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CAMBREX CORP  
Form 10-Q  
November 05, 2008

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, 2008

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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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, 2008, there were 29,174,075 shares outstanding of the

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registrant's Common Stock, \$.10 par value.

## CAMBREX CORPORATION AND SUBSIDIARIES

### FORM 10-Q

For The Quarter Ended September 30, 2008  
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## Part I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

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

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	SEPTEMBER 30, 2008	DECEMBER 31, 2007
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,173	\$ 38,488
Trade receivables, net	26,775	45,003
Inventories, net	69,506	61,440
Prepaid expenses and other current assets	15,803	20,104
	-----	-----
Total current assets	141,257	165,035
Property, plant and equipment, net	166,001	165,657
Goodwill	35,565	35,552
Other non-current assets	5,702	7,218
	-----	-----
Total assets	\$348,525	\$373,462
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,448	\$ 26,185
Accrued expense and other current liabilities	42,964	69,702
	-----	-----
Total current liabilities	61,412	95,887
Long-term debt	121,000	101,600
Deferred income tax	18,269	19,086
Accrued pension and postretirement benefits	28,151	32,104
Other non-current liabilities	17,674	22,728
	-----	-----
Total liabilities	246,506	271,405
Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 31,406,778 and 31,399,700 shares at respective dates	3,140	3,140
Additional paid-in capital	99,547	98,793
Retained earnings	12,910	4,031
Treasury stock, at cost, 2,237,646 and 2,385,066 shares at respective dates	(19,125)	(20,386)
Accumulated other comprehensive income	5,547	16,479
	-----	-----
Total stockholders' equity	102,019	102,057
	-----	-----
Total liabilities and stockholders' equity	\$348,525	\$373,462
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Gross sales	\$56,508	\$ 54,742	\$184,440	\$ 182,820
Allowances and rebates	193	227	1,137	1,001
Net sales	56,315	54,515	183,303	181,819
Other revenues	1,977	99	1,792	864
Net revenues	58,292	54,614	185,095	182,683
Cost of goods sold	42,057	36,093	127,120	115,829
Gross profit	16,235	18,521	57,975	66,854
Operating expenses:				
Selling, general and administrative expenses	8,767	10,669	31,511	36,572
Research and development expenses	1,772	3,062	5,945	8,623
Restructuring expenses	321	451	1,469	4,034
Strategic alternative costs	833	866	1,408	28,560
Total operating expenses	11,693	15,048	40,333	77,789
Operating profit/(loss)	4,542	3,473	17,642	(10,935)
Other expenses/(income):				
Interest expense/(income), net	956	1,069	2,302	(1,341)
Other expenses, net	485	548	459	930
Income/(loss) before income taxes	3,101	1,856	14,881	(10,524)
Provision for income taxes	304	4,592	6,002	4,200
Income/(loss) from continuing operations	\$ 2,797	\$ (2,736)	\$ 8,879	\$ (14,724)
Income from discontinued operations, net of tax	--	4,229	--	223,707
Net income	\$ 2,797	\$ 1,493	\$ 8,879	\$ 208,983
Basic earnings per share:				
Income/(loss) from continuing operations	\$ 0.10	\$ (0.09)	\$ 0.31	\$ (0.52)
Income from discontinued operations, net of tax	\$ --	\$ 0.14	\$ --	\$ 7.83
Net income	\$ 0.10	\$ 0.05	\$ 0.31	\$ 7.31
Diluted earnings per share:				
Income/(loss) from continuing operations	\$ 0.10	\$ (0.09)	\$ 0.31	\$ (0.52)
Income from discontinued operations, net of tax	\$ --	\$ 0.14	\$ --	\$ 7.83
Net income	\$ 0.10	\$ 0.05	\$ 0.31	\$ 7.31
Weighted average shares outstanding:				
Basic	29,163	28,934	29,096	28,575
Effect of dilutive stock based compensation	15	--	5	--
Diluted	29,178	28,934	29,101	28,575
Cash dividends paid per share	\$ --	\$ --	\$ --	\$ 14.03

See accompanying notes to unaudited consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 8,879	\$ 208,983
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	16,115	14,579
Inventory reserve	3,763	2,541
Stock based compensation included in net income	1,665	5,111
Deferred income tax provision	686	4,722
Strategic alternative and restructuring charges	241	17,191
Write-off of debt origination fees	--	841
Other	107	(381)
Changes in assets and liabilities:		
Trade receivables	17,102	9,332
Inventories	(14,975)	(7,736)
Prepaid expenses and other current assets	(237)	478
Accounts payable and other current liabilities	(33,203)	(19,912)
Other non-current assets and liabilities	(3,045)	(872)
Discontinued operations:		
Gain on sale of businesses	--	(235,538)
Rutherford settlement, net of tax	--	4,172
Changes in operating assets and liabilities	--	(5,379)
Other non-cash charges	--	1,359
Net cash used in operating activities	(2,902)	(509)
Cash flows from investing activities:		
Capital expenditures	(22,908)	(15,007)
Acquisition of business, net of cash	(1,284)	--
Other investing activities	--	886
Discontinued operations:		
Capital expenditures	--	(530)
Proceeds from sale of business	--	466,277
Other investing activities	--	11
Net cash (used) in/provided by investing activities	(24,192)	451,637
Cash flows from financing activities:		
Dividends	--	(402,333)
Net increase/(decrease) in short-term debt	77	(135)
Long-term debt activity (including current portion):		
Borrowings	55,800	140,200
Repayments	(36,416)	(201,730)
Proceeds from stock options exercised	18	21,811
Other financing activities	(51)	(59)
Discontinued operations:		
Debt repayments	--	(254)
Net cash provided by/(used) in financing activities	19,428	(442,500)

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Effect of exchange rate changes on cash and cash equivalents	(1,649)	2,211
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(9,315)	10,839
Cash and cash equivalents at beginning of period	38,488	33,746
	-----	-----
Cash and cash equivalents at end of period	\$ 29,173	\$ 44,585
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

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### 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 ("GAAP"). These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2007.

The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

In February 2007, the Company completed the sale of the businesses that comprised the Bioproducts and Biopharma segments (excluding certain liabilities) for total cash consideration of \$463,914, including working capital adjustments. As a result of this transaction, the Company reported a gain of \$235,489 in 2007 and all periods presented reflect the results of these businesses as discontinued operations. Refer to Note 12 for a more complete discussion on discontinued operations.

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

##### Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157 "Fair Value Measurements" ("FAS 157"). This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Relative to FAS 157, the FASB issued FASB Staff Position 157-2, which defers the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years

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beginning after November 15, 2008, and interim periods within those fiscal years. The effect of adopting this pronouncement (related to financial assets and financial liabilities) did not have a material impact on the Company's financial position or results of operations. The Company is currently evaluating the potential impact of this statement (related to nonfinancial assets and nonfinancial liabilities).

### Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

The Company adopted FASB Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("FAS 158") for the year ended December 31, 2006. FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement does not impact the amounts recognized in the income statement.

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

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

FAS 158 also requires an employer to measure the funded status of a plan as of the date of the fiscal year end balance sheet. The Company's fiscal year end is December 31 and its pension plans and postretirement benefits plan previously had a September 30 measurement date. The Company will adopt this measurement requirement effective December 31, 2008. The effect of adopting this pronouncement will not have a material impact on the Company's financial position or results of operations.

#### Fair Value Option for Financial Assets and Financial Liabilities

The Company adopted FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB Statement No. 115" ("FAS 159") effective January 1, 2008. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings at each subsequent reporting date. The effect of adopting this pronouncement did not have a material impact on the Company's financial position or results of operations.

#### Amendment of FAS 141

In December 2007, the FASB issued FASB Statement No. 141 (Revised 2007), "Business Combinations" ("FAS 141R"). Under FAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with limited exceptions. FAS 141R will change the accounting treatment for certain specific items, including:

- acquisition costs will generally be expensed as incurred;
- noncontrolling interests will be valued at fair value at the acquisition date;

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- acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date until the completion or abandonment of the associated research and development efforts;
- restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

FAS 141R also includes a substantial number of new disclosure requirements. FAS 141R applies prospectively to business combinations (except for income taxes which applies to prior as well as future acquisitions) for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, the Company will adopt this statement on January 1, 2009.

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

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

Amendment of FAS 133

In March 2008, the FASB issued FASB Statement No. 161 "Disclosures about Derivative Instruments and Hedging Activities--an amendment of FASB Statement No. 133" ("FAS 161"). This statement requires enhanced disclosures about derivative and hedging activities and thereby improves the transparency of financial reporting. FAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. This statement is effective for fiscal years beginning after November 15, 2008. The effect of adopting this pronouncement will not have an impact on the Company's financial position or results of operations.

(3) STOCK BASED COMPENSATION

On September 30, 2008, the Company had seven active stock-based employee compensation plans in effect. The Company also had outstanding at September 30, 2008 restricted stock as described below.

The Company recognizes 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 nine months ended September 30, 2008 was \$1.88. 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.



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FAS 123(R) "Share-Based Payment" requires companies to estimate the expected forfeitures for all unvested awards and record compensation costs only for those awards that are expected to vest. As of September 30, 2008, the total compensation cost related to unvested stock option awards granted to employees but not yet recognized was \$975. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 3.3 years.

For the three months ended September 30, 2008 and 2007, the Company recorded \$129 and \$180, respectively, in selling, general and administrative expenses for stock options. For the nine months ended September 30, 2008 and 2007, the Company recorded \$434 and \$276, respectively, in selling, general and administrative expenses for stock options, which includes \$136 in 2008 for the acceleration of stock options previously awarded to the former CEO.

For the three and nine months ended September 30, 2008, the Company recorded \$23 and \$76, respectively, in strategic alternative costs for expenses associated with the stock option modification due to the special dividend paid on May 3, 2007. For the three and nine months ended September 30, 2007, the Company recorded \$81 and \$2,498, respectively, in strategic alternative costs for the stock option modification. 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, 2008, the total compensation cost related to unvested stock option awards that were modified but not yet recognized was \$188. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 1.8 years.

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

(3) STOCK BASED COMPENSATION (CONTINUED)

For the three months ended September 30, 2008 and 2007, the Company recorded \$208 and \$211, respectively, in selling, general and administrative expenses for restricted stock awarded to Cambrex's Board of Directors, senior executives and certain employees. For the nine months ended September 30, 2008 and 2007, the Company recorded \$1,121 and \$474, respectively, in selling, general and administrative expenses for restricted stock, which includes \$461 in 2008 for the acceleration of restricted stock previously awarded to the former CEO. As of September 30, 2008 the total compensation cost related to unvested restricted stock granted but not yet recognized was \$1,106. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 1.6 years.

In May 2008 the Company granted a potential award of up to 86,000 performance shares to the current CEO. These performance shares are dependent upon the Company's performance measured against certain financial metrics over a three year period beginning July 1, 2008, as compared to an index of peer companies. Any payment of the performance shares will be made in three years. In accordance with FAS 123(R) the Company is currently recognizing expense related to 43,000 shares over the vesting period, which assumes that the CEO will be compensated at target. The Company will assess performance at each reporting period and adjust accordingly. For the three and nine months ended September 30, 2008 the Company recorded \$17 in selling, general and administrative expense related to these performance shares.

The following table is a summary of the Company's stock option activity

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issued to employees and related information:

OPTIONS -----	NUMBER OF SHARES -----	WEIGHTED AVERAGE EXERCISE PRICE -----
Outstanding at January 1, 2008	1,471,757	\$20.15
Granted	--	--
Exercised	(2,301)	\$ 7.47
Forfeited or expired	(142,800)	\$22.71
	-----	
Outstanding at March 31, 2008	1,326,656	\$19.90
	-----	
Granted	262,500	\$ 5.59
Exercised	--	--
Forfeited or expired	(37,650)	\$15.21
	-----	
Outstanding at June 30, 2008	1,551,506	\$17.59
	-----	
Granted	--	--
Exercised	--	--
Forfeited or expired	(96,650)	\$18.12
	-----	
Outstanding at September 30, 2008	1,454,856	\$17.56
	=====	
Exercisable at September 30, 2008	1,097,317	\$20.93

The aggregate intrinsic value for all stock options exercised for the nine months ended September 30, 2008 was \$4. The aggregate intrinsic value for all stock options exercised during the three and nine months ended September 30, 2007 were \$287 and \$2,839, respectively. The aggregate intrinsic value for all stock options outstanding as of September 30, 2008 was \$194. The aggregate intrinsic value for all stock options exercisable as of September 30, 2008 was \$47.

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

(3) STOCK BASED COMPENSATION (CONTINUED)

A summary of the Company's nonvested stock options and restricted stock as of September 30, 2008 and changes during the three and nine months ended September 30, 2008, are presented below:

NONVESTED STOCK OPTIONS -----		NONVESTED RESTRICTED STOCK -----	
NUMBER OF SHARES	WEIGHTED- AVERAGE GRANT- DATE FAIR VALUE	NUMBER OF SHARES	WEIGHTED- AVERAGE GRANT- DATE FAIR VALUE

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Nonvested at January 1, 2008	178,649	\$11.34	133,901	\$18.11
Granted	--	--	98,167	\$ 9.47
Vested during period	(375)	\$ 7.71	(39,954)	\$15.68
Forfeited	(12,531)	\$11.44	(7,118)	\$16.71
Nonvested at March 31, 2008	165,743	\$11.34	184,996	\$14.10
Granted	262,500	\$ 5.59	11,277	\$ 6.38
Vested during period	(31,188)	\$10.86	(49,701)	\$11.42
Forfeited	(3,150)	\$11.93	(1,650)	\$15.97
Nonvested at June 30, 2008	393,905	\$ 7.54	144,922	\$13.67
Granted	--	--	5,832	\$ 6.18
Vested during period	(35,929)	\$11.04	(5,112)	\$ 7.04
Forfeited	(437)	\$12.35	(260)	\$12.53
Nonvested at September 30, 2008	357,539	\$ 7.18	145,382	\$13.35

(4) GOODWILL

The changes in the carrying amount of goodwill for the nine months ended September 30, 2008, are as follows:

Balance as of January 1, 2008	\$35,552
Acquisition of business	1,372
Translation effect	(1,359)
Balance as of September 30, 2008	\$35,565

(5) INCOME TAXES

The Company recorded tax expense of \$304 and \$6,002 in the three and nine months ended September 30, 2008, respectively, compared to tax expense of \$4,592 and \$4,200 in the three and nine months ended September 30, 2007, respectively. This change is due to changes in the geographic mix of pre-tax earnings, the recognition of a tax benefit in continuing operations in 2007 as a result of the sale of the businesses that comprised the Bioproducts and Biopharma segments in February 2007, the reduction of tax rates in Italy, benefits due to the expiration of a statute of limitations, benefits for tax loss carrybacks, and incremental benefits of the project to streamline the Company's legal structure.

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

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

### (5) INCOME TAXES (CONTINUED)

these net deferred assets would be realized. As such, improvements in pre-tax income in the future within these jurisdictions where the Company maintains a valuation allowance may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

The Company adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109" as of January 1, 2007. As of January 1, 2008 the Company had approximately \$5,116 of unrecognized tax benefits. The total balance of unrecognized benefits at September 30, 2008 of \$3,923, if recognized, would affect the effective tax rate. However, of this total, \$2,600 related to U.S. tax attributes may be subject to an application of a valuation allowance which would offset the positive effect associated with the recognition of such benefits. Gross interest and penalties of \$491 are not included in the balance of unrecognized tax benefits. Consistent with prior periods, the Company recognized interest and penalties within its income tax provision.

During the three months ended September 30, 2008, the Company decreased its reserve for unrecognized tax benefits by \$937 due to the expiration of a statute of limitation period, with a corresponding benefit to the income tax provision. In the next twelve months the Company may decrease the reserve for unrecognized tax benefits for intercompany transactions by approximately \$550 mainly due to the expiration of a statute of limitation period. This item would impact the income tax provision.

In 2007, the Company finalized an IRS examination for the period 2001-2003. In September 2008, the Company was selected for a random IRS examination for tax year 2006. Tax years 2005 and 2007 remain open to examination within the U.S. The Company is also subject to exams in its significant non-U.S. jurisdictions for 2003 and 2005 forward.

The Company is also subject to audits in various states for various years in which it has filed income tax returns. Recently finalized state audits have not resulted in material adjustments. Open years for the majority of states where the Company files are 2005 and forward.

### (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, 2008 and December 31, 2007 consist of the following:

	September 30, 2008	December 31, 2007
	-----	-----
Finished goods	\$28,343	\$25,646
Work in process	24,804	21,301
Raw materials	12,795	11,058
Supplies	3,564	3,435
	-----	-----
Total	\$69,506	\$61,440
	=====	=====

CAMBREX CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(7) LONG-TERM DEBT

In February 2007, proceeds from the sale of the businesses that comprised the Bioproducts and Biopharma segments, as discussed in Note 12, were used to repay all outstanding debt under a prior credit facility. Due to this repayment, \$841 was recorded in interest expense in 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 total indebtedness and 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, 2008. As of September 30, 2008 and December 31, 2007 there was \$121,000 and \$101,600, respectively, outstanding under this credit facility.

(8) STRATEGIC ALTERNATIVE COSTS AND RESTRUCTURING EXPENSES

Strategic Alternative Costs

Strategic alternative costs include costs that the Company has incurred related to the decision to sell the businesses that comprised the Bioproducts and Biopharma segments in February 2007 and costs associated with a project to streamline the Company's legal structure. These costs are not considered part of the restructuring program or a part of discontinued operations under current accounting guidance.

Strategic alternative costs for the three and nine months ended September 30, 2008 were \$833 and \$1,408, respectively, primarily consisting of costs associated with a project implemented in September 2008 to streamline the Company's legal structure. Strategic alternative costs for the three and nine months ended September 30, 2007 were \$866 and \$28,560, respectively, consisting of change-in-control benefits, retention bonuses, costs associated with the modification of employee stock options due to the payment of the special dividend in connection with the divestiture and external advisor costs.

Corporate Office Restructuring

The Company announced plans to eliminate approximately 30 employee positions at the corporate office upon completion of the sale of the businesses that comprised the Bioproducts and Biopharma segments in February 2007. This plan included certain one-time benefits for employees terminated and was substantially completed as of December 31, 2007. For the three months ended September 30, 2008 and 2007, the Company recognized expense of \$45 and \$451, respectively. For the nine months ended September 30, 2008 and 2007, the Company recognized expense of \$295 and \$4,034, respectively. The majority of these expenses will be paid in cash.

The following table reflects the activity related to the severance reserve through September 30, 2008:

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	December 31, 2007	2008 Activity		September 30, 2008
	Reserve Balance	Expense	Cash Payments	Reserve Balance
	-----	-----	-----	-----
Employee termination costs	\$812	\$275	\$(941)	\$146
	----	----	-----	----
	\$812	\$275	\$(941)	\$146
	====	====	=====	====

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

(8) STRATEGIC ALTERNATIVE COSTS AND RESTRUCTURING CHARGES EXPENSES (CONTINUED)

Consolidation of Domestic Research and Development Activities

In November 2007, the Company announced that it would consolidate its United States research and development ("R&D") activities and small scale active pharmaceutical ingredient ("API") production into its facility in Charles City, Iowa. As a result of the consolidation, the Company's New Jersey R&D facility was substantially closed as of December 31, 2007. Due to the closure eighteen employee positions have been eliminated.

The restructuring reserve at December 31, 2007 consisted of the present value of the remaining lease payments under the Company's current operating lease at the New Jersey R&D facility (reduced by estimated sublease income) of \$998 and severance of \$356. Costs related to this plan are recorded as restructuring expenses on the income statement. The operating lease expires in December 2010. In accordance with accounting guidance, the severance and retention charges are being recognized ratably over the remaining service period. For the three months ended September 30, 2008 an additional charge of \$276 was recognized consisting primarily of rent and related costs. For the nine months ended September 30, 2008 an additional charge of \$1,174 was recognized and consists primarily of rent and related costs. Lease payments are approximately \$1,400 per year. As a result of closing this facility, cost savings going forward amount to approximately \$2,100 per year related to personnel costs which will be offset by continued lease expense.

The following table reflects the activity related to the restructuring reserve through September 30, 2008:

	December 31, 2007	2008 Activity		September 30, 2008
	Reserve Balance	Expense	Cash Payments	Reserve Balance
	-----	-----	-----	-----
Employee termination costs	\$ 356	\$115	\$(471)	\$ --
Present value of lease payments	998	8	(284)	722

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\$1,354	\$123	\$(755)	\$722
=====	=====	=====	=====

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

(9) COMPREHENSIVE (LOSS)/INCOME

The following table shows the components of comprehensive (loss)/income for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months end September 30,	
	2008	2007	2008	2007
Net income	\$ 2,797	\$1,493	\$ 8,879	\$208,9
Foreign currency translation	(24,022)	8,056	(11,018)	11,2
Reclassification adjustment for gain on disposition of business on foreign currency translation included in net income	--	--	--	(4
Unrealized (loss)/gain on hedging contracts, net of tax	(293)	167	(311)	1
Unrealized loss on available-for-sale securities	--	--	--	(4
Reclassification adjustment for net realized gain on available-for-sale securities included in net income	--	(5)	--	(6
Pension, net of tax	132	114	397	7
Reclassification adjustment for loss on disposition of business -- pension, included in net income	--	--	--	1,3
Total	\$(21,386)	\$9,825	\$ (2,053)	\$220,7

In 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. The Company recorded a gain of \$675 within other income at the actual sale date.

(10) RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Domestic Pension Plans

The Company maintains two U.S. defined-benefit pension plans which cover all eligible employees: the Nepera Hourly Pension Plan which covers the union employees at the previously-owned Harriman, New York plant, and the Cambrex Pension Plan which covers all other eligible employees.

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

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

The components of net periodic pension cost for the Company's domestic plans for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ --	\$ 443	\$ --	\$ 1,000
Interest cost	878	900	2,634	2,698
Expected return on plan assets	(1,021)	(937)	(3,063)	(2,795)
Amortization of prior service costs	109	68	327	141
Recognized actuarial loss	24	52	72	156
Curtailments	--	--	--	414
Net periodic benefit cost	\$ (10)	\$ 526	\$ (30)	\$ 1,614

The sale of the businesses that comprised the Bioproducts and Biopharma segments in February 2007 required the Company to recognize a curtailment charge of \$337 for the pension plans in 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 effective August 31, 2007. As a result, the Company was required to recognize a curtailment charge of \$77 in 2007. The Company maintains a liability for the present value of all benefits earned by plan participants through August 31, 2007.

The Company has a Supplemental Executive Retirement Plan ("SERP") for key executives. This plan is non-qualified and unfunded.

The components of net periodic benefit cost for the Company's SERP Plan for the three and nine months ended September 30, 2008 and 2007 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$--	\$10	\$ --	\$ 53
Interest cost	76	75	228	224
Amortization of prior service cost	--	1	--	2
Recognized actuarial loss	1	4	3	12
Curtailments	--	--	--	15



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Net periodic benefit cost	---	---	----	----
	\$77	\$90	\$231	\$306
	===	===	=====	=====

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

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

The sale of the businesses that comprised the Bioproducts and Biopharma segments in February 2007 required the Company to recognize a curtailment charge of \$11 for the SERP plan in 2007 which is recorded in discontinued operations.

In April 2007, the Board of Directors of the Company approved the suspension of the SERP plan effective August 31, 2007. As a result, the Company was required to recognize a curtailment charge of \$4 in 2007.

International Pension Plan

A foreign subsidiary of the Company maintains a pension plan for their employees that conforms to the common practice in their respective country. Based on local laws and customs, this plan is not funded.

The components of net periodic pension cost for the Company's international plan for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$137	\$111	\$ 411	\$333
Interest cost	218	160	654	480
Recognized actuarial loss/(gain)	33	(17)	99	(51)
Amortization of prior service cost	(2)	(2)	(6)	(6)
	----	----	-----	----
Net periodic benefit cost	\$386	\$252	\$1,158	\$756
	=====	=====	=====	=====

Other Postretirement Benefits

Cambrex provides postretirement health and life insurance benefits ("postretirement benefits") to all eligible retired employees. Employees who retire at or after age 55 with fifteen years of service are eligible to participate in the postretirement benefit plans. Certain subsidiaries and all employees hired after December 31, 2002 (excluding those covered by collective bargaining) are not eligible for these benefits. The Company's responsibility for such premiums for each plan participant is based upon years of service. Such plans are self-insured and are not funded. Effective January 1, 2006, the

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Cambrex Retiree Medical Plan no longer provides prescription coverage to retirees or dependents age 65 or older.

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

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

The components of net periodic benefit cost for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	----	----	----	----
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ 6	\$ 5	\$ 18	\$ 15
Interest cost	27	27	81	81
Actuarial loss recognized	14	16	42	50
Amortization of unrecognized prior service cost	(39)	(39)	(117)	(117)
	----	----	-----	-----
Net periodic benefit cost	\$ 8	\$ 9	\$ 24	\$ 29
	=====	=====	=====	=====

(11) 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 environment, the Company and its subsidiaries are a party to several environmental proceedings and remediation investigations and cleanups and, along with other companies, have been named potentially responsible parties ("PRP") for certain waste disposal sites ("Superfund sites"). Additionally, the Company has retained the liability for certain environmental proceedings, associated with the sale of 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

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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 \$6,504 and \$6,905 at September 30, 2008 and December 31, 2007, respectively. The decrease in the accrual includes payments of \$523 and the impact of currency of \$135 partially offset by adjustments to reserves of \$257. 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.

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

(11) CONTINGENCIES (CONTINUED)

CasChem ISRA

As a result of the sale of the Bayonne, New Jersey facility, 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.

Cosan

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 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 in the first quarter of 2007. The Company submitted its plan for additional work to the NJDEP in April 2007.

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In August 2007 the NJDEP approved the Company's work plan and the additional investigation has been partially completed. The Company has submitted an interim report to NJDEP and is proceeding to complete the investigation. As of September 30, 2008, the reserve was \$1,348. The results of the additional investigation may impact the remediation plan and costs.

Additionally, there is a reserve of \$950 as of September 30, 2008 for the Cosan Carlstadt, N.J. site related to an Administrative Consent Order with the NJDEP entered into in 1985 in connection with the acquisition of Cosan. In September 2004, the reserve was increased based on the investigations completed to date and the proposed Remedial Action Work Plan ("RAW") submitted to the NJDEP for their approval. The NJDEP subsequently rejected the RAW and required the Company to perform additional investigative work prior to approval of a new RAW. The Company's reserves were increased to cover the additional investigative work. The results of this additional investigative work may impact the RAW and costs.

### Berry's Creek

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

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

(11) CONTINGENCIES (CONTINUED)

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. In December 2007 the PRPs reached a tentative agreement on the allocation of the site investigation costs and at September 30, 2008 the Company's reserve was \$498. The investigation is expected to take several years and at this time it is too early to predict the extent of any additional liabilities.

### 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 and the recipients have signed a Consent Decree to complete the ROD and pay the USEPA certain past oversight costs and

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have provided the USEPA with appropriate financial assurance, including a letter of credit to guarantee the recipient's obligation under the Consent Decree.

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.

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 offset against the settlement funds.

Based on currently available information, Nepera believed that the current trust balance would not cover the remaining work to be completed at Harriman and under the final Maybrook ROD issued in September 2007. As such the Company increased its reserve by \$1,000 during 2007, which was recorded in discontinued operations, for its expected share of the shortfall based on currently available information. As of September 30, 2008, the reserve recorded on the books was \$1,200. The foregoing matters were retained by Nepera under the 2003 Purchase Agreement as well as the settlement reached in the Rutherford matter.

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

(11) CONTINGENCIES (CONTINUED)

Solvent Recoveries Superfund Site

In 1992, the USEPA notified Humphrey Chemical Co., Inc. ("Humphrey") of its possible involvement as one of approximately 1,300 PRPs at a Superfund site ("the site") in Southington, Connecticut, once operated by Solvent Recoveries, Inc. Humphrey joined the PRP group, which has agreed with the USEPA to perform a Remedial Investigation/Feasibility Study ("RIFS"). The RIFS has been completed and the USEPA has proposed remediation of the Site. In September 2008, Humphrey agreed to enter into a consent decree and settlement with the other PRPs and the USEPA whereby Humphrey agreed to pay a settlement amount of \$353 with an initial payment of \$106 and the remaining \$247 to be paid in installments over time as the remediation proceeds. The Company continues to reserve for the unpaid portion of the settlement and has entered into a letter of credit to guarantee the payment obligation under the settlement.

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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., ("Gyma") 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 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. All of these cases have been resolved except for one brought by three health care insurers known as In Re Lorazepam & Clorazepate Antitrust Litigation.

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 which has been fully paid as of September 30, 2008. 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 this matter.

In February 2008 the District Court, in the In Re Lorazepam & Clorazepate Antitrust Litigation, entered judgment after trial against Mylan, Gyma and Cambrex in the amount of \$8,355, payable jointly and severally, and also a punitive damage award against each of Mylan, Gyma and Cambrex in the amount of \$16,709. In addition, in October 2008, the District Court ruled that Mylan, Gyma and Cambrex were also

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

(11) CONTINGENCIES (CONTINUED)

subject to a total of approximately \$7,000 in prejudgment interest. The parties will appeal the awards. Cambrex expects any payment of the judgment against it to be made by Mylan under the indemnity described above.

#### Vitamin B-3

In May 1998, Nepera, which manufactured and sold niacinamide ("Vitamin

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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.

The balance of the reserves recorded within accrued liabilities related to this matter is \$1,577 as of September 30, 2008 and is sufficient to cover the settlement.

### 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.

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. Appellate briefs have been exchanged and the parties are awaiting a date for oral arguments to be scheduled.

### 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 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

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(dollars in thousands, except share data)

### (11) 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, 2008.

In addition to the matters identified above, Cambrex's subsidiaries are party to a number of other proceedings that are not considered material at this time.

### (12) DISCONTINUED OPERATIONS

In February 2007, the Company completed the sale of the businesses that comprised the Bioproducts and Biopharma segments (excluding certain liabilities) for total cash consideration of \$463,914, including working capital adjustments. As a result of the transaction, the Company reported a gain of \$235,489 in 2007 and all periods presented reflect the results of these businesses as discontinued operations.

The following table reflects revenues and income from the discontinued operations:

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Revenues	\$ -- =====	\$ 20,335 =====
Pre-tax income from operations of discontinued operations	\$ --	\$ 545
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)	\$231,081
(Benefit)/provision for income taxes	(4,698) -----	7,374 -----
Income from discontinued operations, net of tax	\$ 4,229 =====	\$223,707 =====

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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 2008:



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- Sales increased 3.2% (-1.7% excluding foreign currency impact) compared to third quarter 2007.

### RESULTS OF OPERATIONS

#### COMPARISON OF THIRD QUARTER 2008 VERSUS THIRD QUARTER 2007

Gross sales in the third quarter 2008 of \$56,508 were \$1,766 or 3.2% above the third quarter 2007. Gross sales were favorably impacted 4.9% due to exchange rates reflecting a weaker U.S. dollar. Excluding the currency impact, sales decreased 1.7%. The decrease is primarily due to fewer custom development projects, lower volumes of certain products based on the Company's proprietary technologies and lower volumes of feed additives as a result of the Company's late 2007 decision to exit this business partially offset by higher sales of generic active pharmaceutical ingredients ("APIs"), particularly certain controlled substances. Lower pricing on a key gastrointestinal API and certain generic APIs also contributed to the lower sales.

The following table reflects sales by geographic area for the three months ended September 30, 2008 and 2007:

	2008	2007
	-----	-----
North America	\$19,465	\$17,951
Europe	33,029	33,220
Asia	1,041	1,575
Other	2,973	1,996
	-----	-----
Total Gross Sales	\$56,508	\$54,742
	=====	=====

Gross margins decreased to 28.7% in the third quarter 2008 from 33.8% in the third quarter 2007. This decrease is primarily due to lower pricing on a key gastrointestinal API, higher costs, mainly associated with the start-up of the finishing facility at the Milan facility, and unfavorable product mix. Gross margins were favorably impacted 2.9% due to foreign currency exchange.

Selling, general and administrative expenses of \$8,767 or 15.5% of gross sales in the third quarter 2008 decreased from \$10,669, or 19.5% in the third quarter 2007. The decrease in expense is due mainly to lower costs as a result of the restructuring of the corporate office and cost savings at the operating sites, partially offset by a negative impact from foreign currency.

In November 2007 the Company announced that it would consolidate its United States research and development ("R&D") activities and small scale active API production into its facility in Charles City, Iowa. This consolidation was substantially completed at December 31, 2007. All costs, net of expected sublease income, related to the existing operating lease at the New Jersey R&D facility will be recorded as restructuring expenses in the income statement. During the third quarter of 2008, the Company recorded \$321 in restructuring expenses, the majority of which relates to rent at the New Jersey R&D facility. During the third quarter 2007 the Company recorded \$451 in restructuring expenses primarily consisting of severance and retention bonuses related to the restructuring of the corporate office.

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### RESULTS OF OPERATIONS (CONTINUED)

#### COMPARISON OF THIRD QUARTER 2008 VERSUS THIRD QUARTER 2007 (CONTINUED)

Strategic alternative costs for the third quarter 2008 were \$833, primarily consisting of costs associated with a project to streamline the Company's legal structure. Strategic alternative costs for the third quarter 2007 were \$866, consisting of change-in-control benefits, retention bonuses, costs associated with the modification of employee stock options due to the payment of the special dividend in connection with the divestiture and external advisor costs.

Research and development expenses of \$1,772 were 3.1% of gross sales in the third quarter 2008, compared to \$3,062 or 5.6% of gross sales in the third quarter 2007. The decrease is primarily due to the Company's decision in 2007 to consolidate its New Jersey technical center with its R&D operations in Iowa to create increased operating efficiencies. The Company also utilized certain R&D personnel on custom development projects resulting in these costs being classified as cost of goods sold.

Operating profit in the third quarter of 2008 was \$4,542 compared to \$3,473 in the third quarter 2007. The results reflect lower operating expenses at the corporate office partially offset by lower gross margins as discussed above.

Net interest expense was \$956 in the third quarter 2008 compared to \$1,069 in the third quarter 2007. Third quarter 2008 results reflect lower interest rates partially offset by higher average debt compared to the third quarter 2007. The average interest rate on debt was 4.7% in the third quarter 2008 versus 7.3% in the third quarter 2007.

The effective tax rate for the third quarter 2008 was 9.8% compared to 247.4% in the third quarter 2007. The tax provision in the third quarter 2008 was \$304 compared to \$4,592 in the third quarter 2007. This change is due to changes in the geographic mix of pre-tax earnings, the recognition of a tax benefit in continuing operations in 2007 as a result of the sale of the businesses that comprised the Bioproducts and Biopharma segments in the first quarter of 2007, reduced tax rates in Italy, benefits due to the expiration of a statute of limitations, benefits for tax loss carrybacks, and incremental benefits of the project to streamline the Company's legal structure. 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 pre-tax income in the future within these jurisdictions where the Company maintains a valuation allowance may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

Income from continuing operations in the third quarter 2008 was \$2,797, or \$0.10 per diluted share, versus a loss of \$2,736, or \$0.09, per diluted share in the same period a year ago.

#### COMPARISON OF FIRST NINE MONTHS 2008 VERSUS FIRST NINE MONTHS 2007

Gross sales for the first nine months of 2008 of \$184,440 were \$1,620, or 0.9% higher than the first nine months of 2007. Gross sales were favorably impacted 6.3% due to exchange rates reflecting a weaker U.S. dollar in the first nine months of 2008 versus 2007. Excluding the impact of foreign currency, the main drivers were lower revenues from custom development projects, lower volumes and pricing of generic APIs, lower volumes of certain products based on the

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Company's proprietary technologies and lower sales of fine chemicals and feed additives partially offset by higher sales of controlled substances.

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### RESULTS OF OPERATIONS (CONTINUED)

#### COMPARISON OF FIRST NINE MONTHS 2008 VERSUS FIRST NINE MONTHS 2007 (CONTINUED)

The following table shows sales by geographic area for the nine months ended September 30, 2008 and 2007:

	2008 -----	2007 -----
North America	\$ 65,200	\$ 63,253
Europe	104,911	107,797
Asia	8,228	6,081
Other	6,101	5,689
	-----	-----
Total Gross Sales	\$184,440 =====	\$182,820 =====

Gross margins decreased to 31.4% in the first nine months of 2008 compared to 36.6% in the first nine months of 2007. The decrease in margins is due to lower pricing, higher costs and unfavorable product mix. Gross margins were unfavorably impacted 0.4% due to foreign currency exchange.

Selling, general and administrative expenses of \$31,511, or 17.1% of gross sales in the first nine months of 2008 decreased from \$36,572 or 20.0% in the first nine months of 2007. The decrease in expense is due mainly to lower costs as a result of the restructuring of the corporate office and lower legal fees partially offset by the acceleration of restricted stock and stock options previously awarded to the former CEO and a negative impact from foreign currency exchange. Spending at the operating sites was also lower.

In November 2007 the Company announced that it would consolidate its United States research and development ("R&D") activities and small scale API production into its facility in Charles City, Iowa. This consolidation was substantially completed at December 31, 2007. All costs, net of expected sublease income, related to the existing operating lease at the New Jersey R&D facility will be recorded as restructuring expenses in the income statement. During the first nine months of 2008, the Company recorded \$1,469 in restructuring expenses. Closure costs at the New Jersey R&D facility consists mainly of rent and related costs of \$1,174. Also included in restructuring expenses is approximately \$295 in severance and related costs related to the restructuring of the corporate office. During the first nine months of 2007 the Company recorded \$4,034 in restructuring expenses primarily consisting of severance and retention bonuses related to the restructuring of the corporate office.

Strategic alternative costs for the first nine months of 2008 were \$1,408, primarily consisting of costs associated with a project to streamline the Company's legal structure, stock option modification expense related to the payment of the special dividend and change-in-control benefits. Strategic alternative costs for the first nine months of 2007 were \$28,560, consisting of

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change-in-control benefits, retention bonuses, costs associated with the modification of employee stock options due to the payment of the special dividend in connection with the divestiture and external advisor costs.

Research and development expenses of \$5,945 or 3.2% of gross sales in the first nine months of 2008 compared to \$8,623 or 4.7% of gross sales in the first nine months of 2007. The decrease is primarily due to the Company's decision in 2007 to consolidate its New Jersey technical center with its R&D operations in Iowa to create increased operating efficiencies. The Company also utilized certain R&D personnel on custom development projects resulting in these costs being classified as cost of goods sold.

Operating profit in the first nine months of 2008 was \$17,642 compared to a loss of \$10,935 in the first nine months of 2007. The results reflect lower operating expenses, mainly from lower strategic alternative and restructuring costs partially offset by lower gross margins, as discussed above.

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### RESULTS OF OPERATIONS (CONTINUED)

#### COMPARISON OF FIRST NINE MONTHS 2008 VERSUS FIRST NINE MONTHS 2007 (CONTINUED)

Net interest expense was \$2,302 in the first nine months of 2008 compared to net interest income of \$1,341 in the first nine months of 2007 primarily reflecting higher average debt partially offset by lower interest rates. The first nine months of 2007 also includes the acceleration of unamortized origination fees related to the repayment of the credit facility of \$841. Interest income was also considerably lower in the first nine months of 2008 compared to 2007 due to interest earned on the proceeds from the sale of the businesses that comprised the Bioproducts and Biopharma segments in 2007. The average interest rate was 4.9% in the first nine months of 2008 versus 7.0% in the first nine months of 2007.

The effective tax rate for the first nine months of 2008 was 40.3% compared to -39.9% in the first nine months of 2007. The tax provision in the first nine months of 2008 was \$6,002 compared to \$4,200 in the first nine months of 2007. This change is due to changes in the geographic mix of pre-tax earnings, the recognition of a tax benefit in continuing operations in 2007 as a result of the sale of the businesses that comprised the Bioproducts and Biopharma segments in the first quarter of 2007, the reduction of tax rates in Italy, benefits due to the expiration of a statute of limitations, benefits for tax loss carrybacks, and incremental benefits of the project to streamline the Company's legal structure. 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 pre-tax income in the future within these jurisdictions where the Company maintains a valuation allowance may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

Income from continuing operations for the first nine months of 2008 was \$8,879, or \$0.31 per diluted share, versus a loss of \$14,724, or \$0.52 per diluted share, in the same period a year ago.

### LIQUIDITY AND CAPITAL RESOURCES

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Cash and cash equivalents decreased \$9,315 in the first nine months of 2008. During the first nine months of 2008, cash used in operations was \$2,902 versus \$509 in the same period a year ago. The decrease in cash flows from operations in the first nine months of 2008 versus the first nine months of 2007 is due primarily to the pay down of several year end accruals, including change in control payments and the Rutherford settlement, and an increase in inventories based on expected timing of shipments.

Cash flows used in investing activities in the first nine months of 2008 of \$24,192 primarily reflects capital expenditures of \$22,908 compared to \$15,007 in 2007. Part of the funds in 2008 were used for a new mid-scale Pharma manufacturing facility in Karlskoga, Sweden, an API purification facility in Milan, Italy and capital improvements to existing facilities.

Cash flows provided by financing activities in the first nine months of 2008 of \$19,428 primarily represent net borrowings of \$19,461. In the first nine months of 2007 financing activities include a 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.

During the first nine months of 2007, the Company paid cash dividends of \$14.03 per share, of which \$14.00 was a special dividend.

The Company believes that cash flows from operations along with funds available from a revolving line of credit will be adequate to meet the operational and debt servicing needs of the Company, but no assurances can be given that this will continue to be the case, especially in light of the recent unprecedented volatility in worldwide credit markets.

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### IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

#### Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157 "Fair Value Measurements" ("FAS 157"). This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Relative to FAS 157, the FASB issued FASB Staff Position 157-2, which defers the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The effect of adopting this pronouncement (related to financial assets and financial liabilities) did not have a material impact on the Company's financial position or results of operations. The Company is currently evaluating the potential impact of this statement (related to nonfinancial assets and nonfinancial liabilities).

#### Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

The Company adopted FASB Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB

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Statements No. 87, 88, 106 and 132(R) ("FAS 158") for the year ended December 31, 2006. FAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement does not impact the amounts recognized in the income statement.

FAS 158 also requires an employer to measure the funded status of a plan as of the date of the fiscal year end balance sheet. The Company's pension plans and postretirement benefits plan previously had a September 30 measurement date. The Company will adopt this measurement requirement effective December 31, 2008. The effect of adopting this pronouncement will not have a material impact on the Company's financial position or results of operations.

### Fair Value Option for Financial Assets and Financial Liabilities

The Company adopted FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities--Including an amendment of FASB Statement No. 115" ("FAS 159") effective January 1, 2008. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings at each subsequent reporting date. The effect of adopting this pronouncement did not have a material impact on the Company's financial position or results of operations.

### Amendment of FAS 141

In December 2007, the FASB issued FASB Statement No. 141 (Revised 2007), "Business Combinations" ("FAS 141R"). Under FAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with limited exceptions. FAS 141R will change the accounting treatment for certain specific items, including:

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### IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- acquisition costs will generally be expensed as incurred;
- noncontrolling interests will be valued at fair value at the acquisition date;
- acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date until the completion or abandonment of the associated research and development efforts;
- restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

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FAS 141R also includes a substantial number of new disclosure requirements. FAS 141R applies prospectively to business combinations (except for income taxes which applies to prior as well as future acquisitions) for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, the Company will adopt this statement on January 1, 2009.

### Amendment of FAS 133

In March 2008, the FASB issued FASB Statement No. 161 "Disclosures about Derivative Instruments and Hedging Activities--an amendment of FASB Statement No. 133" ("FAS 161"). This statement requires enhanced disclosures about derivative and hedging activities and thereby improves the transparency of financial reporting. FAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. This statement is effective for fiscal years beginning after November 15, 2008. The effect of adopting this pronouncement will not have an impact on the Company's financial position or results of operations.

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### 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 are used in connection with any discussion of future financial and 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 and 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, uncollectible 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, the Company cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, 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 are cautioned to review the Cambrex 2007 Annual Report on Form 10-K, including the Forward-Looking Statement section therein, and other

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filings with the U.S. Securities and Exchange Commission. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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### 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 2008. 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, 2007.

### 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, 2008. 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 during the quarter ended September 30, 2008.

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### PART II - OTHER INFORMATION

#### CAMBREX CORPORATION AND SUBSIDIARIES

##### ITEM 1. LEGAL PROCEEDINGS

See the discussion under Part I, Item 1, Note 11 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 2008. 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, 2007.

##### 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.

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#### 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

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

Dated: November 5, 2008

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