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U.S. 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, 1998

or

[ ] 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 0-26866

SONUS PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	95-4343413
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

22026 20TH AVE. SE, BOTHELL, WASHINGTON 98021
(Address of Principal Executive Offices)

(425) 487-9500
(Registrant's Telephone Number, Including Area Code)

Indicate by check 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

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Class	Outstanding at July 15, 1998
Common Stock, $.001 par value	8,626,216

Page 1 of 12 Pages
Exhibit Index appears on Page 10

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SONUS PHARMACEUTICALS, INC.
INDEX TO FORM 10-Q

<TABLE>
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Items 2, 3, 4 and 5 are not applicable and therefore have been omitted.

</TABLE>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SONUS PHARMACEUTICALS, INC.
BALANCE SHEETS

<TABLE>
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	JUNE 30, 1998	DECEMBER 31, 1997
<S>	<C> (UNAUDITED)	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,029,409	$ 5,253,227
Marketable securities	14,494,123	21,317,835
Other current assets	353,997	599,303
Total current assets	21,877,529	27,170,365
Equipment, furniture and leasehold improvements, net of accumulated depreciation of $2,150,250 and $1,738,269	1,711,437	1,734,737
Other assets	34,878	40,667
Total assets	$ 23,623,844	$ 28,945,769
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank line of credit	$ 5,000,000	$ 5,000,000
Accounts payable and accrued expenses	2,619,881	2,612,065
Accrued clinical trial expenses	1,670,159	1,743,208
Current portion of capital lease obligations	100,221	146,762
Total current liabilities	9,390,261	9,502,035
Long-term debt	1,928,289	845,939
Capital lease obligations, less current portion	45,716	93,178
Commitments		
Stockholders' equity:		
Preferred stock; $.001 par value; 5,000,000 authorized; no shares issued or outstanding	--	--
Common stock; $.001 par value; 20,000,000 shares authorized; 8,626,216 and 8,611,376 shares issued and outstanding in 1998 and 1997, respectively	34,973,795	34,860,237
Accumulated deficit	(22,705,882)	(16,338,949)
Deferred compensation	(8,335)	(16,671)
Total stockholders' equity	12,259,578	18,504,617
Total liabilities and stockholders' equity	$ 23,623,844	$ 28,945,769

</TABLE>

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,
	1998	1997	1998	1997

<S>	<C>	<C>	<C>	<C>
Revenues:				
Collaborative agreements	$ 700,000	$ 4,700,000	$ 2,400,000	$ 9,800,000
Operating expenses:				
Research and development	2,171,261	2,909,339	5,721,317	5,493,325
General and administrative	1,822,957	1,626,738	3,479,531	2,814,348
Total operating expenses	3,994,218	4,536,077	9,200,848	8,307,673
Operating income (loss)	(3,294,218)	163,923	(6,800,848)	1,492,327
Other income (expense):				
Interest income	251,536	271,030	545,587	521,001
Interest expense	(55,456)	(29,360)	(109,568)	(61,548)
Income (loss) before income taxes	(3,098,138)	405,593	(6,364,829)	1,951,780
Income taxes	--	--	--	190,000
Net income (loss)	$(3,098,138)	$ 405,593	$(6,364,829)	$ 1,761,780
Net income (loss) per share:				
Basic	$ (0.36)	$ 0.05	$ (0.74)	$ 0.21
Diluted	$ (0.36)	$ 0.04	$ (0.74)	$ 0.19
Shares used in computation of net income (loss) per share:				
Basic	8,618,198	8,555,567	8,615,561	8,543,460
Diluted	8,618,199	9,425,283	8,615,561	9,461,844

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income (loss)	$ (6,364,829)	$ 1,761,780
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	420,316	280,186
Amortization of discount on marketable securities	(3,633)	(34,444)
Realized (gain) loss on marketable securities	(6,533)	15,524
Changes in operating assets and liabilities:		
Other current assets	245,306	53,130
Other assets	5,789	--
Accounts payable and accrued expenses	7,816	203,188
Accrued clinical trial expenses	(73,049)	696,579
Deferred revenue	--	(1,000,000)
Net cash provided by (used in) operating activities	(5,768,817)	1,975,943
INVESTING ACTIVITIES:		

Purchases of equipment, furniture and leasehold improvements.....	(388,681)	(485,560)
Purchases of marketable securities	(18,585,271)	(20,411,451)
Proceeds from sale of marketable securities.....	16,014,903	10,666,192
Proceeds from maturities of marketable securities.....	9,402,143	7,356,249
Net cash provided by (used in) investing activities.....	6,443,094	(2,874,570)
FINANCING ACTIVITIES:		
Proceeds from bank line of credit.....	10,000,000	10,000,000
Repayment of bank line of credit.....	(10,000,000)	(10,000,000)
Proceeds from long-term debt.....	1,082,350	--
Repayment of capitalized lease obligations.....	(94,003)	(95,550)
Proceeds from issuance of common stock and warrants.....	113,558	205,399
Net cash provided by financing activities.....	1,101,905	109,849
Change in cash and cash equivalents for the period.....	1,776,182	(788,778)
Cash and cash equivalents at beginning of period.....	5,253,227	7,236,615
Cash and cash equivalents at end of period.....	$ 7,029,409	$ 6,447,837
Supplemental cash flow information:		
Interest paid.....	$ 50,584	$ 61,248
Income taxes paid.....	$ 7,500	$ 40,000

</TABLE>

See accompanying notes.

SONUS PHARMACEUTICALS, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The unaudited 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 of the information and footnotes required to be presented for complete financial statements. The accompanying financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented.

The financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Form 10-K for the year ended December 31, 1997 and filed with the SEC on March 31, 1998.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share ("EPS")" (SFAS 128). In accordance with this statement, the Company has presented both basic and diluted EPS. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares and dilutive potential common shares. Dilutive potential common shares are calculated under the treasury stock method and consist of unexercised stock options and warrants. Amounts previously reported have been restated to conform to the provisions of SFAS 128.

During 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities, which are currently reported in shareholders' equity, to be included in other comprehensive income. SFAS 130 is effective for financial statements for fiscal years beginning after December 15, 1997 and all interim periods thereafter. The total of other comprehensive income for the periods ended June 30, 1998 and 1997 is immaterial.

During 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 is effective for financial statements for fiscal years beginning after December 15, 1997. The adoption of SFAS No. 131 is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is primarily engaged in the research, development and commercialization of proprietary contrast agents for use in ultrasound imaging and of proprietary drug delivery systems. The Company has financed its research and development and clinical trials through payments received under agreements with its collaborative partners, private equity and debt financings, and an initial public offering ("IPO") completed in October 1995. Clinical trials of the Company's principal product under development, EchoGen(R) (perflenapent injectable emulsion), began in January 1994. In 1996, the Company filed a New Drug Application ("NDA") with the U.S. Food and Drug Administration ("FDA")for EchoGen as well as a Marketing Authorization Application ("MAA") with the European Medicines Evaluation Agency ("EMEA").

In February 1998, the Company received an action letter from the FDA which indicated that the review of the EchoGen NDA was completed and the application was considered inadequate for approval, citing certain deficiencies in the application. The Company is in the process of preparing an amendment to the NDA to address the deficiencies. Once the Company has filed the amendment with the FDA, expected to be in the third quarter, the agency has up to 180 days to review the amendment. Accordingly, once the FDA review is completed, the Company expects that the agency will be in a position to issue another action letter.

In March 1998, the Committee for Proprietary Medicinal Products ("CPMP") issued a positive opinion on EchoGen for use as a transpulmonary echocardiographic contrast agent in patients with suspected or established cardiovascular disease who have had previous inconclusive non-contrast studies. The CPMP is the scientific review committee of the EMEA and makes its recommendations to the EMEA. On July 20, 1998, the EMEA ratified the CPMP recommendation and granted a marketing authorization for EchoGen in the 15 countries of the European Union.

In May 1996, the Company formed a strategic alliance with Abbott Laboratories ("Abbott") for marketing and selling of ultrasound contrast agents, including EchoGen, in the U.S. Under the agreement, Abbott agreed to pay the Company certain clinical support and milestone payments, of which $23.0 million has been paid as of June 30, 1998. In addition, Abbott purchased in May 1996, for $4.0 million, warrants to acquire 500,000 shares of common stock of the Company. The warrants are exercisable over five years at $16.00 per share. In October 1996, the Company and Abbott entered into an agreement expanding Abbott's territory to include Europe, Latin America, Canada, Middle East, Africa and certain Asia/Pacific countries. Under the October 1996 agreement, Abbott has agreed to pay the Company certain additional license and milestone payments, a portion of which will be credited against future royalties once EchoGen is approved for commercial sale. As of June 30, 1998, $9.9 million has been paid to the Company by Abbott under the October 1996 agreement of which $4.9 million is creditable against future royalties.

The Company has granted Daiichi Pharmaceutical Co., Ltd. ("Daiichi"), exclusive marketing and distribution rights to EchoGen in Japan and in certain other countries in the Pacific Rim. As of June 30, 1998, Daiichi has paid the Company option, license and milestone fees totaling $12.8 million.

The Company's results of operations have varied and will continue to vary significantly from quarter to quarter and depend on, among other factors, the timing of milestone payments made by collaborative partners, the timing of regulatory approvals, the entering into additional product license agreements by the Company, and the timing and costs of the clinical trials conducted by the Company. The Company's current collaborative partners can terminate their agreements on short notice, and there can be no assurance that the Company will receive any additional funding or milestone payments.

RESULTS OF OPERATIONS

To date, the Company's reported revenues have been derived from payments received under collaborative agreements with third parties. Revenue received under collaborative agreements was $0.7 million for the second quarter of 1998 compared with $4.7 million for the same period of the prior year. For the six months ended June 30, 1998, payments received under collaborative agreements were $2.4 million compared to $9.8 million for the six months ended June 30, 1997.

Research and development expenses were $2.2 million for the second quarter of 1998 compared with $2.9 million for the second quarter of 1997. The decrease was due primarily to the reimbursement by Abbott of approximately $0.6 million of development costs associated with ongoing clinical trials for additional indications for EchoGen. For the six months ended June 30, 1998, research and development costs were $5.7 million compared to $5.5 million for the six months ended June 30, 1997. The increase reflected the higher level of activity

supporting the regulatory approval process in the U.S. and Europe.

General and administrative expenses were $1.8 million for the second quarter of 1998 compared with $1.6 million in the prior year. For the first six months of 1998, general and administrative costs were $3.5 compared to $2.8 million for the same period of the prior year. The increase for both the second quarter and the first six months was primarily a result of the costs of filing, prosecuting and protecting patents and, to a lesser extent, increases in marketing and administrative personnel.

The Company anticipates total operating expenses will increase in future quarters due to ongoing and planned clinical trials to study additional indications for EchoGen and future products and due to higher marketing and administrative expenses as the Company continues to prepare for commercialization of EchoGen. The Company may also incur significant expenses relating to legal matters - see "Legal Proceedings." In addition, revenues in future quarters will be primarily dependent upon the timing of certain regulatory and commercialization milestones and associated payments under collaborative agreements.

Interest income, net of interest expense, was $96,000 and $436,000 for the second quarter and first six months of 1998, respectively, compared to $242,000 and $460,000 for the same period of the prior year. The decrease was primarily due to the lower levels of invested cash during these periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations with payments from collaborative agreements, proceeds from equity financings and a bank line of credit. At June 30, 1998, the Company had cash, cash equivalents and marketable securities of $21.5 million, compared to $26.6 million at December 31, 1997. The decrease was primarily due to the $6.4 million net loss reported in the first six months of 1998 offset in part by $1.2 million of clinical development costs reimbursed by Abbott.

The Company has a bank loan agreement which provides for a $5.0 million revolving line of credit facility and bears interest at the prime rate plus 1.0% per annum. At June 30, 1998 there was $5.0 million outstanding under the line of credit. The line of credit expires August 31, 1998 and is secured by the tangible assets of the Company. The Company is required to maintain certain minimum balances of cash and marketable securities in order to borrow under the line of credit. There can be no assurance that the line of credit will be renewed upon expiration.

The Company expects that its cash needs will increase significantly in future periods due to pending and planned clinical trials and higher administrative and marketing expenses as the Company prepares for commercialization of EchoGen. The Company estimates that existing cash and marketable securities together with funds generated from operations, consisting primarily of milestone payments, will be sufficient to meet operating requirements through early 1999. The Company's future capital requirements will, however, depend on many factors, including the ability of the Company to obtain and retain continued funding from third parties under collaborative agreements, the time and costs required to gain regulatory approvals, the progress of the Company's research and development programs, clinical trials, the costs of filing, prosecuting and enforcing patents, patent applications, patent claims and trademarks, the costs of marketing and distribution, the status of competing products and the market acceptance and third-party reimbursement of the Company's products, if and when approved. If regulatory approvals are delayed, or funding under collaborative agreements is delayed or reduced, the Company will have to raise substantial additional equity or debt financing to complete development of any product or to commercialize any products if and when approved by the FDA. There can be no assurance that additional financing will be available on acceptable terms, if at all.

YEAR 2000 COMPLIANCE

During 1997 the Company completed a comprehensive review of software applications used in critical business processes. The Company has determined that all of its critical business systems are year 2000 compliant. There is no guarantee that the systems of the Company's collaborative partners or significant vendors will be year 2000 compliant; however, the Company will continue to investigate the year 2000 compliance of collaborative partners or significant vendors. If the Company's collaborative partners or significant vendors are not year 2000 compliant, this could have an adverse effect on the ability of collaborative partners or vendors to satisfy their obligations to the Company or for the Company to electronically communicate with such parties.

FORWARD-LOOKING STATEMENTS

This Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Company intends that such

forward-looking statements be subject to the safe harbors created thereby. Examples of these forward-looking statements include, but are not limited to, (i) the progress and results of clinical trials, (ii) the submission of applications for and the timing of marketing approvals, (iii) the anticipated outcome or financial impact of litigation, (iv) the timing and amount of future milestone payments, product revenues and expenses, and (v) the future uses of capital and financial needs of the Company. While these statements made by the Company are based on management's current beliefs and judgment, they are subject to risks and uncertainties that could cause actual results to vary.

In evaluating such statements, stockholders and investors should specifically consider a number of factors and assumptions, including those discussed in the text and the financial statements and their accompanying footnotes in this Report and the risk factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. As discussed in the Company's annual report on Form 10-K for the year ended December 31, 1997, actual results could differ materially from those projected in the forward-looking statements as a result of the following factors, among others: uncertainty of governmental regulatory requirements; unproven safety and efficacy; uncertainty of clinical trials; history of operating losses; uncertainty of future financial results; uncertainty of market acceptance; future capital requirements and uncertainty of additional funding; dependence on third parties for funding, clinical development and distribution; dependence on patents and proprietary rights; competition and risk of technological obsolescence; limited manufacturing experience; dependence on limited contract manufacturers and suppliers; lack of marketing and sales experience; and limitations on third-party reimbursement.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 7, 1998, the Company announced that it had filed a patent infringement action in the U.S. District Court in Seattle, Washington, against Molecular Biosystems, Inc. ("MBI") and Mallinckrodt, Inc. The suit alleges that one of MBI's ultrasound contrast agents infringes one or more of the Company's patents. MBI has filed counterclaims alleging that the patents asserted by SONUS are invalid and not infringed, and that SONUS has made false public statements and engaged in other actions intended to damage MBI and one of its ultrasound contrast agents. A trial date has been set for this lawsuit in August 1999.

In addition, the patents in this lawsuit are the subject of re-examination by the U.S. Patent and Trademark Office. The outcome of the re-examination may have a significant impact on the above identified patent infringement action. Although the Patent and Trademark Office has issued a final rejection of the SONUS patents at issue, SONUS intends to take advantage of its right to respond to these rejections, and if necessary, appeal these rejections.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Number	Description
11.1	Computation of net income (loss) per share

(b) REPORTS ON FORM 8-K

The Company filed no reports on Form 8-K during the quarter ended June 30, 1998.

ITEMS 2, 3, 4 AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONUS PHARMACEUTICALS, INC.

Date: July 28, 1998

By: /s/ Gregory Sessler

Gregory Sessler
Chief Financial Officer and
Assistant Secretary (Principal
Financial and Accounting Officer)

EXHIBIT 11.1

SONUS PHARMACEUTICALS, INC.
COMPUTATION OF NET INCOME (LOSS) PER SHARE

<TABLE>
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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
BASIC EARNINGS PER SHARE:	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$(3,098,138)	$ 405,593	$(6,364,829)	$ 1,761,780
Weighted average common shares	8,618,198	8,555,567	8,615,561	8,543,460
Basic earnings per share	$ (0.36)	$ 0.05	$ (0.74)	$ 0.21
DILUTED EARNINGS PER SHARE:				
Net income (loss)	$(3,098,138)	$ 405,593	$(6,364,829)	$ 1,761,780
Weighted average common shares - basic	8,618,198	8,555,567	8,615,561	8,543,460
Dilutive potential common shares	--	869,716	--	916,764
Total	8,618,198	9,425,283	8,615,561	9,461,844
Diluted earnings per share	$ (0.36)	$ 0.04	$ (0.74)	$ 0.19

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