new approach to the contract manufacture of injectables will lead to a positive impact on sales and earnings, as early as the second half of our current fiscal year."

Akorn, Inc. manufactures sterile ophthalmic and injectable pharmaceuticals, and markets and distributes an extensive line of ophthalmic products.

For additional information about Akorn, Inc. free of charge via fax, dial 1-800-PRO-INFO and enter "AKRN."

FINANCIAL TABLES FOLLOW...

CONSOLIDATED STATEMENT OF EARNINGS
(in thousands, except per share amounts)

	Three months ended September 30, 1995	1994	% Chg
Net sales	$7,888	$8,541	-7.6%
Cost of sales	5,001	4,920	1.6%
Gross profit	2,887	3,621	-20.3%
Selling, general and administrative	1,938	2,232	-13.2%
Research and development	235	169	39.1%
Operating income	714	1,220	-41.5%
Interest & other income (expense), net	17	28	-39.3%
Pretax income	731	1,248	-41.4%
Income taxes	270	462	-41.6%
Net income	$461	$786	-41.3%
Per share:			
Net income	$0.03	$0.05	-40.0%
Weighted average shares	15,260	15,286	-0.2%

CONSOLIDATED BALANCE SHEET

(in thousands)

	September 30, 1995	June 30, 1994
Assets		
Cash and investments	$2,246	$2,336
Accounts receivable, net	4,881	4,919
Other current assets	7,695	7,048
Total current assets	14,822	14,303
Property, plant and equipment, net	11,041	10,996
Other assets	961	957
Total assets	$26,824	$26,256
Liabilities and shareholders' equity		
Current portion of long-term debt and capital leases	$ 780	$ 642
Trade accounts payable	1,990	1,719
Income taxes payable	904	782
Accrued reorganization costs	706	727
Other accrued expenses	2,465	2,531
Total current liabilities	6,845	6,401
Long-term debt and capital leases	3,696	3,900
Other long-term liabilities	874	957
Shareholders' equity	15,409	14,998
Total liabilities and shareholders' equity	$26,824	$26,256