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CAMBREX CORP
Form 10-Q
August 06, 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 June 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
(Do not check if a smaller reporting company)

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 .

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As of July 31, 2008, there were 29,164,020 shares outstanding of the registrant's Common Stock, \$.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

FORM 10-Q

For The Quarter Ended June 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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	JUNE 30, 2008	DECEMBER 31, 2007
	----- (UNAUDITED)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,336	\$ 38,488
Trade receivables, net	37,854	45,003
Inventories, net	76,526	61,440
Prepaid expenses and other current assets	19,930	20,104
	-----	-----
Total current assets	158,646	165,035
Property, plant and equipment, net	184,982	165,657
Goodwill	39,036	35,552
Other non-current assets	6,308	7,218
	-----	-----
Total assets	\$388,972	\$373,462
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,309	\$ 26,185
Accrued expense and other current liabilities	53,374	69,702
	-----	-----
Total current liabilities	77,683	95,887
Long-term debt	115,700	101,600
Deferred income tax	20,737	19,086
Accrued pension and postretirement benefits	31,613	32,104
Other non-current liabilities	20,295	22,728
	-----	-----
Total liabilities	266,028	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	99,635	98,793
Retained earnings	10,113	4,031
Treasury stock, at cost, 2,301,802 and 2,385,066 shares at respective dates	(19,674)	(20,386)
Accumulated other comprehensive income	29,730	16,479
	-----	-----
Total stockholders' equity	122,944	102,057
	-----	-----
Total liabilities and stockholders' equity	\$388,972	\$373,462
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per-share data)

THREE MONTHS ENDED
JUNE 30,

SIX MONTHS END
JUNE 30,

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	2008	2007	2008	2007
Gross sales	\$66,226	\$63,081	\$127,932	\$128,932
Allowances and rebates	553	184	944	944
Net sales	65,673	62,897	126,988	127,988
Other revenues	140	(42)	(185)	(185)
Net revenues	65,813	62,855	126,803	128,003
Cost of goods sold	46,002	38,917	85,063	79,063
Gross profit	19,811	23,938	41,740	48,940
Operating expenses:				
Selling, general and administrative expenses	11,410	10,556	22,744	25,744
Research and development expenses	1,917	2,961	4,173	5,173
Restructuring expenses	514	1,901	1,148	3,148
Strategic alternative costs	398	4,564	575	27,564
Total operating expenses	14,239	19,982	28,640	62,640
Operating profit/(loss)	5,572	3,956	13,100	(14,640)
Other expenses/(income):				
Interest expense/(income), net	640	(871)	1,346	(2,871)
Other expenses/(income), net	99	401	(26)	401
Income/(loss) before income taxes	4,833	4,426	11,780	(12,870)
Provision/(benefit) for income taxes	2,997	1,971	5,698	(1,971)
Income/(loss) from continuing operations	\$ 1,836	\$ 2,455	\$ 6,082	\$ (11,901)
(Loss)/income from discontinued operations, net of tax	--	(181)	--	219
Net income	\$ 1,836	\$ 2,274	\$ 6,082	\$207,219
Basic earnings per share:				
Income/(loss) from continuing operations	\$ 0.06	\$ 0.09	\$ 0.21	\$ (0.09)
(Loss)/income from discontinued operations, net of tax	\$ --	\$ (0.01)	\$ --	\$ 0.01
Net income	\$ 0.06	\$ 0.08	\$ 0.21	\$ 0.10
Diluted earnings per share:				
Income/(loss) from continuing operations	\$ 0.06	\$ 0.08	\$ 0.21	\$ (0.09)
(Loss)/income from discontinued operations, net of tax	\$ --	\$ 0.00	\$ --	\$ 0.01
Net income	\$ 0.06	\$ 0.08	\$ 0.21	\$ 0.10
Weighted average shares outstanding:				
Basic	29,090	28,711	29,063	28,711
Effect of dilutive stock based compensation	11	238	49	238
Diluted	29,101	28,949	29,112	28,949
Cash dividends paid per share	\$ --	\$ 14.00	\$ --	\$ 14.00

See accompanying notes to unaudited consolidated financial statements.

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(unaudited)
(in thousands)

	SIX MONTHS ENDED JUNE 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 6,082	\$ 207,490
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	10,432	9,645
Write-off of debt origination fees	--	841
Strategic alternative and restructuring charges	232	21,862
Stock based compensation included in net income	1,287	4,589
Deferred income tax provision	683	6,991
Allowance for doubtful accounts	86	(29)
Inventory reserve	1,476	2,165
(Loss) / gain on sale of assets	(99)	235
Changes in assets and liabilities:		
Trade receivables	8,844	9,041
Inventories	(13,171)	(7,807)
Prepaid expenses and other current assets	(3,801)	692
Accounts payable and other current liabilities	(21,329)	(9,961)
Other non-current assets and liabilities	(2,656)	(599)
Discontinued operations:		
Gain on sale of businesses	--	(235,607)
Rutherford settlement, net of tax	--	4,007
Changes in operating assets and liabilities	--	(5,310)
Other non-cash charges	--	1,359
Net cash (used) in / provided by operating activities	(11,934)	9,604
Cash flows from investing activities:		
Capital expenditures	(16,460)	(11,774)
Other investing activities	--	(15)
Acquisition of business, net of cash	(1,264)	--
Discontinued operations:		
Capital expenditures	--	(530)
Proceeds from sale of business	--	463,914
Other investing activities	--	11
Net cash (used) in / provided by investing activities	(17,724)	451,606
Cash flows from financing activities:		
Dividends	--	(402,200)
Net decrease in short-term debt	(33)	(135)
Long-term debt activity (including current portion):		
Borrowings	39,100	127,200
Repayments	(25,011)	(200,222)
Proceeds from stock options exercised	18	20,947
Other financing activities	(50)	(59)
Discontinued operations:		
Debt repayments	--	(254)
Net cash provided by / (used) in financing activities	14,024	(454,723)
Effect of exchange rate changes on cash and cash equivalents	1,482	1,000

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Net (decrease) / increase in cash and cash equivalents	(14,152)	7,487
Cash and cash equivalents at beginning of period	38,488	33,746
	-----	-----
Cash and cash equivalents at end of period	\$ 24,336	\$ 41,233
	=====	=====

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 six months ended June 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 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

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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.

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

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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)

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;
- acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the

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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 June 30, 2008, the Company had seven active stock-based employee compensation plans in effect. The Company also had outstanding at June 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 three and six months ended June 30, 2008 was \$1.88. The weighted-average fair value per share for the stock options granted to employees during the three and six months ended June 30, 2007 was \$8.30.

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 June 30, 2008, the total

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compensation cost related to unvested stock option awards granted to employees but not yet recognized was \$1,067. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 3.5 years.

For the three months ended June 30, 2008 and 2007, the Company recorded \$229 and \$23, respectively, in selling, general and administrative expenses for stock options, which includes \$136 for the acceleration of stock options previously awarded to the former CEO. In addition, for the three months ended June 30, 2008 and 2007, the Company recorded \$9 and \$20, respectively, in restructuring expenses for stock options related to the reduction in workforce. For the six months ended June 30, 2008 and 2007, the Company recorded \$305 and \$96, respectively, in selling, general and administrative expenses from stock options, which includes \$136 for the acceleration of stock options previously awarded to the former CEO. In addition, for the six months ended June 30, 2008 and 2007, the Company recorded \$9 and \$37 in restructuring expenses for stock options related to the reduction in workforce. The Company recorded \$198, in the first six months of 2007, in strategic alternative costs for stock options related to the change in control agreements.

For the three and six months ended June 30, 2008, the Company recorded \$26 and \$53, 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 six months ended June 30, 2007, the Company recorded \$2,417 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 June 30, 2008, the total compensation cost related to unvested stock option awards that were modified but not yet recognized was \$220. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.1 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 June 30, 2008 and 2007, the Company recorded \$705 and \$92, respectively, in selling, general and administrative expenses for restricted stock awarded to Cambrex's Board of Directors, senior executives and certain employees, which includes \$461 for the acceleration of restricted stock previously awarded to the former CEO. In addition, the Company recorded \$7 in restructuring expenses in the three months ended June 30, 2008 and \$140 and \$65 in strategic alternative costs and restructuring expenses, respectively, in the three months ended June 30, 2007. For the six months ended June 30, 2008 and 2007, the Company recorded \$913 and \$263, respectively, in selling, general and administrative expenses for restricted stock, which includes \$461 for the acceleration of restricted stock previously awarded to the former CEO. In addition, the Company recorded \$7 in restructuring expenses in the six months ended June 30, 2008 and \$1,443 and \$135 in strategic alternative costs and restructuring expenses, respectively, in the first six months of 2007, primarily for the acceleration of vesting related to restricted stock per the terms of the executive change in control agreements. As of June 30, 2008 the total compensation cost related to unvested restricted stock granted but not yet recognized was \$1,297. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 1.9 years.

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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, 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
Exercisable at June 30, 2008	1,157,587	\$21.01

The aggregate intrinsic value for all stock options exercised for the three and six months ended June 30, 2008 was \$4. The aggregate intrinsic value for all stock options exercised during the three and six months ended June 30, 2007 were \$956 and \$2,552, respectively. The aggregate intrinsic value for all stock options outstanding as of June 30, 2008 was \$114. The aggregate intrinsic value for all stock options exercisable as of June 30, 2008 was \$38.

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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 June 30, 2008 and changes during the three and six months ended June 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
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

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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

(4) GOODWILL

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

Balance as of January 1, 2008	\$35,552
Acquisition of business	1,440
Translation effect	2,044
Balance as of June 30, 2008	----- \$39,036 =====

(5) INCOME TAXES

The Company recorded tax expense of \$2,997 and \$5,698 in the three and six months ended June 30, 2008, respectively, compared to tax expense of \$1,971 and a benefit of \$392 in the three and six months ended June 30, 2007, 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 businesses that comprised the Bioproducts and Biopharma segments in February 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 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.

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

(5) INCOME TAXES (CONTINUED)

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 June 30, 2008 of \$4,975, if recognized, would affect

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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.

In the next twelve months the Company may decrease its reserve for unrecognized tax benefits for intercompany transactions by approximately \$450 mainly due to the expiration of a statute of limitation period. Additionally, it will decrease this reserve by approximately \$937 due to the expiration of a statute of limitation period. These items would impact the income tax provision. Gross interest and penalties of \$467 related to the above unrecognized tax benefits are not included in the balance. Consistent with prior periods, the Company recognized interest and penalties within its income tax provision.

In 2007, the Company finalized an IRS examination for the period 2001-2003. Although not currently under investigation by the IRS, the Company is subject to examination for the years 2004 through 2007. It 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 2004 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 June 30, 2008 and December 31, 2007 consist of the following:

	June 30, 2008	December 31, 2007
	-----	-----
Finished goods	\$32,115	\$25,646
Work in process	27,779	21,301
Raw materials	12,842	11,058
Supplies	3,790	3,435
	-----	-----
Total	\$76,526	\$61,440
	=====	=====

(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

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

(7) LONG-TERM DEBT (CONTINUED)

interest coverage and leverage ratios. The Company was in compliance with all financial covenants at June 30, 2008. As of June 30, 2008 and December 31, 2007 there was \$115,700 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 six months ended June 30, 2008 were \$398 and \$575, respectively, primarily consisting of costs associated with a project to streamline the Company's legal structure. Strategic alternative costs for the three and six months ended June 30, 2007 were \$4,564 and \$27,694, 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 June 30, 2008 and 2007, the Company recognized expense of \$177 and \$1,901, respectively. For the six months ended June 30, 2008 and 2007, the Company recognized expense of \$250 and \$3,583, respectively. The majority of these expenses will be paid in cash.

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

		2008 Activity		
December 31, 2007 Reserve Balance	Expense	Cash Payments	June 30, 2008 Reserve Balance	
-----	-----	-----	-----	
Employee termination costs	\$812	\$233	\$ (776)	\$269
	----	----	----	----
	\$812	\$233	\$ (776)	\$269
	====	====	=====	====

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 June 30, 2008 an additional charge of \$337 was recognized consisting of \$285 in rent and related costs and \$52 in relocation and closure costs. For the six months ended June 30, 2008 an additional charge of \$898 was recognized and consists of \$596 in rent and related costs, severance of \$115 and relocation and closure costs of \$187. 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 June 30, 2008:

	Decmeber 31, 2007 Reserve Balance	2008 Activity		June 30, 2008 Reserve Balance
		Expense	Cash Payments	
Employee termination costs	\$ 356	\$115	\$(421)	\$ 50
Present value of lease payments	998	4	(189)	813
	-----	----	----	----
	\$1,354	\$119	\$(610)	\$863
	=====	====	=====	=====

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(9) COMPREHENSIVE INCOME

The following table shows the components of comprehensive income for the three and six months ended June 30, 2008 and 2007:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income	\$1,836	\$2,274	\$ 6,082	\$207,49
Foreign currency translation	(805)	2,966	13,004	3,19
Reclassification adjustment for gain on disposition of business on foreign currency translation included in net income	--	--	--	(48
Unrealized gain/(loss) on hedging contracts, net of tax	1,750	(122)	(18)	(4
Unrealized gain/(loss) on available-for-sale securities	--	5	--	(44
Reclassification adjustment for net realized loss/(gain) on available-for-sale securities included in net income	--	64	--	(67
Pension, net of tax	133	193	265	59
Reclassification adjustment for loss on disposition of business - pension, included in net income	--	--	--	1,32
Total	\$2,914	\$5,380	\$19,333	\$210,95

In the six months ended June 30, 2007 the Company sold two 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 \$670 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 six months ended June 30, 2008 and 2007 are as follows:

Three months

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	ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ --	\$ 222	\$ --	\$ 557
Interest cost	878	900	1,756	1,798
Expected return on plan assets	(1,021)	(937)	(2,042)	(1,858)
Amortization of prior service costs	109	68	218	73
Recognized actuarial loss	24	52	48	104
Curtailments	--	77	--	414
Net periodic benefit cost	\$ (10)	\$ 382	\$ (20)	\$ 1,088

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 expects to contribute approximately \$1,354 in cash to its two U.S. defined-benefit pension plans in 2008.

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 six months ended June 30, 2008 and 2007 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$--	\$ 5	\$ --	\$ 43
Interest cost	76	75	152	149
Amortization of prior service cost	--	1	--	1
Recognized actuarial loss	1	4	2	8
Curtailments	--	4	--	15
Net periodic benefit cost	\$77	\$89	\$154	\$216

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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 SERP in 2007.

International Pension Plans

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 six months ended June 30, 2008 and 2007 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	-----	-----	-----	-----
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$137	\$111	\$274	\$222
Interest cost	218	160	436	320
Recognized actuarial loss/(gain)	33	(17)	66	(34)
Amortization of prior service cost	(2)	(2)	(4)	(4)
	-----	-----	-----	-----
Net periodic benefit cost	\$386	\$252	\$772	\$504
	=====	=====	=====	=====

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 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 six months ended June 30, 2008 and 2007 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
COMPONENTS OF NET PERIODIC BENEFIT COST				
Service cost	\$ 6	\$ 5	\$ 12	\$ 10
Interest cost	27	27	54	54
Actuarial loss recognized	14	17	28	34
Amortization of unrecognized prior service cost	(39)	(39)	(78)	(78)
	-----	-----	-----	-----
Net periodic benefit cost	\$ 8	\$ 10	\$ 16	\$ 20
	=====	=====	=====	=====

(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 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

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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 \$6,892 and \$6,905 at June 30, 2008 and December 31, 2007, respectively. The decrease in the accrual includes payments of \$263 partially offset by an adjustment to a reserve of \$134 and the impact of currency of \$116. 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. In August 2007 the NJDEP approved the Company's work plan and the additional investigation has commenced. As of June 30, 2008, the reserve was \$1,336. The results of the additional investigation may impact the remediation plan and costs.

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Additionally, there is a reserve of \$1,003 as of June 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 June 30, 2008 the Company's reserve was \$511. 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.

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

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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 June 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)

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.

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. Humphrey anticipates exposure of approximately \$315 in the coming years. The Company has increased reserves to cover Humphrey's anticipated exposure.

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,

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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.

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 June 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 an action brought by three health care insurers, 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. 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.

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

(11) CONTINGENCIES (CONTINUED)

Vitamin B-3

In May 1998, Nepera, which 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.

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

Class Action Matter

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In October 2003, the Company was notified of a securities class action lawsuit filed against Cambrex and five former 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, 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.

In late 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 has been paid by, the Company's insurance. The settlement has received final approval by the Court and a Final Judgment has been entered. Class members will have the opportunity to either object to the terms of the settlement or to opt out of the class.

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.

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

(11) CONTINGENCIES (CONTINUED)

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

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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 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 June 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 cash consideration of \$463,914, including working capital adjustments. As a result of the transaction, the Company recorded a gain of \$235,489 in 2007 and all periods presented reflect the results of these businesses as discontinued operations.

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

(12) DISCONTINUED OPERATIONS (CONTINUED)

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

	Three months ended June 30, 2007	Six months ended June 30, 2007
	-----	-----
Revenues	\$ --	\$ 20,335
	=====	=====
Pre-tax income from operations of discontinued operations	\$ --	\$ 545
Gain on sale of Bioproducts and Biopharma segments	3,491	235,607
Rutherford litigation settlement	(4,602)	(4,602)
	-----	-----
(Loss)/income from discontinued operations		

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before income taxes	\$ (1,111)	\$ 231,550
(Benefit)/provision for income taxes	(930)	12,072
	-----	-----
(Loss)/income from discontinued operations, net of tax	\$ (181)	\$ 219,478
	=====	=====

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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 second quarter of 2008:

- Cambrex appointed Steven M. Klosk as President and CEO.
- Sales increased 5% (-2.6% excluding foreign currency impact) compared to second quarter 2007.

RESULTS OF OPERATIONS

COMPARISON OF SECOND QUARTER 2008 VERSUS SECOND QUARTER 2007

Gross sales in the second quarter 2008 of \$66,226 were \$3,145 or 5.0% above the second quarter 2007. Gross sales were favorably impacted 7.6% due to exchange rates reflecting a weaker U.S. dollar. Excluding the currency impact, sales decreased 2.6% and is primarily due to lower sales of generic active pharmaceutical ingredients ("APIs") partially offset by higher custom manufacturing revenues. Custom development revenues were flat compared to the prior year. Increased custom manufacturing volumes were partially offset by lower pricing.

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

	2008	2007
	-----	-----
North America	\$24,449	\$22,829
Europe	37,146	36,010
Asia	3,616	2,499
Other	1,015	1,743
	-----	-----
Total Gross Sales	\$66,226	\$63,081
	=====	=====

Gross margins decreased to 29.9% in the second quarter 2008 from 37.9% in the second quarter 2007. This decrease is primarily due to unfavorable product mix, lower pricing on a key gastrointestinal API and higher costs, mainly

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associated with the start-up of the finishing facility at the Milan facility. Gross margins were unfavorably impacted 1.2% due to foreign currency exchange.

Selling, general and administrative expenses of \$11,410 or 17.2% of gross sales in the second quarter 2008 increased from \$10,556, or 16.7% in the second quarter 2007. The increase in expense is due mainly to the acceleration of restricted stock and stock options previously awarded to the former CEO and an unfavorable impact from foreign currency exchange. Spending at the operating sites was relatively flat, net of the impact of 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 pharmaceutical ingredient ("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 second quarter of 2008, the Company recorded \$514 in restructuring expenses. This charge consists of \$285 in rent and

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF SECOND QUARTER 2008 VERSUS SECOND QUARTER 2007 (CONTINUED)

related costs, and \$52 in relocation and closure costs at the New Jersey R&D facility. Also included in restructuring expenses is \$177 in severance and related costs related to the restructuring of the corporate headquarters. During the second quarter of 2007 the Company recorded \$1,901 in restructuring expenses primarily consisting of severance and retention bonuses related to the restructuring of the corporate headquarters.

Strategic alternative costs for the three months ended June 30, 2008 were \$398, primarily consisting of costs associated with a project to streamline the Company's legal structure. Strategic alternative costs for the three months ended June 30, 2007 were \$4,564, 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 \$1,917 were 2.9% of gross sales in the second quarter 2008, compared to \$2,961 or 4.7% of gross sales in the second 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 second quarter of 2008 was \$5,572 compared to \$3,956 in the second quarter of 2007. The results reflect lower operating expenses due to lower strategic alternative costs and restructuring expenses partially offset by lower gross margins as discussed above.

Net interest expense was \$640 in the second quarter of 2008 compared to net interest income of \$871 in the second quarter of 2007. These results primarily reflect considerably higher interest income in the second quarter of 2007 compared to 2008 due to interest earned on the proceeds from the sale of the businesses that comprised the Bioproducts and Biopharma segments. Second quarter of 2008 results also reflect higher average debt partially offset by lower

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interest rates compared to the second quarter of 2007. The average interest rate on debt was 4.2% in the second quarter of 2008 versus 7.5% in the second quarter of 2007.

The effective tax rate for the second quarter 2008 was 62.0% compared to 44.5% in the second quarter 2007. The tax provision in the second quarter 2008 was \$2,997 compared to \$1,971 in the second quarter of 2007. This change is due to changes in the 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 businesses that comprised 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 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 second quarter of 2008 was \$1,836, or \$0.06 per diluted share, versus \$2,455, or \$0.08, per diluted share in the same period a year ago.

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST SIX MONTHS 2008 VERSUS FIRST SIX MONTHS 2007

Gross sales for the first six months of 2008 of \$127,932 were relatively flat compared to the first six months of 2007. Gross sales were favorably impacted 6.9% due to exchange rates reflecting a weaker U.S. dollar in the first six months of 2008 versus 2007. Excluding the impact of foreign currency, the main drivers were lower sales of generic APIs and lower sales of a gastrointestinal API.

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

	2008	2007
	-----	-----
North America	\$ 45,735	\$ 45,302
Europe	71,882	74,577
Asia	7,187	4,506
Other	3,128	3,693
	-----	-----
Total Gross Sales	\$127,932	\$128,078
	=====	=====

Gross margins decreased to 32.6% in the first six months of 2008 compared to 37.7% in the first six months of 2007. The decrease in margins is due to unfavorable product mix, higher costs and lower pricing. Gross margins were unfavorably impacted 1.8% due to foreign currency exchange.

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Selling, general and administrative expenses of \$22,744 or 17.8% of gross sales in the first six months of 2008 decreased from \$25,903 or 20.2% in the first six months of 2007. The decrease in expense is due primarily to lower administration expenses related to personnel costs and legal fees partially offset by the acceleration of restricted stock and stock options previously awarded to the former CEO and the impact of foreign currency exchange.

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. 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 six months of 2008, the Company recorded \$1,148 in restructuring expenses. Closure costs at the New Jersey R&D facility consists of \$596 in rent and related costs, severance of \$115 and relocation and closure costs of \$187. Also included in restructuring expenses is approximately \$250 in severance and related costs related to the restructuring of the corporate office. During the first six months of 2007 the Company recorded \$3,583 in restructuring expenses primarily consisting of severance and retention bonuses related to the restructuring of the corporate headquarters.

Strategic alternative costs for the six months ended June 30, 2008 were \$575, primarily consisting of costs associated with a project to streamline the Company's legal structure. Strategic alternative costs for the six months ended June 30, 2007 were \$27,694, 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 \$4,173 or 3.3% of gross sales in the first six months of 2008 compared to \$5,561 or 4.3% of gross sales in the first six 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.

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST SIX MONTHS 2008 VERSUS FIRST SIX MONTHS 2007 (CONTINUED)

Operating profit in the first six months of 2008 was \$13,100 compared to a loss of \$14,408 in the first six 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.

Net interest expense was \$1,346 in the first six months of 2008 compared to net interest income of \$2,410 in the first six months of 2007 primarily reflecting higher average debt partially offset by lower interest rates. The first six 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 six 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 4.7% in the first six months of 2008 versus 6.8% in the first six months of 2007.

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The effective tax rate for the first six months of 2008 was 48.4% compared to 3.2% in the first six months of 2007. The tax provision in the first six months of 2008 was \$5,698 compared to a benefit of \$392 in the first six months of 2007. This change is due to the geographic mix of pre-tax earnings, as well as the recognition of a tax benefit in continuing operations for the first six months of 2007 as a result of the sale of the businesses that comprised 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 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 six months of 2008 was \$6,082, or \$0.21 per diluted share, versus a loss of \$11,988, or \$0.42 per diluted share, in the same period a year ago.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased \$14,152 in the first six months of 2008. During the first six months of 2008, cash used in operations was \$11,934 versus cash provided by operations of \$9,604 in the same period a year ago. The decrease in cash flows from operations in the first six months of 2008 versus the first six 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 six months of 2008 of \$17,724 primarily reflects capital expenditures of \$16,460 compared to \$11,774 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 six months of 2008 of \$14,024 primarily represents net borrowings of \$14,056. In the first six months of 2007 financing activities include a net pay down of debt of \$73,157 and dividends paid of \$402,200 partially offset by proceeds from stock options exercised of \$20,947.

During the first six months of 2007, the Company paid cash dividends of \$14.03 per share.

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

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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 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:

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;

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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.

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.

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

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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 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 six 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 June 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

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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 June 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 six 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 10.12 - Supplemental Executive Retirement Plan Change of Control Amendment
2. Exhibit 10.49 - Directors' Equity Program
3. Exhibit 31.1 - CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
4. Exhibit 31.2 - CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
5. Exhibit 32.1 - CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
6. 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

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

Dated: August 6, 2008