

Edgar Filing: CAMBREX CORP - Form 10-Q

CAMBREX CORP
Form 10-Q
November 02, 2007

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, 2007

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 1-10638

CAMBREX CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

22-2476135
(I.R.S. Employer
Identification No.)

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073
(Address of principal executive offices)

(201) 804-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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 twelve 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 . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes . No .

As of October 31, 2007, there were 28,990,075 shares outstanding of the registrant's Common Stock, \$.10 par value.

Edgar Filing: CAMBREX CORP - Form 10-Q

CAMBREX CORPORATION AND SUBSIDIARIES

FORM 10-Q

For The Quarter Ended September 30, 2007
Table of Contents

	Page No.

Part I Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheets as of September 30, 2007 and December 31, 2006	2
Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2006	3
Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006	4
Notes to Unaudited Consolidated Financial Statements	5 - 22
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23 - 28
Item 3. Quantitative and Qualitative Disclosures about Market Risk	29
Item 4. Controls and Procedures	29
Part II Other Information	
Item 1. Legal Proceedings	30
Item 1A. Risk Factors	30
Item 6. Exhibits	30
Signatures	31

Part I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAMBREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

SEPTEMBER 30, DECEMBER 31,

Edgar Filing: CAMBREX CORP - Form 10-Q

	2007	2006
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,585	\$ 33,746
Trade receivables, net	30,598	38,552
Inventories, net	61,881	53,893
Assets of discontinued operations	--	79,383
Prepaid expenses and other current assets	19,969	19,176
	-----	-----
Total current assets	157,033	224,750
Property, plant and equipment, net	156,622	141,863
Goodwill	34,512	32,573
Assets of discontinued operations	--	202,292
Other non-current assets	7,484	4,898
	-----	-----
Total assets	\$355,651	\$606,376
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,780	\$ 28,592
Accrued expense and other current liabilities	64,499	45,141
Liabilities of discontinued operations	--	33,401
	-----	-----
Total current liabilities	89,279	107,134
Long-term debt	97,200	158,600
Deferred income tax	20,318	14,268
Liabilities of discontinued operations	--	24,208
Accrued pension and postretirement benefits	38,795	39,911
Other non-current liabilities	19,406	15,609
	-----	-----
Total liabilities	264,998	359,730
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 31,361,998 and 30,145,319 shares at respective dates	3,136	3,015
Additional paid-in capital	97,965	241,360
Retained earnings	3,767	28,860
Treasury stock, at cost, 2,385,066 and 2,446,097 shares at respective dates	(20,257)	(20,832)
Accumulated other comprehensive income/(loss)	6,042	(5,757)
	-----	-----
Total stockholders' equity	90,653	246,646
	-----	-----
Total liabilities and stockholders' equity	\$355,651	\$606,376
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

Edgar Filing: CAMBREX CORP - Form 10-Q

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Gross sales	\$54,742	\$53,499	\$182,820	\$170,650
Allowances and rebates	227	227	1,001	897
Net sales	54,515	53,272	181,819	169,753
Other revenues/(expenses)	99	218	864	(834)
Net revenues	54,614	53,490	182,683	168,919
Cost of goods sold	36,093	33,238	115,829	107,142
Gross profit	18,521	20,252	66,854	61,777
Operating expenses:				
Selling, general and administrative expenses	10,669	14,714	36,572	42,202
Research and development expenses	3,062	2,623	8,623	8,062
Restructuring expenses	451	--	4,034	--
Strategic alternative costs	866	202	28,560	2,232
Total operating expenses	15,048	17,539	77,789	52,496
Operating profit/(loss)	3,473	2,713	(10,935)	9,281
Other expenses/(income):				
Interest expense/(income), net	1,069	75	(1,341)	5,641
Other expenses, net	548	--	930	130
Income/(loss) before income taxes	1,856	2,638	(10,524)	3,510
Provision for income taxes	4,592	4,543	4,200	10,467
Loss from continuing operations	(2,736)	(1,905)	(14,724)	(6,957)
Income/(loss) from discontinued operations, net of tax	4,229	(2,399)	223,707	2,452
Income/(loss) before cumulative effect of a change in accounting principle	1,493	(4,304)	208,983	(4,505)
Cumulative effect of a change in accounting principle	--	--	--	(228)
Net income/(loss)	\$ 1,493	\$ (4,304)	\$208,983	\$ (4,733)
Basic earnings per share:				
Loss from continuing operations	\$ (0.09)	\$ (0.07)	\$ (0.52)	\$ (0.26)
Income/(loss) from discontinued operations, net of tax	\$ 0.14	\$ (0.09)	\$ 7.83	\$ 0.09
Cumulative effect of a change in accounting principle	\$ --	\$ --	\$ --	\$ (0.01)
Net income/(loss)	\$ 0.05	\$ (0.16)	\$ 7.31	\$ (0.18)
Diluted earnings per share:				
Loss from continuing operations	\$ (0.09)	\$ (0.07)	\$ (0.52)	\$ (0.26)
Income/(loss) from discontinued operations, net of tax	\$ 0.14	\$ (0.09)	\$ 7.83	\$ 0.09
Cumulative effect of a change in accounting principle	\$ --	\$ --	\$ --	\$ (0.01)

Edgar Filing: CAMBREX CORP - Form 10-Q

Net income/(loss)	\$ 0.05	\$ (0.16)	\$ 7.31	\$ (0.18)
Weighted average shares outstanding:				
Basic	28,934	26,752	28,575	26,718
Effect of dilutive stock based compensation	--	--	--	--
Diluted	28,934	26,752	28,575	26,718
Cash dividends paid per share	\$ 0.00	\$ 0.03	\$ 14.03	\$ 0.09

See accompanying notes to unaudited consolidated financial statements.

3

CAMBREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Cash flows from operating activities:		
Net income/(loss)	\$ 208,983	\$ (4,733)
Adjustments to reconcile net income/(loss) to cash flows:		
Cumulative effect of a change in accounting principle	--	228
Depreciation and amortization	14,579	14,622
Write-off of debt origination fees	841	463
Strategic alternative and restructuring charges	17,191	--
Stock option modification	2,498	--
Stock based compensation included in net income/(loss)	2,613	1,140
Deferred income tax provision	4,722	461
Inventory reserve	2,541	2,516
Other	(381)	293
Changes in assets and liabilities:		
Receivables	9,332	8,181
Inventories	(7,736)	(12,718)
Prepaid expenses and other current assets	478	(1,063)
Accounts payable and other current liabilities	(19,912)	8,820
Other non-current assets and liabilities	(872)	(2,334)
Discontinued operations:		
Gain on sale of businesses	(235,538)	--
Rutherford settlement, net of tax	4,172	--
Changes in operating assets and liabilities	(5,379)	(11,630)
Depreciation and amortization	1,253	11,949
Other non-cash charges	106	5,361
Net cash (used) in/provided by operating activities	(509)	21,556
Cash flows from investing activities:		
Capital expenditures	(15,007)	(15,755)
Other investing activities	886	--
Discontinued operations:		
Capital expenditures	(530)	(10,706)

Edgar Filing: CAMBREX CORP - Form 10-Q

Proceeds from sale of businesses	466,277	--
Acquired in-process research and development	--	(1,392)
Other investing activities	11	(99)
	-----	-----
Net cash provided by/(used) in investing activities	451,637	(27,952)
	-----	-----
Cash flows from financing activities:		
Dividends	(402,333)	(2,407)
Net (decrease)/increase in short-term debt	(135)	313
Long-term debt activity (including current portion):		
Borrowings	140,200	200,500
Repayments	(201,730)	(206,475)
Proceeds from stock options exercised	21,811	1,618
Other financing activities	(59)	(113)
Discontinued operations:		
Net decrease in short-term debt	--	(19)
Debt repayments	(254)	(1,154)
	-----	-----
Net cash used in financing activities	(442,500)	(7,737)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	2,211	2,616
	-----	-----
Net increase/(decrease) in cash and cash equivalents	10,839	(11,517)
Cash and cash equivalents at beginning of period	33,746	45,342
	-----	-----
Cash and cash equivalents at end of period	\$ 44,585	\$ 33,825
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

4

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share data)

(1) BASIS OF PRESENTATION

Unless otherwise indicated by the context, "Cambrex" or the "Company" means Cambrex Corporation and subsidiaries.

The accompanying unaudited consolidated financial statements have been prepared from the records of the Company. In the opinion of management, the financial statements include all adjustments which are of a normal and recurring nature, except as otherwise described herein, and are necessary for a fair statement of financial position and results of operations in conformity with generally accepted accounting principles. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2006.

The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

In October 2006, the Company sold two businesses within the former Human Health segment for nominal consideration. As a result of this transaction, the

Edgar Filing: CAMBREX CORP - Form 10-Q

Company reported a non-cash charge of \$23,244 in the fourth quarter of 2006, and all periods presented reflect the results of these businesses as discontinued operations.

In February 2007, the Company completed the sale of the businesses that comprised the Bioproducts and Biopharma segments (excluding certain liabilities) to Lonza for total cash consideration of \$463,914, including working capital adjustments. As a result of this transaction, the Company reported a gain of \$235,538 in the first nine months of 2007, and all periods presented reflect the results of these businesses as discontinued operations. Refer to Note 13 for a complete discussion on discontinued operations.

Upon the completion of the sale of the Bioproducts and Biopharma segments, Cambrex's remaining business (formerly referred to as the Human Health segment) focuses on providing products and services to accelerate the development and commercialization of small molecule active pharmaceutical ingredients, advanced intermediates and other products for branded and generic pharmaceuticals. Cambrex has three operating segments that have been aggregated as one reportable segment.

(2) IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting for Uncertainty in Income Taxes

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109 ("FIN 48") effective January 1, 2007. This interpretation clarified the accounting for uncertainty in income tax positions and required the Company to recognize in the consolidated financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position. The effect of adopting this interpretation was not material. Refer to Note 5 for further discussion.

5

CAMBREX CORPORATION AND SUBSIDIARIES NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands, except share data)

(2) IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting for Planned Major Maintenance Activities

The Company adopted FASB Staff Position ("FSP") No. AUG AIR-1 "Accounting for Planned Major Maintenance Activities" effective January 1, 2007. This FSP amended certain provisions of APB Opinion No. 28 "Interim Financial Reporting". This FSP prohibited the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods. The adoption of this FSP had an immaterial impact on the Company's financial position and results of operations.

(3) STOCK-BASED COMPENSATION

Beginning January 1, 2006, the Company began recognizing compensation costs for stock option awards to employees based on their grant-date fair value. The value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value per share for the stock options granted to employees during the three and nine months ended September 30, 2007 was \$5.07 and \$5.46, respectively. The weighted-average

Edgar Filing: CAMBREX CORP - Form 10-Q

fair value per share for the stock options granted to employees during the three and nine months ended September 30, 2006 was \$8.04 and \$7.99, respectively.

For the three months ended September 30, 2007 and 2006, the Company recorded \$180 and \$94, respectively, in selling, general and administrative expenses for stock options. In addition, the Company recorded \$13 in restructuring expenses related to stock option expense triggered by the reduction in workforce in the third quarter of 2007. For the nine months ended September 30, 2007 and 2006, the Company recorded \$276 and \$252, respectively, in selling, general and administrative expenses for stock options. In addition, the Company recorded \$198 and \$50 in strategic alternative costs and restructuring expenses, respectively, for stock options related to the change in control agreements and the reduction in workforce in the first nine months of 2007.

As of September 30, 2007, the total compensation cost related to unvested stock option awards granted to employees but not yet recognized was \$1,187. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 3.2 years.

In addition, for the three and nine months ended September 30, 2007, the Company recorded \$81 and \$2,498, respectively, in strategic alternative costs for expenses associated with a stock option modification due to the special dividend paid on May 3, 2007. The modification reduced the exercise price of all stock options outstanding as of the dividend payment date by \$14.00 per share, the amount of the special dividend. As of September 30, 2007, the total compensation cost related to unvested stock option awards that were modified but not yet recognized was \$347. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.8 years.

For the three months ended September 30, 2007 and 2006, the Company recorded \$211 and \$284, respectively, in selling, general and administrative expenses for restricted stock awarded to senior executives and certain employees. In addition, the Company recorded \$37 in restructuring expenses in the third quarter of 2007 for restricted stock. For the nine months ended September 30, 2007 and 2006, the Company recorded \$474 and \$637, respectively, in selling, general and administrative expenses for restricted stock. In addition, the Company recorded \$1,443 and \$172 in strategic alternative costs and restructuring expenses, respectively, in the first nine months of 2007 for restricted stock. As of September 30, 2007 the total compensation cost related to unvested restricted stock granted but not yet recognized was \$1,934. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.1 years.

6

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(3) STOCK-BASED COMPENSATION (CONTINUED)

At September 30, 2006, the Company had outstanding 150,000 fully-vested cash-settled incentive SARs at a price of \$19.30. These SARs were classified as liability awards and, as such, were recorded at fair value until the rights were exercised during the fourth quarter of 2006. As of September 30, 2007 the Company did not have any SARs outstanding. For the three and nine months ended September 30, 2006 the Company recorded (\$123) and \$141, respectively, in compensation expense. Under FAS 123(R), the Company is required to measure the

Edgar Filing: CAMBREX CORP - Form 10-Q

SARs at fair market value. Prior to adopting FAS 123(R), the SARs were measured at the intrinsic value. In addition, during the first quarter of 2006, the Company recorded \$228 in compensation expense as a cumulative effect of a change in accounting principle in accordance with FAS 123(R).

The following table is a summary of the Company's stock option activity issued to employees and related information:

OPTIONS	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----
Outstanding at January 1, 2007	2,754,893	\$28.48
Granted	--	--
Exercised	(792,221)	\$21.34
Forfeited or expired	(182,085)	\$23.55

Outstanding at March 31, 2007	1,780,587	\$32.16

Granted	18,000	\$24.58
Exercised	(324,305)	\$13.28
Forfeited or expired	(3,900)	\$12.90

Outstanding at June 30, 2007	1,470,382	\$20.00

Granted	132,425	\$13.75
Exercised	(76,763)	\$ 7.99
Forfeited or expired	(16,837)	\$19.81

Outstanding at September 30, 2007	1,509,207	\$20.06
	=====	
Exercisable at September 30, 2007	1,289,834	\$21.52

On May 3, 2007, the Company paid a special dividend of \$14.00 per share. As a result, the market price of the stock declined by approximately \$14.00 per share from the prior day's close and therefore, all outstanding options were modified to reduce the exercise price by \$14.00 per share.

The aggregate intrinsic value for all stock options exercised for the three months ended September 30, 2007 and 2006 were \$287 and \$8, respectively. The aggregate intrinsic value for all stock options exercised for the first nine months ended September 30, 2007 and 2006 were \$2,839 and \$566, respectively. The aggregate intrinsic value for all stock options outstanding as of September 30, 2007 was \$787. The aggregate intrinsic value for all stock options exercisable as of September 30, 2007 was \$539.

Edgar Filing: CAMBREX CORP - Form 10-Q

A summary of the Company's nonvested stock options as of September 30, 2007 and changes during the three and nine months ended September 30, 2007, are presented below:

NONVESTED STOCK OPTIONS	NUMBER OF SHARES	WEIGHTED- AVERAGE GRANT- DATE FAIR VALUE
-----	-----	-----
Nonvested at January 1, 2007	236,952	\$21.39
Granted	--	--
Vested during period	(59,463)	\$21.39
Forfeited	(63,497)	\$21.39

Nonvested at March 31, 2007	113,992	\$21.39

Granted	18,000	\$24.58
Vested during period	--	--
Forfeited	(2,900)	\$ 7.39

Nonvested at June 30, 2007	129,092	\$ 7.84

Granted	132,425	\$13.75
Vested during period	(41,182)	\$ 7.39
Forfeited	(962)	\$ 9.70

Nonvested at September 30, 2007	219,373	\$11.48
	=====	

A summary of the Company's nonvested restricted stock as of September 30, 2007 and changes during the three and nine months ended September 30, 2007 are presented below:

NONVESTED RESTRICTED STOCK	NUMBER OF SHARES	WEIGHTED- AVERAGE GRANT- DATE FAIR VALUE
-----	-----	-----
Nonvested at January 1, 2007	165,868	\$22.02
Granted	53,129	\$21.69
Vested during period	(51,002)	\$22.74
Forfeited	(28,922)	\$21.43

Nonvested at March 31, 2007	139,073	\$21.75

Granted	--	--
Vested during period	--	--
Forfeited	(1,160)	\$21.39

Nonvested at June 30, 2007	137,913	\$21.75

Edgar Filing: CAMBREX CORP - Form 10-Q

Granted	71,110	\$13.75
Vested during period	(7,340)	\$21.39
Forfeited	(465)	\$18.35

Nonvested at September 30, 2007	201,218	\$18.95
	=====	

8

CAMBREX CORPORATION AND SUBSIDIARIES
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (dollars in thousands, except share data)

(4) GOODWILL

The change in the carrying amount of goodwill for the nine months ended September 30, 2007, is as follows:

Balance as of January 1, 2007	\$32,573
Translation effect	1,939

Balance as of September 30, 2007	\$34,512
	=====

(5) INCOME TAXES

The Company recorded tax expense of \$4,592 and \$4,200 in the three and nine months ended September 30, 2007, respectively, compared to \$4,543 and \$10,467 in the three and nine months ended September 30, 2006, respectively. This change is due to the change in geographic mix of pre-tax earnings, as well as the recognition of a tax benefit in continuing operations as a result of the sale of the Bioproducts and Biopharma segments in the first quarter of 2007.

The Company maintains a full valuation allowance against its domestic, and certain foreign, net deferred tax assets and will continue to do so until an appropriate level of profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of these net deferred assets would be realized. As such, improvements in domestic, and certain foreign, pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

The Company has adopted the provisions of FIN 48 effective January 1, 2007. As of January 1, 2007 the Company had reserves of approximately \$2,024 for uncertain tax positions that were accounted for in the Company's non-current liabilities and includes estimated cumulative interest and penalties of \$414. The Company also had unrecognized tax benefits of \$2,000 for certain tax attributes which had full valuation allowances. The net effect of this is a decrease to the gross deferred tax assets and a corresponding decrease to the related valuation allowance with no effect to beginning retained earnings. Consistent with prior periods, the company will recognize interest and penalties within its income tax provision. The total unrecognized tax benefit of \$4,024, if recognized, would impact the effective tax rate.

The Company closed an audit of its consolidated U.S. operations for the periods 2001- 2003 in the first quarter of 2007. Although not currently under

Edgar Filing: CAMBREX CORP - Form 10-Q

examination by the IRS, the Company is subject to examination for the years 2004 through 2006. It is also subject to exams in foreign jurisdictions for periods as early as 2002 and forward in its significant non-U.S. jurisdictions.

The Company is also subject to audit in various states (for various years) in which it files income tax returns. Past audits have not resulted in material adjustments.

The Company anticipates a net decrease of approximately \$200 to \$300 for unrecognized tax benefits, which would positively impact the provision for income taxes, in the next 12 months mainly due to the expiration of a statute of limitation period.

9

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(6) NET INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

Net inventories at September 30, 2007 and December 31, 2006 consist of the following:

	September 30, 2007	December 31, 2006
	-----	-----
Finished goods	\$27,372	\$23,792
Work in process	21,392	15,540
Raw materials	9,824	11,696
Supplies	3,293	2,865
	-----	-----
Total	\$61,881	\$53,893
	=====	=====

(7) LONG-TERM DEBT

In February 2007, proceeds from the sale of the Bioproducts and Biopharma segments, as discussed in Note 13, were used to repay all outstanding debt under the credit facility. Due to this repayment, \$841 was recorded in interest expense, in continuing operations, in the first quarter of 2007 related to the acceleration of unamortized origination fees. In April 2007, the Company entered into a \$200,000 five-year Syndicated Senior Revolving Credit Facility which expires in April 2012. The Company pays interest on this credit facility at LIBOR plus 1.25% - 2.00% based upon certain measurements of the Company's financial performance. The credit facility also includes financial covenants regarding interest coverage and leverage ratios. The Company was in compliance with all financial covenants at September 30, 2007. At September 30, 2007 there was \$97,200 outstanding under this credit facility.

(8) RESTRUCTURING CHARGES

The Company announced plans to eliminate certain employee positions at the

Edgar Filing: CAMBREX CORP - Form 10-Q

corporate office upon completion of the sale of the Bioproducts and Biopharma segments. This plan included certain one-time benefits for employees terminated and is substantially completed as of September 30, 2007. During the three months ended September 30, 2007, the Company recognized expense of \$451, consisting of \$400 which will be paid in cash and \$51 for stock based compensation and other professional fees. For the nine months ended September 30, 2007, the Company recognized expense of \$4,034, consisting of \$3,807 which will be paid in cash and \$227 for stock based compensation and other professional fees. The Company expects the total charge for the program to be approximately \$4,100, substantially all of which will be paid in cash. The Company anticipates annual cost savings related to the elimination of all these positions to be approximately \$5,200.

The following table reflects the activity related to the severance reserve through September 30, 2007:

	January 1, 2007 Reserve Balance -----	2007 Activity		September 30, 2007 Reserve Balance -----
		Expense -----	Cash Payments -----	
Employee termination costs	\$-- ===	\$3,807 =====	\$(2,307) =====	\$1,500 =====

10

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(9) STOCKHOLDERS' EQUITY

On May 3, 2007, the Company paid a special dividend of \$14.00 per share to its shareholders resulting in a reduction in stockholders' equity of \$403,026. The effect on stockholders' equity was a reduction to retained earnings of \$233,244, representing total accumulated earnings as of the date of declaration, with the remainder representing a return of capital of \$169,782. As of September 30, 2007, cash disbursements were \$401,500 and \$1,526 was accrued related to dividends on unvested restricted stock. The Company also announced that it will no longer pay a quarterly dividend.

(10) COMPREHENSIVE INCOME

The following table shows the components of comprehensive income/(loss) for the three and nine months ended September 30, 2007 and 2006:

	Three months ended September 30, -----		Nine months ended September 30, -----	
	2007	2006	2007	2006
Net income/(loss)	\$1,493	\$(4,304)	\$208,983	\$(4,733)
Foreign currency translation	8,056	(235)	11,251	13,101

Edgar Filing: CAMBREX CORP - Form 10-Q

Reclassification adjustment for gain on disposition of business on foreign currency translation included in net income	--	--	(483)	--
Unrealized gain/(loss) on hedging contracts, net of tax	167	(212)	122	162
Unrealized loss on available-for-sale securities	--	(252)	(442)	(423)
Reclassification adjustment for net realized gain on available-for-sale securities included in net income	(5)	--	(675)	--
Pension, net of tax	114	--	706	--
Reclassification adjustment for loss on disposition of business - pension, included in net income	--	--	1,320	--
Total	\$9,825	\$ (5,003)	\$220,782	\$ 8,107

During the nine months ended September 30, 2007 the Company sold three available-for-sale securities. For purposes of computing gains or losses, cost is identified on a specific identification basis. As of December 31, 2006 the amount recorded in accumulated other comprehensive income ("AOCI") was a gain of \$1,117, net of tax, which was reclassified out of AOCI upon the sale of the securities and the Company recorded a net gain of \$675 to other income at the actual sale dates. The Company also realized a gain of \$483 and a loss of \$1,320 for foreign currency translation and pension, respectively, related to the sale of the Bioproducts and Biopharma segments, both recorded as part of the gain on sale within discontinued operations.

11

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(11) RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Domestic Pension Plans

The components of net periodic pension cost for the Company's domestic plans for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ 443	\$ 729	\$ 1,000	\$ 2,187
Interest cost	900	858	2,698	2,574
Expected return on plan assets	(937)	(746)	(2,795)	(2,238)
Amortization of prior service costs	68	11	141	33
Recognized actuarial loss	52	180	156	540
Curtailements	--	--	414	--

Edgar Filing: CAMBREX CORP - Form 10-Q

Net periodic benefit cost	----- \$ 526 =====	----- \$1,032 =====	----- \$ 1,614 =====	----- \$ 3,096 =====
---------------------------	--------------------------	---------------------------	----------------------------	----------------------------

The sale of the Bioproducts and Biopharma segments in February 2007 required the Company to recognize a curtailment charge of \$337 in the three months ended March 31, 2007, which is recorded in discontinued operations.

In April 2007, the Board of Directors of the Company approved the suspension of the domestic pension plans and Supplemental Executive Retirement Plan ("SERP") effective August 31, 2007. As a result, the Company was required to recognize curtailment charges of \$77 and \$4 for the pension plan and SERP, respectively, in the second quarter of 2007.

The components of net periodic benefit cost for the Company's SERP for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$10	\$ 55	\$ 53	\$165
Interest cost	75	63	224	189
Amortization of prior service cost	1	1	2	3
Recognized actuarial loss	4	6	12	18
Curtailments	--	--	15	--
	---	---	---	---
Net periodic benefit cost	\$90	\$125	\$306	\$375
	===	=====	=====	=====

12

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(11) RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The sale of the Bioproducts and Biopharma segments in February 2007 required the Company to recognize a curtailment charge of \$11 in the first quarter of 2007, which is recorded in discontinued operations.

International Pension Plans

The components of net periodic pension cost for the Company's international plans for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three months ended September 30,	Nine months ended September 30,
--	-------------------------------------	------------------------------------

Edgar Filing: CAMBREX CORP - Form 10-Q

	-----		-----	
	2007	2006	2007	2006
	----	----	----	----
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$111	\$128	\$333	\$384
Interest cost	160	128	480	384
Amortization of unrecognized net obligation	--	(8)	--	(24)
Recognized actuarial (gain)/loss	(17)	17	(51)	51
Amortization of prior service cost	(2)	(1)	(6)	(3)
	----	----	----	----
Net periodic benefit cost	\$252	\$264	\$756	\$792
	=====	=====	=====	=====

Other Postretirement Benefits

The components of net periodic postretirement benefit cost for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	-----		-----	
	2007	2006	2007	2006
	----	----	----	----
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ 5	\$ 16	\$ 15	\$ 48
Interest cost	27	34	81	102
Actuarial loss recognized	16	33	50	99
Amortization of unrecognized prior service cost	(39)	(45)	(117)	(135)
	----	----	----	----
Net periodic benefit cost	\$ 9	\$ 38	\$ 29	\$ 114
	=====	=====	=====	=====

13

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company continually assesses all known facts and circumstances as they pertain to all legal and environmental matters and evaluates the need for reserves and disclosures as deemed necessary based on these facts and circumstances and as such facts and circumstances develop. These matters, either individually or in the aggregate, could have a material adverse effect on the Company's financial condition, operating results and cash flows in a future reporting period.

Environmental

In connection with laws and regulations pertaining to the protection of the

Edgar Filing: CAMBREX CORP - Form 10-Q

environment, the Company and its subsidiaries are a party to several environmental proceedings and remediation investigations and cleanups and, along with other companies, has been named a potentially responsible party ("PRP") for certain waste disposal sites ("Superfund sites"). Additionally, as discussed in the "Sale of Rutherford Chemicals" section of this Note, the Company has retained the liability for certain environmental proceedings, associated with the Rutherford Chemicals business.

Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided unfavorably against the Company. The resolution of such matters often spans several years and frequently involves regulatory oversight or adjudication. Additionally, many remediation requirements are not fixed and are likely to be affected by future technological, site, and regulatory developments. Consequently, the ultimate extent of liabilities with respect to such matters, as well as the timing of cash disbursements cannot be determined with certainty.

In matters where the Company has been able to reasonably estimate its liability, the Company has accrued for the estimated costs associated with the study and remediation of Superfund sites not owned by the Company and the Company's current and former operating sites. These accruals were \$5,387 and \$4,862 at September 30, 2007 and December 31, 2006, respectively. The increase in the accrual includes net adjustments to reserves of \$756 and the impact of currency of \$91 partially offset by payments of \$322. Based upon currently available information and analysis, the Company's current accrual represents management's best estimate of the probable and estimable costs associated with environmental proceedings including amounts for investigation fees where remediation costs may not be estimable at the reporting date.

As a result of the sale of the Bayonne, New Jersey facility (see "Sale of Rutherford Chemicals" section of this Note), the Company became obligated to investigate site conditions and conduct required remediation under the New Jersey Industrial Site Recovery Act ("ISRA"). The Company completed a preliminary assessment of the site and submitted the preliminary assessment to the New Jersey Department of Environmental Protection ("NJDEP"). The preliminary assessment identified potential areas of concern based on historical operations and sampling of such areas commenced. The Company has completed a second phase of sampling and determined that a third phase of sampling is necessary to determine the extent of contamination and any necessary remediation. The results of the completed and proposed sampling, and any additional sampling deemed necessary, will be used to develop an estimate of the Company's future liability for remediation costs, if any. The Company submitted its plan for the third phase of sampling to the NJDEP during the fourth quarter of 2005. The sampling will commence upon approval of the sampling plan.

14

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

The Company's Cosan subsidiary conducted manufacturing operations in Clifton, New Jersey from 1968 until 1979. Prior to the acquisition of Cosan by the Company, the operations were moved to another location and thereafter Cambrex purchased the business. In 1997, Cosan entered into an Administrative Consent Order with the NJDEP. Under the Administrative Consent Order, Cosan was required to complete an investigation of the extent of the contamination related

Edgar Filing: CAMBREX CORP - Form 10-Q

to the Clifton site and conduct remediation as may be necessary. During the third quarter of 2005, the Company completed the investigation related to the Clifton site, which extends to adjacent properties. The results of the investigation caused the Company to increase its related reserves by \$1,300 in 2005 based on the proposed remedial action plan. The Company submitted the results of the investigation and proposed remedial action plan to the NJDEP. In late 2006, the NJDEP requested that an additional investigation be conducted at the site. The Company estimated that the additional work will cost approximately \$240, and as such, increased the related reserve by that amount. The Company submitted its plan for additional work to the NJDEP in April 2007. In August 2007 the NJDEP approved the Company's workplan and the additional investigation has commenced. The results of the additional investigation may impact the remediation plan and costs.

In March 2006, the Company received notice from the United States Environmental Protection Agency ("USEPA") that two former operating subsidiaries are considered PRPs at the Berry's Creek Superfund Site, Bergen County, New Jersey. The operating companies are among many other PRPs that were listed in the notice. Pursuant to the notice, the PRPs have been asked to perform a remedial investigation and feasibility study of the Berry's Creek Site. The Company has met with the other PRPs. Both operating companies joined the group of PRPs and filed a joint response to the USEPA agreeing to jointly negotiate to conduct or fund (along with other PRPs) an appropriate remedial investigation and feasibility study of the Berry's Creek Site. The PRPs have engaged technical and allocation consultants to evaluate investigation and remedial alternatives and develop a method to allocate related costs among the PRPs. This process continues and the Company expects to have further information which may impact the reserves by year-end. At this time it is too early to predict the extent of any liabilities. However, reserves have been established to cover anticipated initial costs related to the site.

Nepera, Inc. - Maybrook and Harriman Sites

In 1987, Nepera, Inc. ("Nepera") was named a PRP along with certain prior owners of the Maybrook Site in Hamptonburgh, New York by the USEPA in connection with the disposition, under appropriate permits, of wastewater at that site prior to Cambrex's acquisition of Nepera in 1986. The Maybrook Site is on the USEPA's National Priorities List for remedial work. A prior owner of the Nepera facility has participated with Nepera in the performance of a remedial investigation and feasibility study for the Maybrook Site. In September 2007, the USEPA issued the Record of Decision ("ROD") which describes the remedial plan for the Maybrook Site. The USEPA also issued the Company and the prior owner a Notice of Potential Liability, requesting that the recipients sign a Consent Decree to complete the ROD and pay the USEPA certain past oversight costs, which the Company and the prior owner are evaluating.

In 1987, Nepera was also named as a responsible party along with certain prior owners of the Harriman, New York production facility by the New York State Department of Environmental Conservation in connection with contamination at the Harriman Site. A prior owner of the Nepera facility has participated with Nepera in the performance of the remedial investigation and feasibility study for the Harriman Site. In 1997, a final ROD was issued which describes the remediation plan for the site. Nepera and the prior owner have been implementing the ROD since 1997.

Edgar Filing: CAMBREX CORP - Form 10-Q

(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

Until 1997, reserves were assessed and established based on the information available. In November 1997, a settlement was reached between Nepera, Inc., the former owner mentioned above, and the original owner of the Harriman operations, pertaining to past and future costs of remediating the Maybrook and Harriman Sites ("the Sites"). Under the terms of the settlement, the original site owner paid approximately \$13,000 to provide for past and future remediation costs at the two sites in exchange for a release from the requirement to clean up the two sites, and the settlement funds were placed in a trust for the benefit of remediating the two sites on behalf of Nepera and the other former site owner. Nepera and the prior owner were reimbursed their past costs from the trust. Nepera had believed that the remaining funds available in the trust would be sufficient to provide for the future remediation costs for the Sites. Accordingly, the estimated range of liability for the Sites was set off against the settlement funds.

Based on currently available information, Nepera believes that there is a possibility that the current trust balance will not cover the remaining work to be completed at Harriman and under the final Maybrook ROD issued in September 2007. As such the Company has established a reserve of its expected share of the shortfall based on currently available information for the Sites. The foregoing matters were retained by Nepera under the 2003 Purchase Agreement as well as the settlement reached in the Rutherford matter (see "Sale of Rutherford Chemicals" section of this Note).

The Company is involved in other matters where the range of liability is not reasonably estimable at this time and it is not determinable when information will become available to provide a basis for adjusting or recording an accrual, should an accrual ultimately be required.

Litigation and Other Matters

Mylan Laboratories

In 1998 the Company and its subsidiary Profarmaco S.r.l. (currently known as Cambrex Profarmaco Milano S.r.l.) ("Profarmaco") were named as defendants (along with Mylan Laboratories, Inc. ("Mylan") and Gyma Laboratories of America, Inc., Profarmaco's distributor in the United States) in a proceeding instituted by the Federal Trade Commission ("FTC") in the United States District Court for the District of Columbia (the "District Court"). Suits were also commenced by several State Attorneys' General. The suits alleged violations of the Federal Trade Commission Act arising from exclusive license agreements between Profarmaco and Mylan covering two active pharmaceutical ingredients ("APIs"). The FTC and Attorneys' General suits were settled in February 2001, with Mylan (on its own behalf and on behalf of Profarmaco and Cambrex) agreeing to pay over \$140,000 and with Mylan, Profarmaco and Cambrex agreeing to monitor certain future conduct.

The same parties including the Company and Profarmaco have also been named in purported class action complaints brought by private plaintiffs in various state courts on behalf of purchasers of the APIs in generic form, making allegations similar to those raised in the FTC's complaint and seeking various forms of relief including treble damages.

In April 2003, Cambrex reached an agreement with Mylan under which Cambrex would contribute \$12,415 to the settlement of litigation brought by a class of direct purchasers. In exchange, Cambrex and Profarmaco received from Mylan a release and full indemnity against future costs or liabilities in related litigation brought by purchasers, as well as potential future claims related to

Edgar Filing: CAMBREX CORP - Form 10-Q

this matter. Cambrex recorded an \$11,342 charge (discounted to the present value due to the five year pay-out) in the first quarter of 2003

16

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

as a result of this settlement. In accordance with the agreement \$10,815 has been paid through September 30, 2007, with the remaining \$1,600 to be paid next year.

Vitamin B-3

In May 1998, the Company's subsidiary, Nepera, which formerly operated the Harriman facility and manufactured and sold niacinamide ("Vitamin B-3"), received a Federal Grand Jury subpoena for the production of documents relating to the pricing and possible customer allocation with regard to that product. In 2000, Nepera reached an agreement with the government as to its alleged role in Vitamin B-3 violations from 1992 to 1995. The Canadian government claimed similar violations. All government suits in the U.S. and Canada have been concluded.

Nepera has been named as a defendant, along with several other companies, in a number of private civil actions brought on behalf of alleged purchasers of Vitamin B-3. The actions seek injunctive relief and unspecified but substantial damages. All cases have been settled within established reserve amounts.

Settlement documents are expected to be finalized and payments are expected to be made during the next several months. The balance of the reserves recorded within accrued liabilities related to this matter was \$1,579 as of September 30, 2007.

Sale of Rutherford Chemicals

The Company completed the sale of its Rutherford Chemicals business in November 2003. Under the agreement for the sale ("Purchase Agreement"), the Company provided standard representations and warranties and included various covenants concerning the business, operations, liabilities and financial condition of the Rutherford Chemicals business ("Rutherford Business") and provided certain indemnities. The Company also retained certain liabilities. Under the Purchase Agreement, the Company also retained the responsibility for certain matters including: (i) certain existing matters including violations and off-site liabilities; (ii) completing the on-going remediation at the New York facility under a Record of Decision ("ROD"); and (iii) completing the obligation to investigate site conditions and conduct required remediation under the provisions of the ISRA. The full agreement was filed as an exhibit to the Company's Current Report on Form 8-K filed on November 12, 2003. The Company accrued for exposures which are deemed probable and estimable related to the retained matters.

In April 2006, the Company received a summons and complaint (the "Complaint") from the Buyers, which was filed in the Supreme Court of the State of New York, County of New York. In the Complaint, the Buyers sought indemnification, declaratory and injunctive relief for alleged (i) breaches of various representations, warranties and covenants, related to structures,

Edgar Filing: CAMBREX CORP - Form 10-Q

buildings and equipment at each of the purchased facilities and, in addition, was responsible for a related third party claim; and (ii) was obligated to conduct certain environmental remediation at four of the five Rutherford Business facilities. The Company denied the allegations, filed counterclaims and has been vigorously defending the matter.

In July 2007 the Company entered into a Settlement Agreement and Release (the "Settlement Agreement") and a related Environmental Escrow Agreement (the "Escrow Agreement") settling litigation which had been commenced by the Buyers by the filing of the Complaint in April 2006.

17

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

Under the Settlement Agreement:

- In the third quarter of 2007 (i) the Company paid the Buyers the sum of \$636 in reimbursement for past remediation expenses at the Rutherford Business facilities; and (ii) the Buyers paid the Company 400 British pounds (approximately \$813) for reimbursement of certain tax refunds received from United Kingdom taxing authorities.
- The Buyers also agreed to pay to an account (the "Escrow Account") created under the Escrow Agreement the sum of \$3,149 plus interest subsequent to September 30, 2007, representing the amount owed on a Subordinated Promissory Note issued as consideration under the Purchase Agreement. The full amount is to be paid in full no later than February 28, 2008 ("Final Note Payment"). The Buyers paid \$1,000 of such amount as of September 30, 2007.
- The Company also agreed to pay to the Escrow Account approximately \$4,400 within 30 days after the Buyers' Final Note Payment.

The Escrow Account can be used only for costs arising from the remediation of environmental contamination at the Rutherford Business facilities. The Company has the right to object to any use of the funds in the Escrow Account for non-remediation purposes, pursuant to an accelerated dispute resolution process involving the parties' appointment of a Special Master.

Under the Settlement Agreement, the parties waive and extinguish all rights under the Purchase Agreement to seek damages or any other remedy for any other obligation contained in the Purchase Agreement as they relate to environmental liabilities, including damages related to pre-closing ownership or operation of the Rutherford Business facilities, compliance with environmental laws, and all remediation at the Rutherford Business facilities, except for certain matters which the Company specifically retained, namely (i) the off-site treatment, storage and disposal of hazardous materials occurring before the November 10, 2003 closing of the Purchase Agreement, (ii) liability arising from the pre-closing sales of products, (iii) the completion of on-going remediation at the Nepera facility under a ROD, and (iv) completion of on-going remediation at the Bayonne facility under ISRA. The Buyers, however, retain its contractual

Edgar Filing: CAMBREX CORP - Form 10-Q

obligation not to engage in any conduct that materially increases the Company's costs of completing the remediation under the ROD at the Nepera facility and the ISRA process at the Bayonne facility. The obligations specifically retained by the Company are consistent with its remediation obligations under the Purchase Agreement. The Company has previously accrued for exposures deemed probable and reasonable related to any specifically retained matters.

Further, under the Settlement Agreement, the Buyers and the Company release each other from all claims and counterclaims asserted in the litigation, with the exception of the Company's possible claim that the Buyers' activities have increased the Company's remediation costs at the Nepera facility, which claim the Company will dismiss without prejudice to its right to reassert the claim in the future. The Buyers and the Company also waive all rights and obligations under the Purchase Agreement related to any claims for additional payments under the Purchase Agreement, including the Company's claims for the return of tax refunds, the payment of the Subordinated Note, and any payments under the earn-out provision.

18

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

Under the Settlement Agreement, the Company indemnifies and holds harmless the Buyers for damages related to the obligations the Company specifically retained. The Buyers indemnify and hold harmless the Company for certain liabilities, including without limitation those arising from the presence of hazardous materials at any of the Rutherford Business facilities, except for the matters specifically retained by the Company.

The foregoing description is a summary and is qualified in its entirety by the Settlement Agreement, which is filed as an Exhibit to the Quarterly Report on Form 10-Q for the period ending June 30, 2007.

Related to the Settlement Agreement, the Company's second quarter 2007 results include a charge of \$4,007, net of tax, recorded in discontinued operations related to this matter.

Class Action Matter

In October 2003, the Company was notified of a securities class action lawsuit filed against Cambrex and five former and current Company officers. Five class action suits were filed with the New Jersey Federal District Court (the "Court"). In January 2004, the Court consolidated the cases, designated the lead plaintiff and selected counsel to represent the class. An amended complaint was filed in March 2004. The lawsuit has been brought as a class action in the names of purchasers of the Company's common stock from October 21, 1998 through July 25, 2003. The complaint alleges that the Company failed to disclose in a timely fashion the January 2003 accounting restatement and subsequent SEC investigation, as well as the loss of a significant contract at the Baltimore facility.

The Company filed a Motion to Dismiss in May 2004. Thereafter, the plaintiff filed a reply brief and in October 2005, the Court denied the Company's Motion to Dismiss. The Company continues to believe that the complaints are without merit and will vigorously defend against them. As such,

Edgar Filing: CAMBREX CORP - Form 10-Q

the Company has recorded no reserves related to this matter. The Company has reached its deductible under its insurance policy and further costs, expenses and any settlement are expected to be paid by the Company's insurers.

As disclosed in the Company's Current Report on Form 8-K, filed on October 4, 2007, in September 2007 the Company entered into a Memorandum of Understanding regarding the settlement of all claims in this matter. The settlement includes a payment to class members of an amount which is well within the policy limits of, and is expected to be paid by, the Company's insurance. As a result, it is not expected to impact the Company's operating results. Cambrex continues to deny liability in the matter. The settlement is subject to preliminary and final approval by the Court and entry of an agreed upon Final Judgment. Class members will have the opportunity to either object to the terms of the settlement or to opt out of the class.

19

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

Securities and Exchange Commission ("SEC")

Since 2003, the SEC has been conducting an investigation into the Company's inter-company accounting procedures from the period 1997 through 2001. The investigation began in the first half of 2003 after the Company voluntarily disclosed certain matters related to inter-company accounts for the five-year period ending December 31, 2001 that resulted in the restatement of the Company's financial statements for those years. In late June 2007, this matter was concluded with the issuance by the SEC of a Cease and Desist Order ("Order"). There are no fines or penalties associated with the Order. Under the Order, the Company agreed to undertake certain remedial actions including, for a two year period following the effective date of the Order, having the Company's outside auditor conduct an annual review of its accounting practices related to intercompany transactions and compliance with the Order, with the results of such review being reported to the SEC. The Company has implemented the remedial measures and will continue the reporting and records retention obligations set forth in the Order. This matter may be considered concluded.

Baltimore Litigation

In 2001, the Company acquired the biopharmaceutical manufacturing business in Baltimore (the "Baltimore Business"). The sellers of the Baltimore Business filed suit against the Company alleging that the Company made false representations during the negotiations on which the sellers relied in deciding to sell the business and that the Company breached its obligation to pay additional consideration as provided in the purchase agreement which was contingent on the performance of the Baltimore Business.

As disclosed in the Company's Current Report on Form 8-K, filed on August 28, 2007, in August 2007 the United States District Court, Southern District of New York, granted the Company's pending Motion for Summary Judgment in the Baltimore Litigation. The Company's Motion had been pending since late 2006. The Sellers have filed a notice of appeal. Management continues to believe the matter to be without merit and continues its defense of this matter. The Company is awaiting the Court's briefing schedule and will file its appellate brief early next year.

Other

The Company has commitments incident to the ordinary course of business including corporate guarantees of certain subsidiary obligations to the Company's lenders related to financial assurance obligations under certain environmental laws for remediation, closure and/or third party liability requirements of certain of its subsidiaries and a former operating location; contract provisions for indemnification protecting its customers and suppliers against third party liability for manufacture and sale of Company products that fail to meet product warranties and contract provisions for indemnification protecting licensees against intellectual property infringement related to licensed Company technology or processes.

Additionally, as permitted under Delaware law, the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a Director and Officer insurance policy that covers a

20

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(12) CONTINGENCIES (CONTINUED)

portion of any potential exposure. The Company currently believes the estimated fair value of its indemnification agreements is not significant based on currently available information, and as such, the Company has no liabilities recorded for these agreements as of September 30, 2007.

In addition to the matters identified above, Cambrex's subsidiaries are party to a number of other proceedings.

(13) DISCONTINUED OPERATIONS

In October 2006, the Company sold two businesses within the former Human Health segment for nominal consideration. As a result of the transaction, the Company reported a non-cash charge of \$23,244 in the fourth quarter of 2006, and all periods presented reflect the results of these businesses as discontinued operations.

In February 2007, the Company completed the sale of the businesses that comprised the Bioproducts and Biopharma segments (excluding certain liabilities) to Lonza for cash consideration of \$463,914, including working capital adjustments. As a result of the transaction, the Company recorded a \$235,538 gain in the first nine months of 2007, and all periods presented reflect the results of these businesses as discontinued operations.

In July 2007 the Company entered into a Settlement Agreement and a related Escrow Agreement settling litigation which had been commenced by the purchasers of the Rutherford Business by the filing of the Complaint in April 2006. As a result of this settlement, the Company's second quarter 2007 results include a charge of \$4,007, net of tax, recorded in discontinued operations. In addition, in the third quarter of 2007, the Company recorded expense of \$400 for an adjustment to an environmental reserve at a Rutherford Business site. Refer to

Edgar Filing: CAMBREX CORP - Form 10-Q

Note 12 for a complete discussion on these matters.

The following table reflects revenues and income/(loss) from the discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Revenues	\$ --	\$59,706	\$ 20,335	\$185,739
	=====	=====	=====	=====
Pre-tax (loss)/income from operations of discontinued operations	\$ --	\$ (2,276)	\$ 545	\$ 5,983
Gain on sale of Bioproducts and Biopharma segments	(69)	--	235,538	--
Rutherford litigation settlement	--	--	(4,602)	--
Rutherford environmental reserve adjustment	(400)	--	(400)	--
	-----	-----	-----	-----
(Loss)/income from discontinued operations before income taxes	\$ (469)	\$ (2,276)	\$231,081	\$ 5,983
(Benefit)/provision for income taxes	(4,698)	123	7,374	3,531
	-----	-----	-----	-----
Income/(loss) from discontinued operations, net of tax	\$ 4,229	\$ (2,399)	\$223,707	\$ 2,452
	=====	=====	=====	=====

21

CAMBREX CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except share data)

(13) DISCONTINUED OPERATIONS (CONTINUED)

The following table reflects the carrying amount of the assets and liabilities as of December 31, 2006 for the businesses that were sold in February 2007:

	December 31, 2006

Assets:	
Cash	\$ --
Accounts receivable, net	35,460
Inventories, net	40,708
Other current assets	3,215
Property, plant and equipment, net	85,162
Intangibles, net	115,562
Other assets	1,568

Edgar Filing: CAMBREX CORP - Form 10-Q

Total assets held for sale	281,675
Liabilities:	
Accounts payable and accrued liabilities	31,965
Other current liabilities	1,436
Long-term debt	3,627
Other liabilities	20,581

Total liabilities held for sale	57,609

Net assets held for sale	\$224,066
	=====

(14) SUBSEQUENT EVENTS

On October 26, 2007, the Company's Charles City, Iowa facility experienced a flash fire that damaged a contained room within an older facility and seriously injured one employee. The Company believes it has adequate insurance coverage to satisfy any property and worker's compensation claims after payment of a \$500 deductible. The Company, along with the appropriate authorities, has undertaken an investigation to determine the cause of the fire and assess all other aspects of the incident to determine if there are any further impacts to the company.

22

CAMBREX CORPORATION AND SUBSIDIARIES (dollars in thousands, except share data)

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

EXECUTIVE OVERVIEW

The following significant events occurred during the third quarter of 2007 which affected reported operating profit:

- A charge of \$866 recorded within operating expenses for strategic alternative costs.
- A charge of \$451 recorded within operating expenses for restructuring costs.

RESULTS OF OPERATIONS

COMPARISON OF THIRD QUARTER 2007 VERSUS THIRD QUARTER 2006

Gross sales in the third quarter 2007 of \$54,742 were \$1,243 or 2.3% above the third quarter 2006. Gross sales were favorably impacted 4.1% due to exchange rates reflecting a weaker U.S. dollar the third quarter 2007 versus 2006.

The following table reflects sales by geographic area for the three months ended September 30, 2007 and 2006:

2007	2006
------	------

Edgar Filing: CAMBREX CORP - Form 10-Q

	-----	-----
North America	\$17,951	\$19,078
Europe	33,220	30,007
Asia	1,575	2,754
Other	1,996	1,660
	-----	-----
Total Gross Sales	\$54,742	\$53,499
	=====	=====

Sales of active pharmaceutical ingredients ("APIs") of \$42,200 were \$955 or 2.3% above the third quarter 2006 primarily due to higher sales volume of branded APIs and nicotine polacrilex resin (used in smoking cessation) partially offset by lower sales volume of generic APIs for which sales were unusually high during the third quarter 2006. Sales of pharmaceutical intermediates of \$6,117 were \$1,036 or 20.4% above the third quarter 2006 primarily due to stronger demand for custom manufacturing products. Sales of other products of \$6,425 were \$748 or 10.4% below the third quarter 2006 primarily due to lower demand of x-ray media and fine chemicals.

Gross margins decreased to 33.8% in the third quarter 2007 from 37.9% in the third quarter 2006. This decrease is primarily due to unfavorable product mix, lower pricing and an unfavorable impact from foreign currency exchange partially offset by higher margins for proprietary products.

Selling, general and administrative expenses of \$10,669 or 19.5% of gross sales in the third quarter 2007 decreased from \$14,714, or 27.5% in the third quarter 2006. The decrease in expense is due primarily to lower legal fees, personnel costs due to reduced headcount at corporate and audit fees partially offset by an unfavorable impact from foreign currency exchange.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THIRD QUARTER 2007 VERSUS THIRD QUARTER 2006 (CONTINUED)

The Company announced plans to eliminate certain employee positions at the corporate office upon completion of the sale of the Bioproducts and Biopharma segments. This plan included certain one-time benefits for employees terminated and is substantially completed as of September 30, 2007. Costs related to these plans are recorded on the restructuring expenses line on the income statement. The Company recognized expense of \$451 during the third quarter 2007 (\$4,034 for the first nine months 2007), and expects the total restructuring charge to be approximately \$4,100, substantially all of which will be in cash. The Company anticipates annual cost savings related to the elimination of all these positions to be approximately \$5,200.

Strategic alternative costs include costs that the Company has incurred related to the decision to sell the Bioproducts and Biopharma segments in February 2007. These costs are not considered part of the restructuring program or a part of discontinued operations under current accounting guidance. As a result of the sale of the Bioproducts and Biopharma segments, certain benefits became payable under change of control agreements between the Company and four of its current or former executives. Also included in strategic alternative costs are retention bonuses; this includes amounts paid and payable to certain current employees for continued employment, generally through September 30, 2007 and costs associated with the modification of employee stock options due to the

Edgar Filing: CAMBREX CORP - Form 10-Q

payment of the special dividend in connection with the divestiture. Total strategic alternative costs for the third quarter 2007 were \$866. The Company will recognize additional expense in future quarters for the recognition of interest as well as the potential for changes in estimates. Substantially all of these charges will be paid in cash. The exact timing of the payments is uncertain at this time but the majority is expected to be in 2008. Strategic alternative costs for the third quarter 2006 of \$202 consist of external advisor costs related to divestitures.

Research and development expenses of \$3,062 were 5.6% of gross sales in the third quarter 2007, compared to \$2,623 or 4.9% of gross sales in the third quarter 2006. The increase in expense primarily reflects higher personnel costs to invest in the growth and development of proprietary technology platforms and depreciation expense associated with the new R&D facility in Milano. The impact of foreign currency exchange also contributed to higher expense.

Operating profit in the third quarter 2007 was \$3,473 compared to \$2,713 in the third quarter of 2006.

Net interest expense was \$1,069 in the third quarter 2007 compared \$75 in the third quarter 2006. The increase is a result of allocating the majority of the interest expense to discontinued operations in accordance with current accounting guidance in the third quarter 2006. This increase is partially offset by lower borrowings in the third quarter 2007. The average interest rate was 7.3% in the third quarter of 2007 versus 6.1% in the third quarter of 2006.

The effective tax rate for the third quarter 2007 was 247.4% compared to 172.2% in the third quarter 2006. The tax provision in the third quarter 2007 increased to \$4,592 compared to \$4,543 in the third quarter of 2006. This change is due to the geographic mix of pre-tax earnings, as well as the recognition of a \$1,492 tax expense in continuing operations for the third quarter 2007 as a result of the sale of the Bioproducts and Biopharma segments in the first quarter of 2007. The Company maintains a full valuation allowance against its domestic, and certain foreign, net deferred tax assets and will continue to do so until an appropriate level of profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of these net deferred assets would be realized. As such, improvements in domestic, and certain foreign, pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

24

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THIRD QUARTER 2007 VERSUS THIRD QUARTER 2006 (CONTINUED)

Loss from continuing operations in the third quarter of 2007 was \$2,736, or \$0.09 per diluted share versus \$1,905, or \$0.07 per diluted share in the same period a year ago.

One customer in the three months ended September 30, 2007 and two customers in the three months ended September 30, 2006 each account for 10% of consolidated gross sales. One customer is a pharmaceutical company with which a long-term sales contract is in effect that is scheduled to expire at the end of 2008. The Company has agreed in principle to extend the contract which will result in lower profitability for sales under this arrangement in 2007 and 2008. Formal negotiations are complete and the Company is awaiting signature of the contract. The second customer is a distributor representing multiple customers.

Edgar Filing: CAMBREX CORP - Form 10-Q

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109 ("FIN 48") effective January 1, 2007. This interpretation clarified the accounting for uncertainty in income tax positions and required the Company to recognize in the consolidated financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position. The effect of adopting the interpretation was not material. Refer to Note 5 for further discussion.

The Company adopted FASB Staff Position ("FSP") No. AUG AIR-1 "Accounting for Planned Major Maintenance Activities" effective January 1, 2007. This FSP amended certain provisions of APB Opinion No. 28 "Interim Financial Reporting". This FSP prohibited the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods. The adoption of this FSP had an immaterial impact on the Company's financial position and results of operations.

COMPARISON OF FIRST NINE MONTHS 2007 VERSUS FIRST NINE MONTHS 2006

Gross sales in the first nine months of 2007 of \$182,820 were \$12,170 or 7.1% above the first nine months of 2006. Gross sales were favorably impacted 4.3% due to exchange rates reflecting a weaker U.S. dollar in the first nine months of 2007 versus 2006.

The following table shows sales by geographic area for the nine months ended September 30, 2007 and 2006:

	2007	2006
	-----	-----
North America	\$ 63,253	\$ 62,903
Europe	107,797	97,181
Asia	6,081	5,775
Other	5,689	4,791
	-----	-----
Total Gross Sales	\$182,820	\$170,650
	=====	=====

Sales of APIs of \$140,685 were \$14,003 or 11.1% above the first nine months of 2006 primarily due to higher sales volume of generic and branded APIs partially offset by continued price erosion on more mature products. Sales of pharmaceutical intermediates of \$19,697 were \$980 or 4.7% below the first nine months of 2006 primarily due to weaker demand for custom development products and an intermediate used for treatment of end-stage kidney disease. Sales of other products of \$22,438 were \$853 or 3.7% below the first nine months of 2006

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST NINE MONTHS 2007 VERSUS FIRST NINE MONTHS 2006 (CONTINUED)

primarily due to weaker demand for x-ray media and feed additives partially offset by stronger demand for a crop protection product.

Edgar Filing: CAMBREX CORP - Form 10-Q

Gross margins increased to 36.6% in the first nine months of 2007 from 36.2% in the first nine months 2006. The increase in margins is due to higher sales volume and favorable product mix partially offset by continued pricing pressures on APIs and an unfavorable impact from foreign currency exchange.

Selling, general and administrative expenses of \$36,572 or 20.0% of gross sales in the first nine months of 2007 decreased from \$42,202 or 24.7% in the first nine months of 2006. The decrease in expense is due primarily to lower administrative expenses related to lower audit fees, personnel costs and environmental costs partially offset by the impact of foreign currency exchange.

The Company announced plans to eliminate certain employee positions at the corporate office upon completion of the sale of the Bioproducts and Biopharma segments. This plan included certain one-time benefits for employees terminated and is substantially completed as of September 30, 2007. Costs related to these plans are recorded on the restructuring expenses line on the income statement. The Company recognized expense of \$4,034 during the first nine months of 2007, and expects the total charge for the program to be approximately \$4,100, substantially all of which will be in cash. The Company anticipates annual cost savings related to the elimination of all these positions to be approximately \$5,200.

Strategic alternative costs include costs that the Company has incurred related to the decision to sell the Bioproducts and Biopharma segments in February 2007. These costs are not considered part of the restructuring program or a part of discontinued operations under current accounting guidance. As a result of the sale of the Bioproducts and Biopharma segments, certain benefits became payable under change of control agreements between the Company and four of its current or former executives. Also included in strategic alternative costs are retention bonuses; this includes amounts paid and payable to certain current employees for continued employment, generally through September 30, 2007 and costs associated with the modification of employee stock options due to the payment of the special dividend in connection with the divestiture. Total strategic alternative costs for the first nine months of 2007 were \$28,560. The Company will recognize additional expense in future quarters for the recognition of interest as well as the potential for changes in estimates. Substantially all of these charges will be paid in cash. The exact timing of the payments is uncertain at this time but the majority is expected to be in 2008. Strategic alternative costs for the first nine months of 2006 totaled \$2,232 consisting of external advisor costs related to divestitures.

Research and development expenses of \$8,623 were 4.7% of gross sales in the first nine months of 2007, compared to \$8,062 or 4.7% of gross sales in the first nine months of 2006. The increase in dollars primarily represents increased personnel costs to invest in the growth and development of proprietary technology platforms and the impact of foreign currency translation.

Operating loss in the first nine months of 2007 was \$10,935 compared to a profit of \$9,281 in the first nine months of 2006.

Net interest income was \$1,341 in the first nine months of 2007 compared to net interest expense of \$5,641 in the first nine months of 2006 primarily reflecting lower average debt partially offset by higher interest rates. Also included in the first nine months of 2007 was the acceleration of unamortized origination fees related to the repayment of the credit facility of \$841. Included in first nine months of 2006 is approximately \$5,272 related to the make whole payment of \$4,809 and the related acceleration of \$463 of unamortized origination fees. Interest income was also higher in the first nine months of 2007 compared to 2006 due to interest earned on the proceeds from the sale of the Bioproducts and Biopharma segments.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST NINE MONTHS 2007 VERSUS FIRST NINE MONTHS 2006 (CONTINUED)

The average interest rate was 7.0% in the first nine months of 2007 versus 5.7% in the first nine months of 2006.

The effective tax rate for the first nine months of 2007 was -39.9% compared to 298.2% in the first nine months of 2006. The tax provision in the first nine months of 2007 decreased to \$4,200 compared to \$10,467 in the first nine months of 2006. This change is due to the geographic mix of pre-tax earnings, as well as the recognition of a \$6,814 tax benefit in continuing operations for the first nine months of 2007 as a result of the sale of the Bioproducts and Biopharma segments in the first quarter of 2007. The Company maintains full valuation allowance against its domestic, and certain foreign, net deferred tax assets and will continue to do so until an appropriate level of profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of these net deferred assets would be realized. As such, improvements in domestic, and certain foreign, pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

Loss from continuing operations in the first nine months of 2007 was \$14,724, or \$0.52 per diluted share versus \$6,957, or \$0.26 per diluted share in the same period a year ago.

Two customers each account for 10% of consolidated gross sales in the nine months ended September 30, 2007 and 2006. One customer is a pharmaceutical company with which a long-term sales contract is in effect that is scheduled to expire at the end of 2008. The Company has agreed in principle to extend the contract which will result in lower profitability for sales under this arrangement in 2007 and 2008. Formal negotiations are complete and the Company is awaiting signature of the contract. The second customer is a distributor representing multiple customers.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased \$10,839 in the first nine months of 2007. During the nine months ended September 30, 2007, the Company used cash flows from operations totaling \$509, a decrease of \$22,065 versus the same period a year ago. The decrease in cash flows generated from operations in the first nine months of 2007 versus the first nine months of 2006 is due primarily to lower accounts payable resulting from payments related to a large capital project in Milan, Italy and accrued liabilities resulting from the pay down of several year end accruals.

Cash flows provided by investing activities in the first nine months of 2007 of \$451,637 primarily reflect proceeds from the sale of the Bioproducts and Biopharma segments. Capital expenditures from continuing operations were \$15,007 in the first nine months of 2007 as compared to \$15,755 in 2006. Part of the funds in 2007 were used for a new API purification and finishing facility in Milan, Italy and capital improvements to existing facilities.

Cash flows used in financing activities in the first nine months of 2007 of \$442,500 include net pay down of debt of \$61,665 and dividends paid of \$402,333 partially offset by proceeds from stock options exercised of \$21,811. In the

Edgar Filing: CAMBREX CORP - Form 10-Q

first nine months of 2006 financing activities include a net pay down of debt of \$5,662 and dividends paid of \$2,407 partially offset by proceeds from stock options exercised of \$1,618.

The Company used the proceeds from the sale of the Bioproducts and Biopharma segments, which closed during the first quarter of 2007, to repay outstanding debt and in May 2007, paid a special dividend of \$14.00 per share, totaling \$401,500. Approximately \$94,000 was borrowed from the Company's new five-year, \$200,000 credit facility to pay the dividend. The Company also discontinued its quarterly dividend payment and will instead allocate these cash outlays to support its growth initiatives. During the

27

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST NINE MONTHS 2007 VERSUS FIRST NINE MONTHS 2006 (CONTINUED)

first nine months of 2006, the Company paid cash dividends of \$0.09 per share.

In April 2007, the Board of Directors of the Company approved the suspension of the domestic pension plans and SERP plan effective August 31, 2007.

In October 2007, the Company entered into an interest rate swap to hedge \$60,000 of its outstanding LIBOR-based debt.

FORWARD-LOOKING STATEMENTS

This document may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Rule 3b-6 under The Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding expected performance, especially expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, acquisitions, divestitures, collaborations, or other expansion opportunities. These statements may be identified by the fact that they use words such as "expects," "anticipates," "intends," "estimates," "believes" or similar expressions in connection with any discussion of future financial or operating performance. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Form 10-Q. Any forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations including, but not limited to, global economic trends, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation or regulations (particularly environmental issues), tax rate, interest rate, technology, manufacturing and legal issues, including the outcome of outstanding litigation disclosed in the Company's public filings, changes in foreign exchange rates, uncollectable receivables, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, the Company's ability to receive regulatory approvals for its products and the accuracy of the Company's current estimates with respect to its earnings and profits for tax purposes in 2007. Any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on the Company's business or the extent to which any factor, or combination of factors,

Edgar Filing: CAMBREX CORP - Form 10-Q

may cause actual results to differ materially from those contained in any forward-looking statements.

For further details and a discussion of these and other risks and uncertainties, investors and security holders are cautioned to review the Cambrex 2006 Annual Report on Form 10-K, including the Forward-Looking Statement section therein, and other subsequent filings with the U.S. Securities and Exchange Commission including Current Reports on Form 8-K. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

28

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the first nine months of 2007. For a discussion of the Company's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to reasonably assure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Disclosure controls include components of internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States.

We have carried out an evaluation under the supervision of, and with the participation of, our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2007. The Company's management has concluded that the financial statements included in this Form 10-Q are a fair presentation in all material respects the Company's financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

There were no significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting

Edgar Filing: CAMBREX CORP - Form 10-Q

during the quarter ended September 30, 2007.

29

PART II - OTHER INFORMATION

CAMBREX CORPORATION AND SUBSIDIARIES

ITEM 1 LEGAL PROCEEDINGS

See the discussion under Part I, Item 1, Note 12 to the Consolidated Financial Statements.

ITEM 1A RISK FACTORS

There have been no material changes to our risk factors and uncertainties during the first nine months of 2007. For a discussion of the Risk Factors, refer to Part I, Item 1A, "Risk Factors," contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2006.

ITEM 6. EXHIBITS

Exhibits

1. Exhibit 31.1 -- CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
2. Exhibit 31.2 -- CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
3. Exhibit 32.1 -- CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
4. Exhibit 32.2 -- CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

30

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.

CAMBREX CORPORATION

By /s/ Gregory P. Sargen

Gregory P. Sargen
Vice President and Chief Financial
Officer (On behalf of the Registrant
and as the Registrant's Principal
Financial Officer)

Dated: November 2, 2007

