2007 ANNUAL REPORT

VACCINES AND BIOLOGICS

BIODEFENSE / HOMELAND SECURITY

SPECIALTY PHARMACEUTICALS: OPHTHALMIC, INJECTABLE, ORAL, DERMAL & INHALATION DRUGS

CONTRACT PHARMACEUTICAL MANUFACTURING

Akorn
A SPECIALTY PHARMACEUTICAL COMPANY

Arthur S. Przybyl

PRESIDENT & CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders,

In 2007, we advanced our specialty pharmaceutical business in several areas with significant emphasis on vaccines and with even greater emphasis placed on events that will lead to increased revenues. Our business model is comprised of revenues derived from four distinct business segments: vaccines and biologics, hospital drugs and injectables, ophthalmic drugs and contract pharmaceutical manufacturing. Each one of these business segments has a significant catalyst associated with it that is now providing or is expected to provide significant revenue growth in 2008 and beyond.

Vaccines and Biologics

The vaccine business segment was born from an opportunity to exclusively distribute Tetanus Diphtheria (Td) Vaccine. This three-year exclusive arrangement was announced in March 2007.

Akorn's strategy in entering this vaccine market was several fold:

- Begin to expand and diversify our business into biologics and vaccines; an area that we believe represents greater long-term value through BLA licenses with less competition.
- The Td vaccine has only one other competitor and represents an approximate market size of $225 million, a significant revenue opportunity for us.
- An exclusive relationship would allow Akorn to act as a manufacturer's representative and better manage the two primary markets for this vaccine: hospitals and office based physicians.
- The unit dose preservative-free version of the Td vaccine, primarily used in hospitals, would allow our hospital sales force infrastructure to compete with the other manufacturer of the vaccine.
- The relationship for this vaccine would allow us to expand our distribution model for other vaccines and biologic products.

Recently, we announced an agreement to distribute CSL Biotherapies flu product, Afluria®. Our strategy to enter this vaccine market was simple:

- Our ability to lever up our 50 sales representatives selling Td vaccine to the same customer base.
- The overall size of the flu market is approximately 90-100 million doses per year, which represents an approximate market size of $800 million, a large revenue opportunity for us.
- We believe we can help CSL gain vaccine market share in the United States. They have both a preservative-free and latex-free pre-filled syringe and an MDV vaccine.

The Td and flu vaccines are significant immediate revenue opportunities for Akorn, but our more significant business relationship for vaccines is our partnership with Serum Institute. We announced our exclusive agreement with Serum in October 2007, which is intended to commercialize four of Serum's vaccines for the U.S. market: Hepatitis B, MMR, Rabies and a Bladder Cancer vaccine. Along with our announced exclusive development and marketing deal for a rabies monoclonal antibody product, Serum represents Akorn's long-term opportunity for vaccines. Through this partnership we intend to provide safe, efficacious and affordable vaccines for the U.S. healthcare consumer. You will hear more about this important partnership in 2008. Our goal is to be a major U.S. vaccine company, with a portfolio of affordable, safe and efficacious vaccine products by 2011.

Hospital Drugs and Injectables

In 2007, we achieved a major milestone in our joint development and marketing partnership with Cipla for Vancomycin with the filing of our ANDA. The market opportunity for Vancomycin continues to grow, now at $225 million. This growth is primarily generated from price increases. We remain resolute in our pursuit of a safe and effective, affordable generic version of oral Vancomycin and expect our pending ANDA approval to contribute to our revenue base in 2008.

Our second significant revenue opportunity in our hospital drugs and injectables business segment is for the forward deployment of DTPA, our radiation chelating agent, to be used in the event of a nuclear accident or "dirty bomb" terrorist event. After several senior level meetings with HHS officials, we believe this forward deployment of DTPA to be representative of an important objective for HHS.

In 2007, we announced several product partnerships:

- In January, we announced the right to exclusively market Hydase for PrimaPharm.
- In July, we announced an exclusive development and supply agreement with Cipla for an oral and injectable version of an organ transplant rejection drug.
- In July, we announced an exclusive development and supply agreement for two injectable suspension products with Hyaluron.
- In September, together with our partner Sofgen, we submitted our ANDA after a successful biostudy for our first softgel capsule product.
- In October, again with Sofgen, we announced the exclusive development and supply of a softgel capsule drug product for women's healthcare.
- In November, we announced the exclusive development and supply of an inhalation drug product, again expanding our relationship with Cipla.
- And finally in December, we announced the successful ANDA filing of our first anti-cancer injectable drug developed through our partnership with Serum Institute.

We currently have 40 product regulatory filings with the FDA and our Regulatory Affairs department anticipates 22 product approvals in 2008.

Ophthalmic Drugs

In January 2007, we announced that we completed a pivotal phase III 200 patient clinical study with positive results for Akten,™ our internally developed NDA. Five months later in June, we filed our NDA for Akten™ and received a PDUFA date in the second quarter 2008. Of significance for Akten™ is its breadth of indication, "for any ophthalmic procedure that requires a topical anesthetic." We believe this provides for potential widespread use of Akten™.

Contract Pharmaceutical Manufacturing

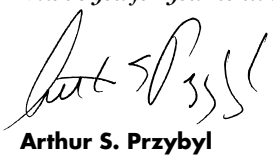
In February 2007, we received a warning letter on our Decatur manufacturing plant. This is the main reason why our year over year contract pharmaceutical manufacturing business sales decreased by $1.9 million.

After our cGMP inspection later in the year, we were found to be in substantial regulatory compliance, a significant event for our business in the short and long term. For 2008, regulatory compliance affords us the opportunity to grow our contract pharmaceutical manufacturing revenues and we have seen large pharmaceutical companies visit Akorn with renewed interest. For the long term, the inspection also included a pre-approval inspection (PAI) for our new injectable and lyophilized fill suites. The successful result from this PAI inspection allows our manufacturing asset to be placed into service. This fill suite is a state of the art design that requires little manual intervention and represents a significant upside opportunity for our lyophilized contract pharmaceutical manufacturing business.

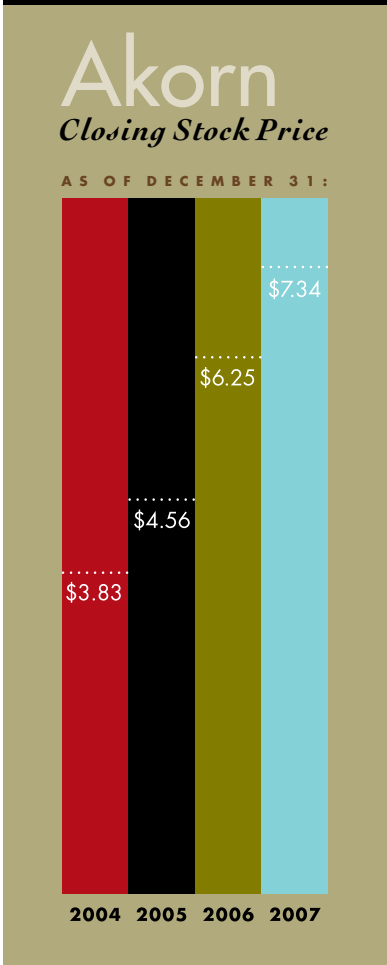
We have several short-term significant revenue opportunities, each unique and diversified, and we are certainly not a "one product" type company. Our long-term opportunities are in place and include 40 ANDA filings and numerous development projects, and I believe our vaccine relationship with Serum is unique in today's pharmaceutical market place.

Our investments in our product development pipeline and sales infrastructure have advanced our business model in four areas: vaccines and biologics, hospital drugs and injectables, ophthalmic drugs and contract pharmaceutical manufacturing and we are ready to achieve growth in 2008.

Thank you for your continued support.



Arthur S. Przybyl
PRESIDENT & CHIEF EXECUTIVE OFFICER



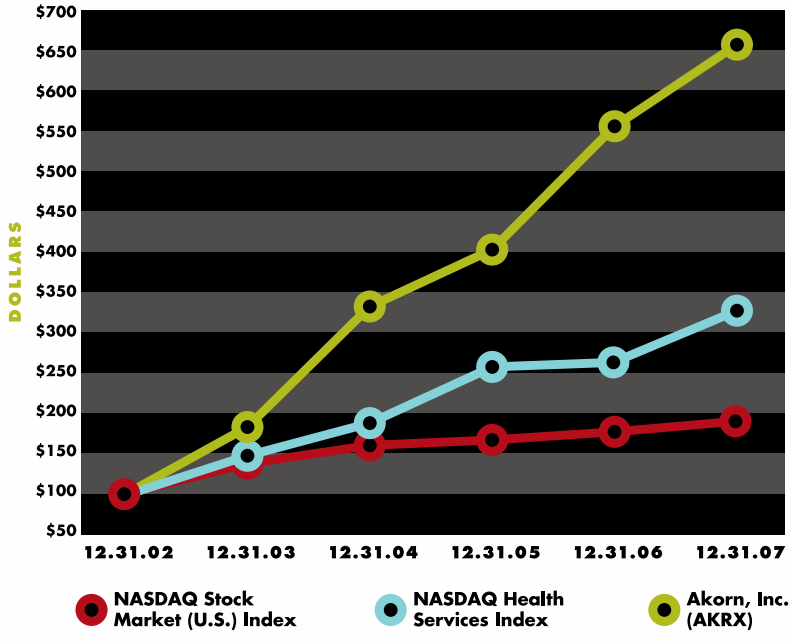
Financial Highlights

Akorn's common stock was traded on NASDAQ until June 24, 2002. From June 25, 2002 until May 2, 2004 it was traded on the Pink Sheets. From May 3, 2004 until November 23, 2004 our stock was traded on the OTC Bulletin Board under the stock symbol "AKRN.OB." From November 24, 2004 until February 6, 2007, our common stock was listed for trading on the American Stock Exchange under the symbol "AKN." On February 7, 2007 our common stock was listed on the NASDAQ Global Market under the symbol "AKRX".

The graph below compares the cumulative shareholder return on our common stock with the NASDAQ Stock Market (U.S.) Index and the NASDAQ Health Services Index over the last five years through December 31, 2007. The graph assumes $100 was invested in our common stock, and also the two indices presented, at the end of December 2002 and that all dividends were reinvested during the subsequent five-year period.

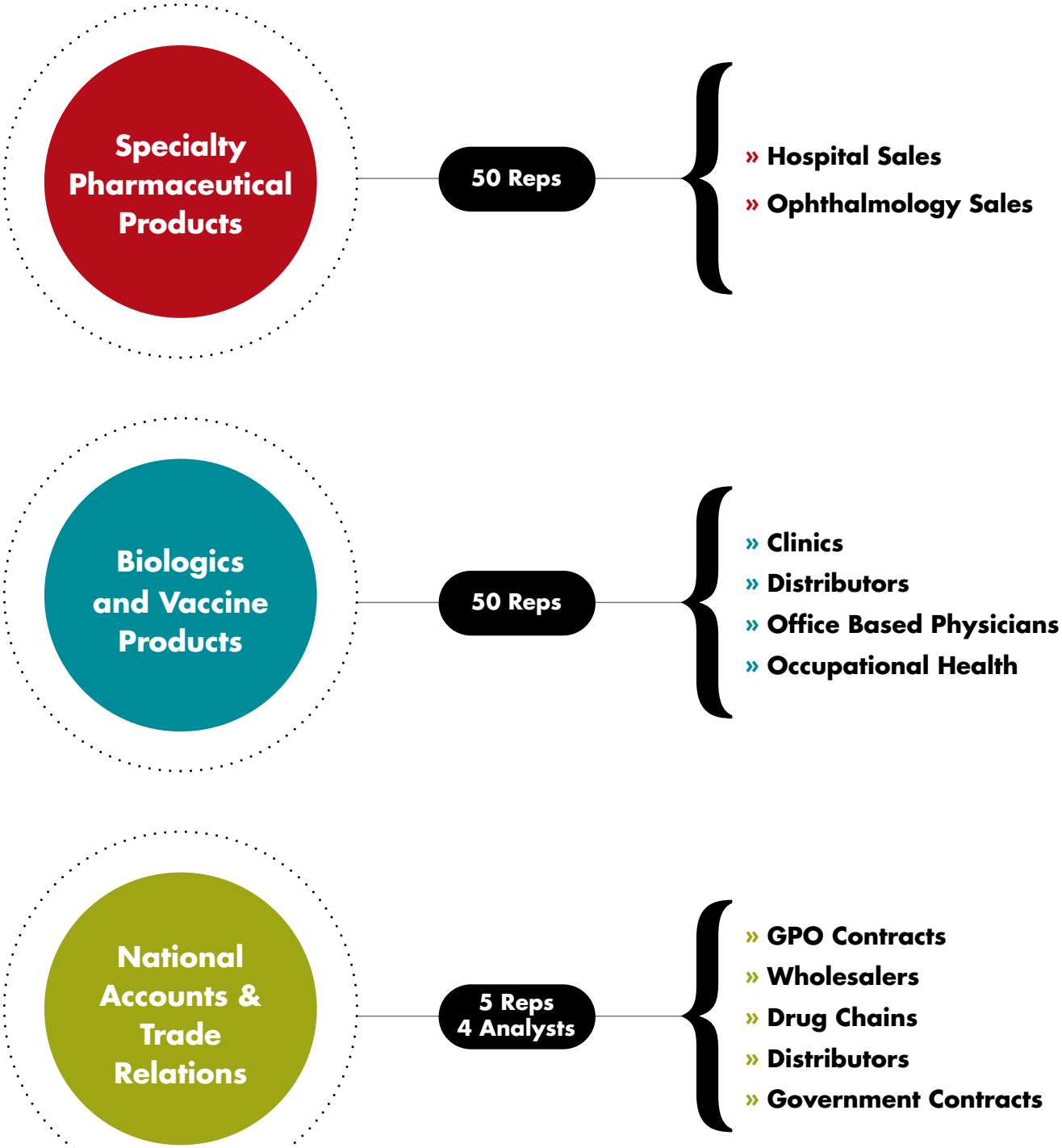
Comparison of 5 Year Cumulative Total Return

Among Akorn, Inc., The NASDAQ Stock Market Index and The NASDAQ Health Services Index



Company Overview

Sales and Distribution Channel Strategy



Vaccines &

Tetanus and Diphtheria Toxoids Adsorbed for Adult Use

Beyond the rusty nail

In 2007, Akorn expanded its specialty pharmaceutical business into the vaccine market. In March, the Company announced the signing of an Exclusive Distribution Agreement for **Tetanus Diphtheria (Td) Vaccine for Adult Use**. The three-year Exclusive Agreement went into effect September 1, 2007. The Agreement provides Akorn with exclusive marketing and distribution rights in the United States and Puerto Rico.

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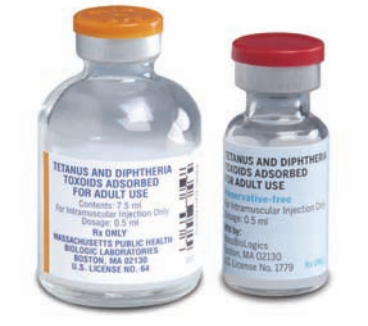
Akorn's strategy in entering this vaccine market was several fold:

1. **Begin to expand and diversify the business into biologics and vaccines: an area that represents greater long-term value, through BLA licenses, with less competition.**
2. **The Td vaccine has only one other competitor and represents an approximate market size of $225 million, a significant revenue opportunity.**
3. **An exclusive relationship would allow Akorn to act as a manufacturer's representative.**
4. **The relationship for this vaccine would allow Akorn to build a distribution model for other vaccines and biologic products.**

Initially, beginning in September 2007, Akorn began distributing a multiple-dose vial Td vaccine to physician based office and clinic markets. From September 2007 to year-end Akorn generated revenues of $7.5 million from the Td vaccine.



In late November 2007, Akorn announced our manufacturer's FDA approval for their unit-dose preservative-free version of the Td vaccine. Akorn has contracted with every major hospital group purchasing organization, including Novation and Premier, and currently has a sales team of approximately 50 representatives selling this vaccine to hospitals, clinics, office based physicians and distributors.

Tetanus and Diphtheria Toxoids Adsorbed for Adult Use

Biologics

Afluria® Influenza Virus Vaccine

On February 21, 2008 Akorn and CSL Biotherapies, Inc., a subsidiary of CSL Limited, entered into a Specialty Distributor Agreement for **Afluria®**, a seasonal influenza virus vaccine. Akorn will market and distribute two presentations of **Afluria®**: pre-filled syringes without latex or thimerosal, and preserved multi-dose vials.

"We are extremely excited about our Distributor relationship with CSL Biotherapies, a preeminent global manufacturer of vaccines. For Akorn, **Afluria®** represents the second product in our vaccine portfolio, Tetanus Diphtheria vaccine being the first, and allows us to leverage the sales capabilities of our Vaccine Representatives. Currently, Akorn has approximately 50 field and inside sales representatives marketing our Tetanus Diphtheria vaccine to office based physicians, hospitals, public health facilities, occupational health, businesses and government institutions," Arthur S. Przybyl, Akorn's President and Chief Executive Officer stated.

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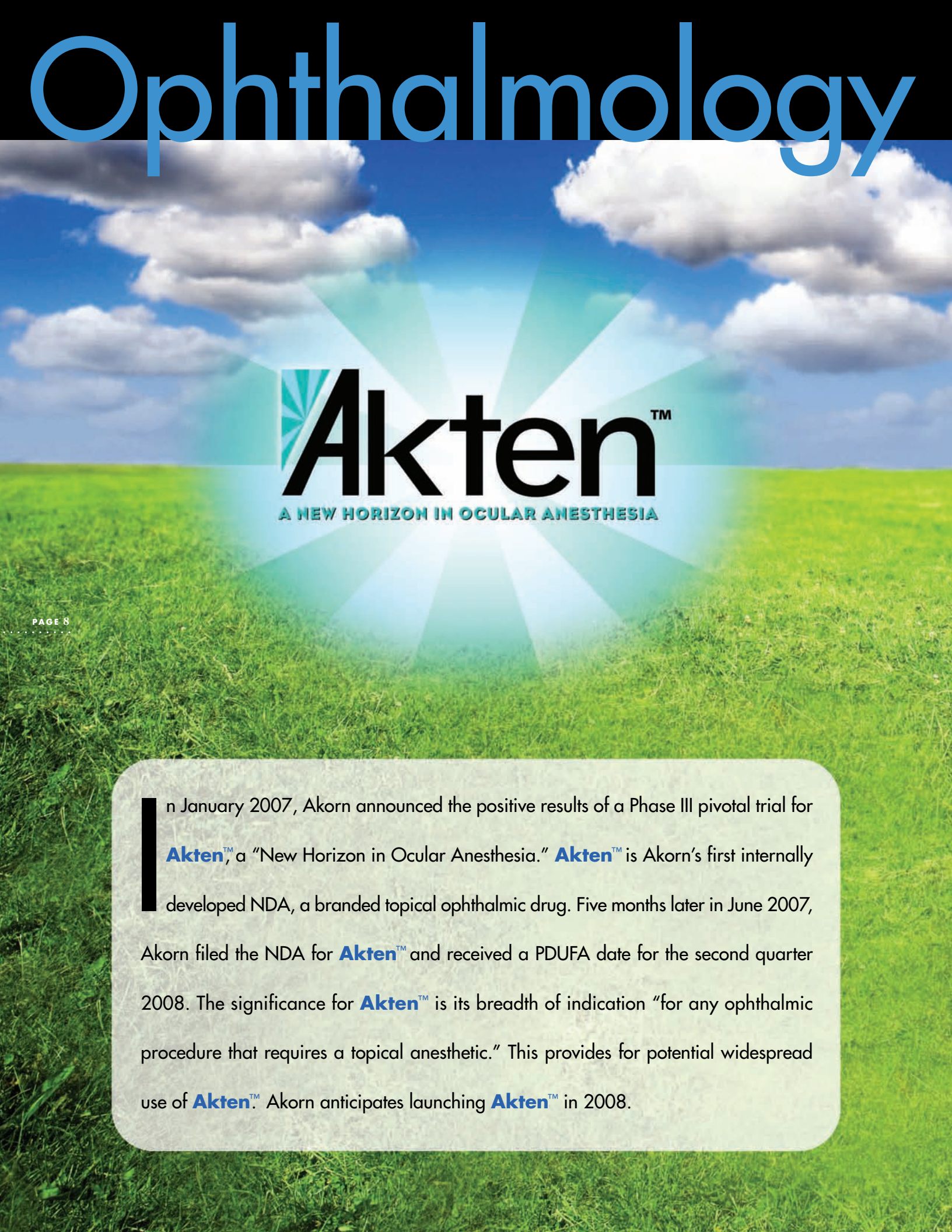
Akorn's strategy to enter this vaccine market was simple: To lever up its current 50 sales representatives selling Td vaccine to the same customer base to gain market share for CSL in the United States. The size of the United States flu market is approximately 90-100 million doses/year, an $800 million market opportunity.

Serum Institute of India Partnership

Td and the influenza virus vaccine are significant immediate revenue opportunities for Akorn. Longer term Akorn's business strategy for vaccines is the partnership with Serum Institute of India. Akorn announced an exclusive agreement in 2007 with Serum intended to commercialize four of Serum's vaccine products for the U.S. market, **Recombinant Hepatitis B**, **Measles, Mumps and Rubella (MMR)**, **Human Diploid Rabies** and a **Bladder Cancer Vaccine**. Through this partnership Akorn's mission is to provide safe, efficacious and affordable vaccines for the U.S. healthcare consumer.

Ophthalmology



PAGE 8

In January 2007, Akorn announced the positive results of a Phase III pivotal trial for **Akten**™, a "New Horizon in Ocular Anesthesia." **Akten**™ is Akorn's first internally developed NDA, a branded topical ophthalmic drug. Five months later in June 2007, Akorn filed the NDA for **Akten**™ and received a PDUFA date for the second quarter 2008. The significance for **Akten**™ is its breadth of indication "for any ophthalmic procedure that requires a topical anesthetic." This provides for potential widespread use of **Akten**™. Akorn anticipates launching **Akten**™ in 2008.

Akorn Business SEGMENTS

Hospital Drugs and Injectables

Akorn also markets a product line for the hospital market. Akorn intends to expand its drug hospital product line and continues to focus on product development for this important segment of pharmaceuticals. Akorn's current product line comprises the following Therapeutic Categories:

- » ANALGESICS / ANESTHETICS
- » ANTIDOTES / POISON CONTROL
- » CARDIOLOGY
- » NEPHROLOGY
- » RHEUMATOLOGY
- » SPREADING AGENT
- » VACCINES

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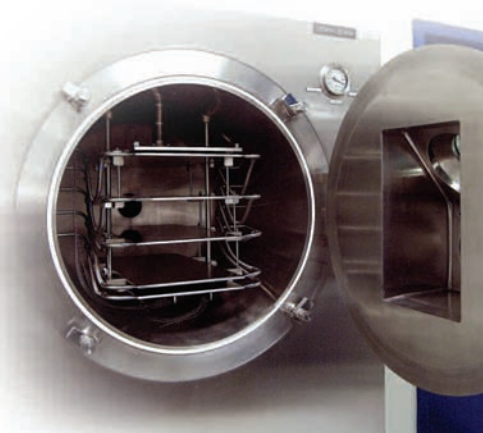
Ophthalmic Drugs

For over 35 years Akorn has been a leader in Ophthalmic pharmaceutical products. With a product line of Ophthalmic Diagnostic, Therapeutic, and over-the-counter products, Akorn markets established brands like **IC-Green®**, **AK-Fluor®**, **Paremyd®**, **Hydase®**, **Fluress®**, **Ful-Glo®**, and **Gentak®**.

Contract Pharmaceutical Manufacturing

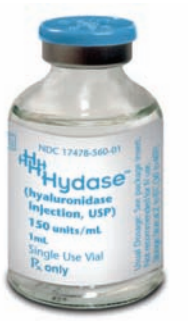
Akorn operates a contract manufacturing business with the capability and capacity to offer value to pharmaceutical companies looking to outsource manufacturing. Akorn has established contract manufacturing business relationships with large and small pharmaceutical organizations. Akorn has two manufacturing facilities in Decatur, Illinois and Somerset, New Jersey with the capability to produce: Ophthalmic Solutions, Gels and Ointments, and Injectable pharmaceutical products. Our facilities can manufacture pharmaceuticals that require either aseptic processing or terminal sterilization. Akorn has invested in a new state-of-the-art lyophilization manufacturing suite that includes two 220 square foot Serail lyophilizers. Akorn possesses the capability and capacity to manufacture lyophilized products in several therapeutic drug categories.



Corporate

AKORN Partnershi

Hydase™



Hydase™
Hyaluronidase Injection, USP

Organ Transplant Rejection Drug

Cipla

PAGE 70

JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY

2007

Hydase Product Launch

On January 30, 2007 Akorn announced that it signed an Exclusive Supply Agreement with PrimaPharm, Inc., a privately held pharmaceutical company located in San Diego, California to supply **Hydase**™ (hyaluronidase injection, USP) 150 units/mL, a branded, NDA drug product indicated as an adjuvant to increase the absorption and dispersion of other injected drugs. The total United States market size for Hyaluronidase Injection is $8.6M, according to 2006 IMS data.

Hydase™'s formulation is preservative-free and does not contain thimerosal. Akorn will have exclusive marketing and distribution rights in the U.S. and Puerto Rico. Akorn launched **Hydase**™ in May 2007.

Two Injectable Suspensions

HCM™ HYALURON contract manufacturing

Highlights

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Anti-emetic Softgel Capsule

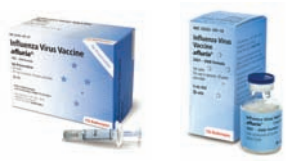
SOFGEN PHARMACEUTICALS

Inhalation Drug

Cipla

Influenza Virus Vaccine

CSL Biotherapies



afluria influenza virus vaccine

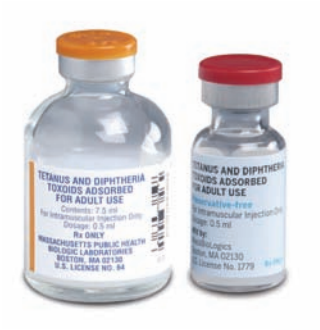
AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY

2008

Women's Healthcare Softgel Capsule

SOFGEN PHARMACEUTICALS

Tetanus Diphtheria Injection



Tetanus and Diphtheria Toxoids Adsorbed for Adult Use

Anti-Cancer Injectable Drug

SERUM

PONAWALLA GROUP

Additional Company Highlights

January 30, 2008: Akorn announced FDA approval of Calcitriol Injection, 1 mcg/mL and 2 mcg/mL

February 14, 2008: Akorn announced the signing of a manufacturing and supply agreement at its Somerset, NJ facility for the contract manufacture of an ophthalmic solution.

October 25, 2007: Akorn announced the signing of a ten-year lease for a state-of-the art Center for Excellence in Gurnee, Illinois, a centralized facility dedicated to new product development activities.


GENIX
THERAPEUTICS GROUP, L.L.C.
AZAD
fidia
farmaceutici s.p.a.
PRIMAPHARM
HCM
HYALURON
contract manufacturing
SOFGEN
PHARMACEUTICALS

Global Partnerships

Executive Management

Arthur S. Przybyl
PRESIDENT & CHIEF EXECUTIVE OFFICER
August 2002

Jeffrey A. Whitnell
SENIOR VICE PRESIDENT OF FINANCE & CHIEF FINANCIAL OFFICER
June 2004

Abu S. Alam, Ph.D.
SENIOR VICE PRESIDENT OF NEW BUSINESS DEVELOPMENT
July 1996

Sam Boddapati, Ph.D.
VICE PRESIDENT, REGULATORY AFFAIRS
July 2004

John R. Sabat
SENIOR VICE PRESIDENT OF NATIONAL ACCOUNTS & TRADE RELATIONS
July 2003

Mark M. Silverberg
SENIOR VICE PRESIDENT, GLOBAL QUALITY ASSURANCE & REGULATORY COMPLIANCE
April 2005

Michael P. Stehn
SENIOR VICE PRESIDENT, OPERATIONS
July 1990

Neill E. Shanahan
VICE PRESIDENT, HUMAN RESOURCES
June 2000

Shawn L. Silvestri, Ph.D.
VICE PRESIDENT, NEW PRODUCT DEVELOPMENT
April 2007

Board of Directors

John N. Kapoor, Ph.D.
CHAIRMAN OF THE BOARD
October 1990

Arthur S. Przybyl
DIRECTOR
September 2002

Jerry N. Ellis
DIRECTOR
August 2001

Ronald M. Johnson
DIRECTOR
May 2003

Subhash V. Kapre, Ph.D.
DIRECTOR
May 2007

Jerry I. Treppel
DIRECTOR
October 2003

Randy J. Wall
DIRECTOR
May 2007

Shareholder Information

FORM 10-K

Copies of Akorn's Form 10-K are available from the Investor Relations Department, Akorn Inc., 2500 Millbrook Drive, Buffalo Grove, IL 60089.

STOCK TRADING

Akorn's common stock is listed on the NASDAQ exchange under the symbol AKRX.

CORPORATE AND INVESTOR INFORMATION

Direct inquiries to Investor Relations Department, Akorn Inc., 2500 Millbrook Drive, Buffalo Grove, IL 60089. **Telephone:** 800|932.5676 x6156
Website: www.akorn.com/corporate_overview.php. **E-mail:** investor.relations@akorn.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO Seidman, LLP

CORPORATE COUNSEL

Luce, Forward, Hamilton & Scripps LLP

TRANSFER AGENT & REGISTRAR

Computershare Investor Services, LLC

SHAREHOLDER ADMINISTRATION

Direct inquiries relating to shareholder accounting records, stock transfer and change of address to Investor Relations Department, Akorn Inc., 2500 Millbrook Drive, Buffalo Grove, IL 60089. **Telephone:** 800|932.5676 x6156 **Website:** www.akorn.com/corporate_overview.php. **E-mail:** investor.relations@akorn.com

CORPORATE HEADQUARTERS

2500 Millbrook Drive
Buffalo Grove, IL 60089
800|932.5676
www.akorn.com

MANUFACTURING FACILITIES

1222 W. Grand Avenue
Decatur, IL 62522
800|335.1875

150 S. Wyckles Road
Decatur, IL 62522
800|810.8170

72-6 Veronica Avenue
Somerset, NJ 08873
800|846.8066

AKORN CORPORATE HEADQUARTERS

2500 MILLBROOK DRIVE

BUFFALO GROVE, IL 60089

800|932.5676

WWW.AKORN.COM

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