CAMBREX CORP
Form 10-K
February 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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	22 2476135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Meadowlands Plaza,	
East Rutherford, New Jersey	07073
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: (None)

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes . No .

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No .

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

The aggregate market value of the voting and non-voting common equity held by non affiliates of the registrant was approximately $620,956,613 as of June 30, 2014.

As of January 30, 2015, there were 31,098,306 shares outstanding of the registrant's Common Stock, $.10 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive Proxy Statement for the 2015 Annual Meeting are incorporated by reference into Part III of this Report.

CAMBREX CORPORATION AND SUBSIDIARIES

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For the Year Ended December 31, 2014

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Forward-Looking Statements

This document contains and incorporates by reference forward-looking statements including statements regarding expected performance, including, but not limited to, the Company's belief that cash flows from operations, along with funds available from the revolving line of credit, will be adequate to meet the operational and debt servicing needs of the Company, as well as other statements relating to expectations with respect to sales, the timing of orders, research and development expenditures, earnings per share, capital expenditures, the outcome of pending litigation (including environmental proceedings and remediation investigations) and related estimates of potential liability, acquisitions, divestitures, collaborations or other expansion opportunities. These statements may be identified by the fact that they use words such as "may," "will," "could," "should," "would," "expect," "anticipate," "intend," "estimate," "believe" or similar 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. The factors described in Item 1A of Part I of this Annual Report on Form 10-K, captioned "Risk Factors," or otherwise described in the Company's filings with the Securities and Exchange Commission, provide examples of such risks and uncertainties that may cause the Company's actual results to differ materially from the expectations the Company describes in its forward-looking statements, including, but not limited to, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and regulations (particularly environmental issues), tax rates, interest rates, technology, manufacturing and legal issues, including the outcome of outstanding litigation, changes in foreign exchange rates, uncollectible receivables, the timing of orders, 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 continued demand in the U.S. for late stage clinical products or the successful outcome of the Company's investment in new products.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management as of the date of this report. The Company cautions investors not to place significant reliance on expectations regarding future results, levels of activity, performance, achievements or other forward-looking statements. The information contained in this Annual Report on Form 10-K is provided by the Company as of the date hereof, and, unless required by law, the Company does not undertake and specifically disclaims any obligation to update these forward-looking statements contained in this Annual Report on Form 10-K as a result of new information, future events or otherwise.

PART I

Item 1 Business.

General

Cambrex Corporation (the "Company" or "Cambrex"), a Delaware corporation, began business in December 1981. Cambrex is a life sciences company that provides products and services that accelerate and improve the development and commercialization of new and generic therapeutics. The Company primarily supplies its products and services worldwide to innovator and generic pharmaceutical companies. The Company's overall strategy is to: grow its portfolio of custom development projects, especially those in the later stages of the clinical trial process; secure long-term supply agreements to produce active pharmaceutical ingredients ("APIs") and intermediates for newly approved drug products; expand sales of products and projects based on its proprietary technologies; and partner with generic drug companies to grow the Company's extensive portfolio of generic APIs. The Company's acquisition of Zenara Pharma Private Limited ("Zenara") also gives the Company the additional capability of producing final dosage form products. The Company also seeks to demonstrate excellence in regulatory compliance, environmental, health and safety, and customer service. Cambrex has three operating segments, which are manufacturing facilities that have been aggregated as one reportable segment. Zenara, the fourth facility, is not material.

(dollars in thousands, except per share data)

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The Company uses a consistent business approach:

- Niche Market Focus: The Company participates in niche markets where significant technical expertise provides a competitive advantage and market differentiation.
- Market Leadership: The Company secures leading market positions through excellent customer service, proprietary technologies, specialized capabilities and an outstanding regulatory record and leverages these capabilities across the market segments in which it participates.
- New Products and Services: The Company continues to invest in research and development ("R&D") in order to introduce innovative products and services to accelerate revenue growth, provide a competitive advantage and maintain its leading market positions.
- Operational Excellence: The Company maintains its commitment to continually improve productivity and customer service levels and maintains excellent quality and regulatory compliance systems.
- Acquisition and Licensing: The Company may drive growth in strategic business segments through the prudent acquisition of businesses, products, product lines, technologies and capabilities to enhance the Company's position in its niche markets.

Market Overview and Growth Drivers

The Company participates in markets that serve the healthcare industry. Customers include generic drug companies and companies that discover and commercialize small molecule human therapeutics using organic chemistry.

The aging western population, continued investment in healthcare research and drug development, growth in the world's developing markets, and the necessity to develop therapeutics to address unmet needs drives business growth in life sciences companies. Aging "baby boomers" in the United States, Europe and Japan may provide an enormous healthcare opportunity. This group typically has more education, a higher socio-economic level and higher demands for healthcare services than previous generations.

Demand for Cambrex products and services is dependent upon some of its customers' continuing access to financial resources to advance their R&D projects for therapeutic candidates from the laboratory to the clinic, and eventually, to the patient. Healthcare investment comes from a variety of sources. Large pharmaceutical and biotechnology companies spend billions on drug discovery and development and the Company believes billions more are spent by numerous smaller emerging pharmaceutical companies. Macro-economic conditions can have an impact on the availability of funding for the Company's customers, especially many of the smaller companies that are often dependent upon venture capital and other private sources of funding.

Cambrex assists companies in developing robust processes for the manufacture of clinical and commercial quantities. Product testing, analytical methods and quality processes are integrated into the manufacturing process. Cambrex excels in the manufacture and testing of APIs and drug substances at laboratory, clinical and commercial scale and specializes in optimizing manufacturing processes.

Demand for outsourced services from pharmaceutical companies continues to grow. Large pharmaceutical and biotechnology companies may outsource the development and manufacturing of a drug substance to manage multiple internal priorities, access new technologies or additional capacity, preserve needed capital or ensure multiple sources of supply. Many emerging pharmaceutical and generic drug companies outsource all process development and manufacturing, and many larger pharmaceutical companies have outsourced the manufacturing of drug products. With large plants and product development resources in both Europe and the U.S., and large teams of professionals with substantial experience in the development, scale-up and operation of pharmaceutical manufacturing processes, Cambrex is particularly well positioned to assist drug companies with these much needed services for APIs.

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New drugs are typically patented. When the patent expires, the drug may be manufactured and marketed in its generic form. Growth in the generic drug market is driven by the continuing stream of drug patents that will expire in the future and favorable market forces that encourage the use of generic pharmaceuticals as a more cost effective alternative to higher-priced branded drugs. In the United States, and many countries in Europe, governments and prescription benefit management companies provide incentives for generic substitution to reduce costs. Cambrex manufactures over 80 generic APIs, typically in relatively small quantities for use in niche therapeutics.

The market for human therapeutics is regulated by the Food and Drug Administration (“FDA”) in the United States and other similar regulatory agencies throughout the world. These agencies oversee and regulate the development, manufacturing and commercialization processes for APIs and regulated intermediates. Excellent regulatory and quality systems as well as extensive experience in pharmaceutical fine chemical scale-up and manufacturing are essential to serve the industry and serve as a barrier to entry for potential new competitors.

Competitors from developing markets have increased their capabilities in drug substance manufacturing and finished dosage form drugs in recent years. While overall global demand has been lifted by the rapid growth in certain developing markets, the presence of competitors within these markets, who have lower cost structures, have resulted in downward pricing pressure throughout the pharmaceutical supply chain, and especially on generic APIs and certain development services for clinical phase products. Pricing pressures, due to developing market competitors, on later stage clinical projects and supply arrangements for patented products has been limited to date, although these pressures may increase as developing markets become more acceptable as suppliers to larger pharmaceutical companies. Cambrex regularly sources R&D services, raw materials and certain intermediates from developing market companies.

Development of the Business

The discussion below provides insight into the general development of the Company’s business, including recent acquisitions.

In November 2010, the Company acquired a 51% equity stake in Zenara, a Hyderabad, India based pharmaceutical company focused on the formulation of final dosage form products. In May 2014, the Company purchased the remaining 49% interest in Zenara. The Company negotiated an accelerated purchase of the business, which was contractually required to be completed in 2016 at a price that would have been determined by the financial performance of the Zenara business. The purchase price negotiated for the 49% was $2,680. Management believed it was economically beneficial to take control of the business to accelerate the execution of the Company’s strategy for the business. Previously, Cambrex accounted for its investment in Zenara using the equity method of accounting. Zenara’s results from the purchase date through December 31, 2014 are reflected in the consolidated financial statements of the Company and were not material. See Notes 2, 4 and 8 to the Company’s consolidated financial statements for additional information.

Products

The Company uses its technical expertise in a wide range of chemical processes to meet the needs of its customers for high quality products and services for specialized applications.

The Company’s business is primarily comprised of the custom development and manufacture of pharmaceutical ingredients derived from organic chemistry. Products and services are supplied globally to innovator and generic drug companies. Products include APIs, pharmaceutical intermediates and, to a lesser extent, other fine chemicals. The Company’s acquisition of Zenara also gives the Company the additional capability of producing final dosage form products.

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The Company’s products and services are sold to a diverse group of several hundred customers, with one customer, Gilead Sciences, Inc., accounting for 24.0% of 2014 consolidated sales and 18.3% of 2013 consolidated sales. The Company’s products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 22.9% of 2014 consolidated sales. In 2013, two APIs, one an antiviral, and the other a gastrointestinal product that is sold to multiple customers, represented 18.3% and 10.0%, respectively, of consolidated sales.

The following table shows gross sales by geographic area:

	2014	2013	2012
Europe	$232,894	$210,463	$150,678
North America	117,477	86,974	105,439
Asia	12,865	13,800	12,827
Other	10,914	5,975	8,987
Total	$374,150	$317,212	$277,931

Marketing and Distribution

Marketing generally requires significant cooperative effort among a highly trained sales and marketing staff, a scientific staff that can assess the technical fit and estimate manufacturing economics, manufacturing and engineering staff to scale up the chemical process and business unit management to determine the strategic and operational fit. The process to take a client's project from the clinical trial stage to a commercial, approved therapeutic may take from two to ten years. The Company uses sales agents and independent distributors in those areas where they are deemed to be more effective or economical than direct sales efforts.

Raw Materials

The Company uses a wide array of raw materials in its businesses. For its products, the Company generally will attempt to have a primary and secondary supplier for its critical raw materials. Prices for these raw materials are generally stable, except for the petroleum-based solvents and certain other commodity materials, where prices can vary with market conditions.

Research and Development

The Company's R&D program is designed to increase the Company's competitiveness by improving its technology and developing processes for the manufacture of new products to meet customer requirements. The goals are to introduce innovative and proprietary products, improve manufacturing processes to reduce costs, improve quality and increase capacity to identify market opportunities that warrant significant technical expertise, and offer the prospects of a long-term, profitable business relationship. R&D activities are performed at all of the Company's manufacturing facilities in the United States, Europe and India. Approximately 160 employees are at least partially involved in R&D activities worldwide.

The Company spent $13,075, $10,387 and $9,544 in 2014, 2013 and 2012, respectively, on R&D efforts.

Patents and Trademarks

The Company has patent protection covering certain products, processes and services. In addition, the Company also relies on know-how and trade secrets (related to many of its manufacturing processes and techniques not generally known to other companies) for developing and maintaining its market position. The Company currently owns 14 issued patents and has 24 patent applications pending in the United States and owns 161 patents and has 109 patent applications pending in foreign countries covering various technologies. The Company seeks to protect its proprietary technology and prepares new patent applications as it develops new inventions.

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The patent rights the Company considers most significant to its business are U.S. Patent Nos. 6,828,336 and 6,586,449 and 26 foreign counterparts which relate to its nicotine polacrilex resin products and methods of manufacturing, and expire on May 28, 2022.

The Company's products and services are sold around the world under trademarks that are owned by the Company. This includes Profarmaco, which is registered around the world as a word and design mark. Rights in this trademark will exist at least as long as the Company or its majority owned subsidiaries continue to use the trademark.

The Company has entered into a worldwide perpetual license agreement with Celgene Corporation and Celgro Corporation that gives the Company the exclusive rights to certain intellectual property, including know-how and technology, relating to the development and manufacture of chirally pure bulk APIs. This intellectual property is related to amphetamine salts currently sold by the Company. Under the terms of this agreement, the Company pays no royalties or fees related to its use of this intellectual property.

Competition

The Company has numerous primary API and advanced intermediate competitors throughout Western Europe and the United States and many more competitors within various product categories the Company serves, including a growing number of competitors in Asia, Eastern Europe and other low-cost areas. The Company believes that low cost providers have had the impact of driving prices down for many products and services for which the Company competes to provide, especially within the generic API market, and the Company anticipates that it will face increased competition from these providers in the future. It is expected that regulatory compliance, product quality, pricing, and logistics will determine the extent of the long term impact of these competitors in the primary markets that the Company serves. If the Company perceives significant competitive risk and a need for technical or financial commitment, it generally attempts to negotiate long term contracts or guarantees from its customers.

Environmental and Safety Regulations and Proceedings

Certain products manufactured by the Company involve the use, storage and transportation of toxic and hazardous materials. The Company's operations are subject to extensive laws and regulations relating to the storage, handling, emission, transportation and discharge of materials into the environment and the maintenance of safe working conditions. The Company maintains environmental and industrial safety and health compliance programs and training at its plants and believes that its manufacturing operations are in compliance with all applicable safety, health and environmental laws.

Prevailing legislation tends to hold companies primarily responsible for the proper disposal of its waste even after transfer to third party waste disposal facilities. Other future developments, such as increasingly strict environmental, safety and health laws and regulations, and enforcement policies, could result in substantial costs and liabilities to the Company and could subject the Company's handling, manufacture, use, reuse or disposal of substances or pollutants at its plants to more rigorous scrutiny than at present.

Known environmental matters that may result in liabilities to the Company and the related estimates and accruals are summarized in Note 20 to the Company’s consolidated financial statements.

The Company’s policy is to comply with all legal requirements of applicable environmental, health and safety laws and regulations. The Company believes it is in compliance with such requirements and has adequate professional staff and systems in place to remain in compliance. In some cases, compliance can only be achieved by capital expenditures, and the Company made capital expenditures of $3,733, $3,554 and $3,757 in 2014, 2013 and 2012, respectively, for environmental projects. As the environmental proceedings in which the Company is involved progress from the remedial investigation and feasibility study stage to implementation of remedial measures, related capital and other expenditures may increase. The Company considers costs for environmental compliance to be a normal cost of doing business and includes such costs in pricing decisions.

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Employees

At December 31, 2014, the Company had 1,117 employees worldwide (803 of whom were from international operations) compared with 936 employees at December 31, 2013 and 891 at December 31, 2012.

Non-U.S. production, administration, scientific and technical employees are represented by various local and national unions. The Company believes its labor relations are satisfactory.

Seasonality

The Company experiences some seasonality primarily due to planned plant shutdowns by the Company and certain customers in the third quarter. Operating results for any quarter, however, are not necessarily indicative of results for any future period. In particular, as a result of various factors including, but not limited to, acquisitions, plant shutdowns, and the timing of large contract revenue streams, the Company believes that period-to-period comparisons of its operating results should not be relied upon as an indication of future performance.

Export and International Sales

Export sales from the Company's domestic operations in 2014, 2013 and 2012 amounted to $101,101, $86,850 and $32,872, respectively. Sales from international operations were $187,415, $164,010, and $168,202 in 2014, 2013 and 2012, respectively. Refer to Note 18 to the Company's consolidated financial statements.

Additional Information

Cambrex Corporation was incorporated as a Delaware corporation in 1981. The Company's principal office is located at One Meadowlands Plaza, East Rutherford, NJ 07073 and its telephone number is (201) 804-3000.

This Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q, the Company's Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on the Company's website www.cambrex.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The most recent certifications by the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to this Annual Report on Form 10-K. The Company also files with the New York Stock Exchange ("NYSE") the Annual Chief Executive Officer Certification as required by Section 303A.12.(a) of the NYSE Listed Company Manual.

The following corporate governance documents are available free of charge on the Company's website: the charters of its Audit, Regulatory Affairs, Compensation and Governance Committees, Corporate Governance Guidelines, Code of Business Conduct and Ethics and Independence Standards for Directors. These corporate governance documents are also available in print to any stockholder requesting a copy from the corporate secretary at the principal executive offices. Information contained on the website is not part of this report. The Company will also post on its website any amendments to or waivers of its Code of Business Conduct and Ethics that relate to its Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer.

Item 1A Risk Factors.

Factors That May Affect Future Results

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered, including the cautionary note under the heading "Forward-Looking Statements." If any of the following risks manifests, the Company's business, financial condition, operating results, cash flows and reputation could be materially adversely affected. The risks and uncertainties described below are not the only ones the Company faces. Additionally, risks and uncertainties not presently known to the Company or that it currently deems immaterial may also impair its business, financial condition, operating results and cash flows in the future.

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Certain of the Company's customers and suppliers comprise a significant percentage of the Company's business and the loss of one or more of these customers or suppliers could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Should any significant customer renegotiate on terms more favorable to them, or discontinue or decrease their usage of the Company's products, the loss could have a material adverse effect on the Company's financial position, results of operations and cash flow. The Company's customers routinely attempt to reduce costs, including the costs of the Company's products, as a result of macro-economic trends and various market dynamics specifically affecting the pharmaceuticals industry.

New technologies, competition or a reduction in demand for the Company's products could reduce sales.

The markets for the Company's products are competitive and price sensitive. The Company has numerous primary API and advanced intermediate competitors throughout Western Europe and the United States and many more competitors within various segments of the markets the Company serves, including a growing number of competitors in Asia, Eastern Europe and other low-cost areas. The Company's competitors may lower prices on products in the future and the Company may, in certain cases, respond by lowering its prices. Conversely, failure to anticipate and respond to price competition may adversely impact the Company's market share. Competitors may develop new technologies or products, negatively impacting the Company. Several of the Company's customers, especially those that buy its generic APIs and larger pharmaceutical companies that primarily sell patented products, have internal capabilities similar to the Company's. If one or more of these customers replace the Company's products with their own internal capabilities, demand for the Company's products may decrease. In addition, demand for the Company's products may weaken due to a reduction in R&D budgets, loss of distributors or other factors. A reduction in demand for the Company's products could impair profit margins and may have a material adverse effect on the Company's financial position, results of operations and cash flow.

The Company's failure to obtain new contracts or renew existing contracts may adversely affect its business.

The Company must continually renew existing contracts and win new contracts, which subjects the Company to potentially significant pricing pressures. In the event the Company is unable to replace these contracts timely or at all, or is forced to accept terms, including pricing terms, less favorable to the Company, the Company's revenue may not be able to be sustained or may decline. In addition, certain of the Company's long-term contracts may be cancelled or delayed by clients for any reason upon notice. Multiple cancellations, non-renewals, or renewals on less favorable terms to the Company of significant contracts could materially impact the Company's business. While the Company intends to seek to renegotiate new or extended agreements prior to expiration, if these contracts cannot be renewed or extended on terms acceptable to the Company or at all, the Company's business, results of operations and financial condition could be materially adversely affected.

Failure to obtain raw materials from third-party manufacturers could affect the Company's ability to manufacture and deliver its products.

The Company relies on third-party manufacturers to supply many of its raw materials and intermediates. In addition, the Company has a single source for supplies of some raw materials to its products. Manufacturing problems may occur with these and other outside sources. Prolonged disruptions in the supply of any of the Company's key raw materials, difficulty implementing replacement materials or new sources of supply, or a significant increase in the prices of raw materials could have a material adverse effect on the Company's operating results, financial condition or cash flows. If a supplier provides the Company raw materials or other supplies that are deficient or defective or if a supplier fails to provide the Company such materials or supplies in a timely manner, the Company may have limited ability to find appropriate substitutes or otherwise meet required specifications and deadlines. Moreover, the Company could experience inventory shortages if it is required to use an alternative supplier on short notice, which also could lead to raw materials being purchased on less favorable terms than the Company has with its regular suppliers. If such problems occur, the Company may not be able to manufacture its products profitably or on time, which could harm the Company's reputation and have a material adverse effect on the Company's business.

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Failure to obtain sufficient quota from the Drug Enforcement Administration ("DEA") could affect the Company’s ability to manufacture and deliver its products.

The starting materials used in several of the Company's products and many of the Company's finished products are controlled substances and are regulated by the DEA. Consequently, their manufacture, shipment (including import and export), storage, sale and use are subject to a high degree of regulation. In particular, the DEA limits the manufacturing and distribution of the starting materials and APIs manufactured by the Company and it must regularly apply for quota to obtain and manufacture these substances. As a result of these limitations, the Company may not be able to meet commercial demand for these substances, which could harm its relationship with customers and its reputation. If the Company’s DEA registration were revoked or suspended, or if any of the Company’s quota applications were rejected, the Company could no longer lawfully possess, manufacture or distribute controlled substances, which could have a material adverse effect on the Company’s business.

Disruptions to the Company’s or its customers’ manufacturing operations or supply chain could adversely affect its results.

Due to heavy reliance on manufacturing and related operations to produce and distribute the products the Company sells, the Company could be adversely affected by disruptions to these operations or its customers’ operations. The Company and its suppliers and customers operate in a highly regulated industry. Any violation of applicable regulations, failure to meet applicable manufacturing standards, or other actions by regulatory agencies, including, but not limited to, plant shutdowns or the removal of a product from the market that eliminate or reduce the Company’s and its customer’s sales of products could negatively impact the Company’s business and reputation. In addition, a number of factors could cause production interruptions at the Company’s facilities, including equipment malfunctions, disruptions in the supply chain, facility contamination, labor problems, raw material shortages, natural disasters, disruption in utility services, fire, terrorist activities, human error or disruptions in the operations of the Company’s suppliers. Any significant disruption to those operations for these or any other reasons could adversely affect the Company’s sales and customer relationships. Any sustained reduction in the Company’s ability to provide products would negatively impact its sales growth expectations, cash flows and profitability.

Litigation may harm the Company or otherwise negatively impact its management and financial resources.

The Company’s business is subject to the risk of litigation by employees, customers, consumers, suppliers, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. Complex or extended litigation could cause the Company to incur large expenditures and distract its management. The cost to defend current and future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Company’s products, regardless of whether the allegations are valid or whether the Company is ultimately found liable. Disputes from time to time with such companies or individuals are not uncommon, and the Company cannot be assured that it will always be able to resolve such disputes on terms favorable to the Company. As a result, litigation may adversely affect its business, financial condition and results of operations. In addition, certain contracts with our suppliers and customers contain provisions whereby the Company indemnifies, subject to certain limitations, the counterparty for damages suffered as a result of claims related to use of the Company’s products or facilities and other matters. Claims made under these provisions could be expensive to litigate and could result in significant payments.

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Refer to Note 20 to the Company’s consolidated financial statements for a discussion of the Company’s environmental and legal matters.

Incidents related to hazardous materials could adversely affect the Company.

Portions of the Company’s operations require the controlled use of hazardous materials. Although the Company designs and implements safety procedures to comply with the standards prescribed by federal, state, and local regulations, the risk of accidental contamination of property, or injury to individuals from these materials, cannot be completely eliminated. In the event of accidental contamination of property or injury to individuals caused by these materials, the Company could be liable for damages which could adversely affect its business. Additionally, any incident could shut down the Company’s operations, which could have a material adverse effect on the business and results of operations of the Company.

The Company generates waste that must be transported to approved storage, treatment and disposal facilities. The transportation and disposal of such waste are required to meet applicable state and federal statutes and regulations. The handling of such waste potentially exposes the Company to environmental liability if, in the future, it is determined that the violation of statutes or regulations occurred.

The Company is also a party to several environmental remediation investigations and activities and, along with other companies, has been named a potentially responsible party (“PRP”) for certain waste disposal sites. The Company’s estimated reserve for environmental remediation is based on information currently available to it and may be subject to material adjustment in future periods as new facts or circumstances may indicate. Moreover, despite its efforts to comply with environmental laws, the Company may face significant remediation liabilities and additional legal proceedings concerning environmental matters, which could have a material adverse effect on the Company’s business.

It is the Company’s policy to record appropriate liabilities for environmental matters where remedial efforts are probable and the costs can be reasonably estimated. Such liabilities are based on the Company’s best estimate of the undiscounted future costs required to complete the remedial work. Environmental matters often span several years and frequently involve regulatory oversight or adjudication. Additionally, many remediation requirements are fluid and are likely to be affected by future technological, site and regulatory developments. Each of these matters is subject to various uncertainties, and it is possible that some of these liabilities will be materially higher than the Company has estimated.

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 or remediation of applicable sites not owned by the Company and the Company's current and former operating sites. Reserves are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information become available. In some jurisdictions in which the Company operates, such as Hyderabad, India, environmental, health and safety regulations are still early in their development, and the Company cannot determine how these laws will be implemented and the impact of such regulation on the Company. Given the uncertainties regarding the status of laws, regulations, enforcement, policies, the impact of other PRPs, technology and information related to individual sites, the Company does not believe it is possible to currently develop an estimate of the range of reasonably possible environmental losses in excess of its reserves.

Refer to Note 20 to the Company’s consolidated financial statements for a discussion of the Company’s environmental and legal matters.

Potential product liability claims, errors and omissions claims in connection with services the Company performs and potential liability under indemnification agreements between the Company and its officers and directors could adversely affect the Company.

The Company manufactures products intended for use by the public. These activities could expose the Company to risk of liability for personal injury or death to persons using such products. The Company seeks to reduce its potential liability through measures such as contractual indemnification provisions with customers (the scope of which may vary by customer, and the performances of which are not secured) and insurance maintained by customers. The Company could be materially and adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of the indemnification agreements, if the indemnity, although applicable, is not performed in accordance with its terms or if the Company's liability exceeds the amount of applicable insurance or indemnity. In addition, the Company could be held liable for errors and omissions in connection with the services it performs. The Company currently maintains product liability and errors and omissions insurance with respect to these risks. There can be no assurance, however, that the Company's insurance coverage will be adequate or that insurance coverage will continue to be available on terms acceptable to the Company.

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The Company also indemnifies its officers and directors for certain events or occurrences while the officer or director was serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Although the Company has a director and officer insurance policy that covers a portion of any potential exposure, the Company could be materially adversely affected if it were required to pay damages or incur legal costs in connection with a claim above its insurance limits.

Any claims beyond the Company's insurance coverage limits, or that are otherwise not covered by the Company's insurance, may result in substantial costs and a reduction in its available capital resources.

The Company maintains property insurance, employer's liability insurance, product liability insurance, general liability insurance, business interruption insurance, and directors and officers liability insurance, among others. Although the Company maintains what it believes to be adequate insurance coverage, potential claims may exceed the amount of insurance coverage or may be excluded under the terms of the policy, which could cause an adverse effect on the Company's business, financial condition and results from operations. Generally, the Company would be at risk for the loss of inventory that is not within customer specifications. These amounts could be significant. In addition, in the future the Company may not be able to obtain adequate insurance coverage or the Company may be required to pay higher premiums and accept higher deductibles in order to secure adequate insurance coverage.

The Company depends on key personnel and the loss of key personnel could harm the Company's business and results of operations.

The Company depends on its ability to attract and retain qualified scientific and technical employees as well as a number of key executives. These employees may voluntarily terminate their employment with the Company at any time. There can be no assurance the Company will be able to retain key personnel, or to attract and retain additional qualified employees. The Company does not maintain key-man or similar policies covering any of its senior management or key personnel. The Company's inability to attract and retain key personnel would have a material adverse effect on the Company's business.

The Company has made significant capital investments to its facilities to meet its potential future needs and, as a result, the Company depends on the success of attracting new and retaining existing customers' projects and their continued business.

The Company has made substantial investments in all of its manufacturing facilities. With the completion of these facilities, the Company's fixed costs have increased. If the Company is not able to utilize the facilities to capacity, its margins could be adversely affected.

The Company expanded its large-scale manufacturing capacity to support expected growth in the business. There can be no assurance that sales volumes will be sufficient to ensure the economical operation of this expanded capacity, in which case, the Company's results of operations could be adversely affected.

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Global growth is subject to a number of economic risks.

A reduction in the availability of debt or equity capital could adversely affect the ability of the Company's customers to obtain financing for product development and could result in a decrease in or cancellation of orders for the Company's products as well as impact the ability of the Company's customers to make payments. 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 if this does not continue to be the case the Company's business may be materially adversely affected. There is a risk that the funds available to be drawn under the Company's revolving line of credit may not be available in the event of the failure of one or more participant banks. Significant movements in the rate of exchange between the U.S. dollar and certain currencies, primarily the euro and Swedish krona, may also adversely affect the Company's results.

If the Company acquires other businesses, it may be harmed by difficulties in integration and employee retention, unidentified liabilities of the acquired businesses, or obligations incurred in connection with financing the acquisition.

All acquisitions involve known and unknown risks that could adversely affect the Company's future revenues and operating results. For example:

- The Company may fail to successfully integrate its acquisitions in accordance with its business strategy.

- The initial rationale for the acquisition may not remain viable due to a variety of factors, including unforeseen regulatory changes and market dynamics after the acquisition, and this may result in a significant delay or reduction in the profitability of the acquisition.

- Integration of acquisitions may divert management's attention away from the Company's primary product offerings, resulting in the loss of key customers or personnel, and may expose the Company to unanticipated liabilities.

- The Company may not be able to retain the skilled employees and experienced management that may be necessary to operate the businesses it acquires. If the Company cannot retain such personnel, it may not be able to locate or hire new skilled employees and experienced management to replace them.

- The Company may purchase a business that has contingent liabilities that include, among others, known or unknown environmental, patent or product liability claims.

- The Company's acquisition strategy may require it to obtain additional debt or equity financing, resulting in additional leverage, or increased debt obligations as compared to equity, and dilution of ownership.

- The Company may purchase businesses located in jurisdictions where it does not have operations and as a result it may not be able to anticipate local regulations and the impact such regulations have on its business.

Any indemnities or warranties obtained in connection with such acquisitions may not fully cover the ultimate actual liabilities the Company incurs due to limitations in scope, amount or duration, financial limitations of the indemnitor or warrantor or other reasons.

As a result of acquiring businesses or entering into other significant transactions, the Company may experience significant charges to earnings for merger and related expenses. If the Company is not able to successfully integrate the acquired business, it may affect the Company's results of operations and the market price of its common stock. Furthermore, if the Company is unable to improve the operating margins of acquired businesses or operate them profitably, it may be unable to achieve its growth strategy.

In addition, if the Company makes one or more significant acquisitions in which the consideration includes equity shares or other securities or additional capital is raised through one or more equity financings, equity interests in Cambrex may be significantly diluted and may result in a dilution of earnings per share. If the Company makes one or more significant acquisitions in which the consideration includes cash, it may be required to use a substantial portion of its available cash or incur a significant amount of debt or otherwise arrange additional funds to complete the acquisition, which may result in reduced liquidity, a decrease in its net income and a consequential reduction in its earnings per share.

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The Company has a significant amount of debt.

The Company has a $250,000 revolving credit facility of which $60,000 was outstanding at December 31, 2014. This facility expires in November 2016. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on the credit facility, it will be in default. This current debt arrangement requires the Company to comply with specified financial ratios. The Company's ability to comply with these ratios may be affected by events beyond its control.

Even if the Company is able to meet its debt service obligations, the amount of debt it has could adversely affect the Company by limiting its ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes. It also may place the Company at a disadvantage relative to its competitors who may have lower levels of debt, while making it more vulnerable to a downturn in its business or the economy in general. It may also require the Company to use a substantial portion of its cash to pay principal and interest on its debt.

The Company's liquidity, business, financial condition, results of operations and cash flows could be materially and adversely affected if the financial institutions which hold its funds fail.

The Company has significant funds held in bank deposits, money market funds and other accounts at certain financial institutions. A significant portion of the funds held in these accounts exceed insurable limits. In the normal course of business, the Company maintains cash balances with European Union banks ranging from the equivalent of $1,000 - $10,000. The Company routinely monitors the risks associated with these institutions and diversifies its exposure by maintaining smaller balances with multiple financial institutions. If any of the financial institutions where the Company has deposited funds were to fail, the Company may lose some or all of its deposited funds. Such a loss could have a material adverse effect on the Company's liquidity, business, financial condition, results of operations and cash flows.

The Company has significant inventories on hand.

The Company maintains significant inventories and has an allowance for slow-moving and obsolete inventory. Any significant unanticipated changes in future product demand or market conditions, including obsolescence or the uncertainty in the global market, could also have an impact on the value of inventory and adversely impact the Company's results of operations.

International unrest or foreign currency fluctuations could adversely affect the Company's results.

The Company's international revenues, which include revenues from its non-U.S. subsidiaries and export sales from the U.S., represent the majority of its product revenues. The Company's operations extend to numerous countries outside of the U.S.

There are a number of significant risks arising from the Company's international business and the establishment of foreign operations, including:

- the possibility that nations or groups could boycott its products;
- inflation, foreign currency exchange rates and the impact of shifts in the U.S. and local economies on those rates;
- general economic decline or political unrest in the markets in which it operates;
- geopolitical risks, terrorism, or acts of war or hostility;

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- compliance with local laws and regulations including laws restricting the inflow of capital or cash and unexpected changes in regulatory requirements;
- the difficulties and expenses of compliance with a wide variety of foreign laws and regulations;
- longer accounts receivable cycles in certain foreign countries;
- import and export licensing requirements;
- government sanctions may reduce or eliminate the Company's ability to sell its products in certain countries; and
- the protection of the Company's intellectual property and that of its customers.

If the Company is unable to effectively manage these risks, these locations may not produce the revenues, earnings, or strategic benefits that it anticipates which could have a material adverse effect on the Company's business.

A significant portion of the Company's business is conducted in currencies other than the U.S. dollar, which is its reporting currency. The Company recognizes foreign currency gains or losses arising from its operations in the period incurred. As a result, currency fluctuations between the U.S. dollar and the currencies in which the Company does business have caused, and will continue to cause, foreign currency transaction gains and losses. The Company cannot predict the effects of exchange rate fluctuations upon its future operating results because of the number of currencies involved, the variability of currency exposures, and the potential volatility of currency exchange rates. The Company periodically engages in limited foreign exchange hedging transactions to mitigate the impact of this volatility on its operations, but its strategies are short-term in nature and may not adequately protect its operating results from the full effects of exchange rate fluctuations.

Finally, the Company operates in certain jurisdictions that have experienced governmental corruption to some degree and, in some circumstances, anti-bribery laws may conflict with some local customs and practices. As a result of the Company's policy to comply with the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, the Company may be at a competitive disadvantage to competitors that are not subject to, or do not comply with, such laws. Furthermore, while employees and agents must comply with these laws, the Company cannot be certain that internal policies and procedures will always prevent violations of these laws, despite a commitment to legal compliance and corporate ethics. Violations or mere allegations of such violations could have a material adverse effect on the Company's business and reputation.

The Company's operating results may unexpectedly fluctuate in future periods.

The Company's revenue and operating results can fluctuate on a quarterly basis. The operating results for a particular quarter may be higher or lower than expected as a result of a number of factors, including, but not limited to, the timing of contracts; the delay, cancellation or acceleration of a contract; seasonal slowdowns in different parts of the world; the timing of accounts receivable collections; pension contributions; changes in government regulations; and changes in exchange rates with the U.S. dollar. Because a high percentage of the Company's costs are relatively fixed in the short term, such as the cost of maintaining facilities and compensating employees, any one of these factors could have a significant impact on the Company's quarterly results. In some quarters, the Company's revenue and operating results may be significantly lower than or higher than the expectations of securities analysts and investors due to any of the factors described above.

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The possibility the Company will be unable to protect its technologies could affect its ability to compete.

The Company's success depends to some degree upon its ability to develop proprietary products and technologies. However, the Company cannot be assured that patents will be granted on any of its patent applications. The Company also cannot be assured that the scope of any of its issued patents will be sufficiently broad to offer meaningful protection. The Company has patents issued in selected countries; therefore, third parties can make, use, and sell products covered by its patents in any country in which the Company does not have patent protection. In addition, the Company may be involved in patent litigation in the future. Issued patents or patents the Company licenses could be successfully challenged, invalidated or circumvented so that its patent rights would not create an effective competitive barrier. Although the Company intends to defend the validity of owned patents and use all appropriate methods to prevent their infringement, such efforts are expensive and time consuming, with no assurance of success. The ability to enforce patents depends on the laws of individual countries and each country's practices regarding enforcement of intellectual property rights. The Company provides its customers the right to use its products under label licenses that are for research purposes only. These licenses could be contested, and the Company cannot be assured that it would either be aware of an unauthorized use or be able to enforce the restrictions in a cost-effective manner.

If a third party claimed an intellectual property right to technology the Company uses, the Company may need to discontinue an important product or product line, alter its products and processes, defend its right to use such technology in court or pay license fees. Although the Company may, under these circumstances, attempt to obtain a license to such intellectual property, it may not be able to do so on favorable terms, or at all. Additionally, if the Company's products are found to infringe on a third party's intellectual property, the Company may be required to pay damages for past infringement, and lose the ability to sell certain products or receive licensing revenues.

The Company also relies on trade secrets, unpatented proprietary know-how and continuing technological innovation that it seeks to protect, in part by confidentiality agreements with licensees, suppliers, employees and consultants. It is possible that these agreements will be breached and the Company will not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, Cambrex's trade secrets and proprietary technology may otherwise become known or be independently developed by its competitors or the Company may not be able to maintain the confidentiality of information relating to such products.

Information technology systems could fail to perform adequately or the Company may fail to adequately protect such systems against data corruption, cyber-based attacks, or network security breaches.

The Company utilizes information technology networks and systems to process, transmit, and store electronic information. In particular, the Company depends on information technology infrastructure to effectively manage its business data, supply chain, logistics, accounting, and other business processes and electronic communications between employees, customers and suppliers. Ineffective allocation and management of the resources necessary to build and sustain an appropriate technology infrastructure could adversely affect the Company's business. In addition, security breaches or system failures of this infrastructure can create system disruptions, shutdowns, or unauthorized disclosure of confidential information. Inability to prevent such breaches or failures, could disrupt the Company's operations or cause financial damage or loss because of lost or misappropriated information.

The Company may experience difficulties implementing its new global enterprise resource planning system.

The Company is engaged in a multi-year implementation of a new global enterprise resource planning system ("ERP"). The ERP is designed to accurately maintain the Company's books and records and provide information important to the operation of the business to the Company's management team. The Company's ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we may experience significant delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of the ERP could adversely affect the Company's ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate its business. While the Company has invested significant resources in planning and project management, significant implementation issues may arise.

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The Company could be subject to impairment charges in the future.

Under U.S. GAAP, the Company is required to evaluate goodwill for impairment at least annually. If the Company determines that the fair value is less than the carrying value, an impairment loss will be recorded in the Company's statement of operations. The determination of fair value is a highly subjective exercise and can produce significantly different results based on the assumptions used and methodologies employed. If the Company's projected long-term sales growth rate, profit margins or terminal rate are considerably lower or the assumed weighted average cost of capital is considerably higher, future testing may indicate impairment and the Company would have to record a non-cash goodwill impairment loss in its statement of operations.

Assessments by various tax authorities may be materially different than the Company has provided for and it may experience significant volatility in its annual and quarterly effective tax rate.

As a matter of course, the Company is regularly audited by federal, state, and foreign tax authorities. From time to time, these audits result in proposed assessments. In recent years, the Company utilized significant tax attributes such as domestic federal foreign tax credits to reduce U.S. cash taxes. While the Company believes that it has adequately provided for any taxes related to these items, and taxes related to all other aspects of its business, any such assessments or future settlements may be materially different than it has provided. Refer to Note 10 to the Company's consolidated financial statements for a discussion of the Company's income taxes.

The Company has deferred tax assets that it may not be able to use under certain circumstances.

If the Company is unable to generate future taxable income of sufficient amounts and type in certain jurisdictions, or if there is a significant change in tax rates or the time period within which taxable income is recognized, the Company could be required to increase its valuation allowances against its deferred tax assets resulting in an increase in its recorded tax expense and a potential adverse impact on future results.

Low investment performance by the Company's defined benefit pension plan assets or other events including changes in regulations or actuarial assumptions may increase the Company's pension expense, and may require the Company to fund a larger portion of its pension obligations, thus diverting funds from other potential uses.

The Company sponsors a defined benefit pension plan that covers certain eligible employees. The Company's pension expense and required contributions to the pension plan are directly affected by changes in interest rates, the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets, and the actuarial assumptions used to measure the defined benefit pension plan obligations. If plan assets perform below the assumed rate of return used to determine pension expense, future pension expense will increase. The proportion of pension assets to liabilities, which is called the funded status, determines the level of contribution to the plan that is required by law. Changes in the plan's funded status related to the value of assets or liabilities could increase the amount required to be funded. The Company cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase the Company's pension funding obligations, diverting funds from other potential uses.

Any significant change in government regulation of the drug development process could have a material adverse effect on the Company.

The manufacturing of pharmaceutical products is subject to extensive regulation by governmental authorities, including the FDA, the European Medicines Agency and comparable regulatory authorities in other countries. The process of obtaining regulatory approval to produce and market pharmaceutical products is rigorous, time-consuming, costly, and often unpredictable. The Company's business, as well as its customers' business depends in part on strict government regulation of the drug development process. Legislation may be introduced and enacted to modify regulations administered by the regulatory authorities and governing the drug approval process. The Company may be unable to obtain requisite regulatory approvals on a timely basis for marketing and production of products. Conversely, any significant reduction in the scope of regulatory requirements or the introduction of simplified drug approval procedures could reduce barriers to entry, increase competition, and have a material adverse effect on the Company's business.

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Failure to comply with current Good Manufacturing Practices ("cGMP") and other government regulations or delays in obtaining regulatory approval by the Company or its customers could have a material adverse effect on the Company.

All facilities and manufacturing techniques used for manufacturing products for clinical use or for commercial sale in the U.S. must be operated in conformity with cGMP regulations as required by the FDA and other comparable regulatory authorities in other countries, and for certain products, the DEA. The Company's facilities are subject to scheduled periodic regulatory and customer inspections to ensure compliance with cGMP and other requirements applicable to such products. A finding that the Company had materially violated these requirements could result in regulatory sanctions including, but not limited to, the regulatory agencies withholding approval of new drug applications or supplements and the denial of entry into the U.S., or other countries, of products manufactured at non-compliant facilities, the loss of a customer contract, the disqualification of data for client submissions to regulatory authorities and a mandated closing of the Company's facilities. Any such violations would have a material adverse effect on the Company's business. The Company's customers are typically subject to the same, or similar regulations and any such violations or other actions by regulatory agencies, including, but not limited to, plant shutdowns or product recalls that eliminate or reduce the Company's sale of its products or services could negatively impact the Company's business. In addition, the submission of new products to regulatory authorities for approval by the Company or its customers does not guarantee the approval to market the product will be granted. Each authority may impose its own requirements or delay or refuse to grant approval to the Company or customer even when the product has already been approved in another country. Regulatory authorities have required, and may require in the future, that certain scientific data requirements be performed on the Company's products and this may require additional testing. Responding to such requirements may cause delays in or the cessation of the sales of one or more products which would adversely affect profitability. The Company can provide no assurance that any testing approvals or registration will be granted on a timely basis, if at all, or that the Company's resources will be adequate to meet the costs of regulatory compliance or that the economic benefit of complying with the requirement will exceed costs.

The overall level of late-stage clinical phase projects could decline and the outsourcing trends may decline, either of which could slow the Company's growth.

The success of the Company's business depends to a certain extent on the number of clinical phase contracts and the size of the contracts that it may obtain from pharmaceutical companies. A decline in the level of clinical phase projects or a slowing of the outsourcing trend could result in a diminished growth rate in the Company's sales and adversely affect its business, financial condition and results of operations.

Item 1B Unresolved Staff Comments.

None.

Item 2 Properties.

Set forth below is information relating to manufacturing facilities owned by the Company as of December 31, 2014:

Location	Acreage	Operating Subsidiary	Primary Product Lines Manufactured
Charles City, Iowa	57 acres	Cambrex Charles City, Inc.	APIs and Pharmaceutical Intermediates
Karlskoga, Sweden	42 acres	Cambrex Karlskoga AB	APIs and Pharmaceutical Intermediates

Paullo (Milan), Italy	12 acres	Cambrex Profarmaco Milano S.r.l.	APIs and Pharmaceutical Intermediates
Hyderabad, India	2 acres	Zenara Pharma Private Limited	Final Dosage Form Products

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The Company leases 10,000 square feet in Tallinn, Estonia which has a lease term ending in April 2024 and leases 6,000 square feet in Wiesbaden, Germany which has a lease term ending in December 2015. The Company believes its operating facilities to be in good condition, well-maintained and adequate for its current needs.

The Company's corporate headquarters are located in East Rutherford, N.J.

Item 3 Legal Proceedings.

See "Environmental and Safety Regulations and Proceedings" under Item 1 and Note 20 to the Company's consolidated financial statements with respect to various proceedings involving the Company in connection with environmental matters. The Company is party to a number of other proceedings also discussed in Note 20 to the Company's consolidated financial statements.

Item 4 Mine Safety Disclosures.

None.

PART II

Item 5 Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock, $0.10 par value, is listed on the NYSE under the symbol CBM. The following table sets forth the closing high and low sales price of the common stock as reported on the NYSE:

2014	High	Low
First Quarter	$22.18	$16.25
Second Quarter	22.14	17.55
Third Quarter	22.67	18.68
Fourth Quarter	24.12	16.33

2013	High	Low
First Quarter	$12.79	$11.27
Second Quarter	14.76	11.78
Third Quarter	15.55	12.76
Fourth Quarter	19.50	13.16

As of January 30, 2015, the Company estimates that there were approximately 6,915 beneficial holders of the outstanding common stock of the Company.

The Company does not anticipate paying cash dividends in the foreseeable future.

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2014 Equity Compensation Table

The following table provides information as of December 31, 2014 with respect to shares of common stock that may be issued under the Company's existing equity compensation plans.

	Column (a)	Column (b)	Column (c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,026,172	$ 12.24	640,331
Equity compensation plans not approved by security holders	44,500	$ 4.57	-
Total	2,070,672		640,331

The material features of the equity compensation plan under which equity securities are authorized for issuance that was adopted without stockholder approval are described below:

2000 Employee Performance Stock Option Plan

The 2000 Employee Stock Option Plan (the "2000 Plan") was used to fund awards for Non-Executive Employees of the Company. The 2000 Plan is administered by the Compensation Committee of the Board of Directors, and that Committee may delegate responsibilities to others to assist in administering the 2000 Plan. The total number of shares of common stock which may be issued on exercise of stock options shall not exceed 500,000 shares, subject to adjustment in accordance with the 2000 Plan. No participant shall be granted options to purchase more than 100,000 shares of common stock in any twelve month period. The options were priced at fair market value on the date of grant and expire up to 10 years after the date of grant. If the employment of a participant terminates, other than as a result of death, disability or retirement, all unexercised awards shall be cancelled. In the event of death, disability or retirement, the options will expire one year from the date of the event. As of December 31, 2014 there were no shares remaining for future issuance under this plan.

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Comparison of Five-Year Cumulative Total Returns

The comparative stock performance graph below compares the five-year cumulative total stockholder return (assuming reinvestment of dividends, if any) from investing $100 on December 31, 2009, to the close of the last trading day of 2014, in each of (i) Cambrex common stock, (ii) the S&P 500 Index and (iii) an index of the Company's peer group. The stock price performance reflected in the graph below is not necessarily indicative of future price performance.

The Company's commercial activities are focused on manufacturing and marketing to customers concentrated in the Life Sciences Industry (including pharmaceutical chemicals and intermediates). Although the Company's products are diverse, the Company believes that an index of its peer group based on its GICS code is a reasonable comparison group for the commercial activities on which it currently focuses. The peer group is for S&P GICS code 352030, Life Sciences Tools & Services, and is comprised of 54 companies as of December 31, 2014.

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Item 6 Selected Financial Data.

The following selected consolidated financial data of the Company for each of the five years in the period through December 31, 2014 are derived from the audited financial statements. The consolidated financial statements of the Company as of December 31, 2014 and 2013 and for each of the years in the three year period ended December 31, 2014 and the reports of the independent registered public accounting firm are included elsewhere in this annual report. The data presented below should be read in conjunction with the financial statements of the Company, the notes to the financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere.

	Years Ended December 31,				
	2014(1)	2013(2)	2012(3)	2011(4)	2010(5)
INCOME DATA:					
Gross sales	$374,150	$317,212	$277,931	$254,475	$226,436
Net revenues	374,613	318,176	276,501	255,653	226,992
Gross profit	123,798	102,904	90,487	74,084	66,866
Selling, general and administrative expenses	52,489	47,568	45,248	39,227	34,024
Research and development expenses	13,075	10,387	9,544	11,037	10,305
Restructuring expenses	-	-	-	-	1,293
Merger and acquisition expenses	-	-	-	-	997
Loss on voluntary pension settlement	7,170	-	-	-	-
Gain on sale of asset	(1,234)	(4,680)	-	-	-
Operating profit	52,298	49,629	35,695	23,820	20,247
Interest expense, net	2,174	2,242	2,439	2,373	4,391
Equity in losses of partially-owned affiliates	4,623	2,262	1,766	1,621	286
Other (income)/expenses, net	(5)	118	122	(111)	596
Income before income taxes	45,506	45,007	31,368	19,937	14,974
(Benefit)/provision for income taxes	(12,627)	14,732	(31,861)	6,202	5,665
Income from continuing operations	58,133	30,275	63,229	13,735	9,309
(Loss)/income from discontinued operations, net of tax	(830)	(4,360)	(926)	(2,767)	338
Net income	57,303	25,915	62,303	10,968	9,647
EARNINGS PER SHARE DATA:					
Earnings/(loss) per common share (basic):					
Income from continuing operations	$1.89	$1.00	$2.13	$0.46	$0.32
(Loss)/income from discontinued operations, net of tax	$(0.03)	$(0.14)	$(0.03)	$(0.09)	$0.01
Net income	$1.86	$0.86	$2.10	$0.37	$0.33
Earnings/(loss) per common share (diluted):					
Income from continuing operations	$1.84	$0.98	$2.09	$0.46	$0.32
(Loss)/income from discontinued operations, net of tax	$(0.03)	$(0.14)	$(0.03)	$(0.09)	$0.01
Net income	$1.81	$0.84	$2.06	$0.37	$0.33
Weighted average shares outstanding (in thousands):					
Basic	30,763	30,150	29,703	29,468	29,361
Diluted	31,643	30,901	30,314	29,564	29,468
BALANCE SHEET DATA: (at end of period)					
Working capital	$128,791	$105,289	$61,487	$77,476	$82,146
Total assets	487,072	458,037	385,731	342,831	351,751
Long-term debt	60,000	79,250	64,000	98,000	115,900
Total stockholders' equity	251,226	210,220	163,297	100,341	107,635

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(1) Income from continuing operations includes a pre-tax gain on the sale of land of $1,234 reduced for tax expense of $387, a charge of $7,170 related to a voluntary lump sum pension settlement, a loss of $4,122 related to the purchase of the remaining shares in Zenara, a benefit of $26,902 for the release of a valuation allowance and a benefit of $3,948 for the settlement of tax disputes. Loss from discontinued operations includes pre-tax charges of $1,277, reduced for a tax benefit of $447, for environmental remediation related to sites of divested businesses.

(2) Income from continuing operations includes a pre-tax gain on the sale of an office building of $4,680 reduced for tax expense of $1,470, and a tax benefit related to changes in tax laws of $1,155. Loss from discontinued operations includes pre-tax charges of $6,708, reduced for a tax benefit of $2,348, for environmental remediation related to sites of divested businesses.

(3) Income from continuing operations includes the release of a valuation allowance on domestic deferred tax assets of $36,287 and the impact on deferred taxes of a statutory rate change of $1,328. Loss from discontinued operations includes pre-tax charges of $1,425, reduced for a tax benefit of $499, for environmental remediation related to sites of divested businesses.

(4) Loss from discontinued operations includes pre-tax charges of $2,851 for environmental remediation, net of insurance proceeds, related to sites of divested businesses.

(5) Income from continuing operations includes pre-tax charges of $1,293 for certain one-time employee benefits relating to the plan to optimize operations at a manufacturing site to meet industry requirements, $997 for merger and acquisition expenses and $509 for currency losses pursuant to the purchase of Zenara. Income from discontinued operations includes a benefit of $1,652 as a result of the expiration of a contingent liability, charges of $1,144 for environmental remediation, net of insurance proceeds, and $170 for a worker's compensation claim, all related to sites of divested businesses.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

The Company’s business primarily consists of three manufacturing facilities. These facilities mainly manufacture APIs, pharmaceutical intermediates and, to a lesser extent, other fine chemicals. The Company also owns Zenara, a pharmaceutical company with final dosage form manufacturing capabilities based in India and is not material to the financial results at this time.

The following significant events, which are explained in detail on the following pages, occurred during 2014:

- Gross sales in 2014 increased 17.9% to $374,150 from $317,212 in 2013. Foreign currency exchange unfavorably impacted sales 1.5%.
- Operating profit increased 5.4% to $52,298 from 2013. Excluding certain one-time events, operating profit increased 29.6%.
- Debt, net of cash, decreased $42,023 to $14,482 during 2014.
- A charge of $7,170 was recorded within operating profit for a voluntary lump sum pension settlement.
- A charge of $4,122 related to the acquisition of the remaining interest in Zenara.
- A gain of $1,234 was recorded within operating profit for the sale of land.

· A tax benefit of $26,902 was recorded for the release of a valuation allowance.

· A tax benefit of $3,948 was recorded for the settlement of tax disputes.

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Gross sales in 2014 of $374,150 were $56,938 or 17.9% higher than 2013. Excluding foreign currency, sales increased 19.4% as a result of higher volumes (+19.7%) partially offset by slightly lower pricing (-0.3%). The volume increase was primarily due to higher sales of certain branded APIs, controlled substances and generic APIs. Also contributing to the increase in sales is the inclusion of Zenara's results in the Company's consolidated financial statements subsequent to the purchase of the remaining shares in Zenara during the second quarter of 2014. Zenara's sales were $4,225 subsequent to the purchase.

Gross margins of 33.1% in 2014 were higher compared to 32.4% in 2013. 2014 gross margins included a 0.6% favorable impact from foreign currency versus 2013. Excluding the foreign currency impact, gross margins were relatively flat. Margins were positively impacted by favorable product mix and plant efficiencies mostly offset by higher production costs and lower pricing.

The Company reported income from continuing operations of $58,133, or $1.84 per diluted share in 2014, compared to $30,275 or $0.98 per diluted share in 2013.

Critical Accounting Estimates

The Company's critical accounting estimates are those that require the most subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company bases its estimates on historical experience and on other assumptions that are deemed reasonable by management under each applicable circumstance. Actual results or amounts could differ from estimates and the differences could have a material impact on the consolidated financial statements. A discussion of the Company's critical accounting policies, the underlying judgments and uncertainties affecting their application and the likelihood that materially different amounts would be reported under different conditions or using different assumptions, is as follows:

Revenue Recognition

Revenues are generally recognized when title to products and risk of loss are transferred to customers. Additional conditions for recognition of revenue are that collection of sales proceeds is reasonably assured and the Company has no further performance obligations.

Amounts billed in advance are recorded as deferred revenue on the balance sheet. Since payments received are sometimes non-refundable, the termination of a contract by a customer prior to its completion could result in an immediate recognition of deferred revenue relating to payments already received but not previously recognized as revenue.

Sales terms to certain customers include rebates if certain conditions are met. Additionally, sales are generally made with a limited right of return under certain conditions. The Company estimates these rebates and returns at the time of sale based on the terms of agreements with customers and historical experience and recognizes revenue net of these estimated costs which are classified as allowances and rebates.

The Company bills a portion of freight cost incurred on shipments to customers. Amounts billed to customers are recorded within net revenues. Freight costs are reflected in cost of goods sold.

Asset Valuations and Review for Potential Impairments

The review of long-lived assets, principally fixed assets and other amortizable intangibles, requires the Company to estimate the undiscounted future cash flows generated from these assets whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If undiscounted cash flows are less than the carrying value, the long-lived assets are written down to fair value.

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The review of the carrying value of goodwill and indefinite lived intangibles is conducted annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable utilizing a two-step process. In the first step, the fair value of the reporting units is determined using a discounted cash flow model and compared to the carrying value. If such analysis indicates that impairment may exist, the Company then estimates the fair value of the other assets and liabilities utilizing appraisals and discounted cash flow analyses to calculate an impairment charge.

The Company has investments in partially-owned affiliates. It does not separately test an investee's underlying assets for impairment but will recognize its share of any impairment charge recorded by an investee in earnings and consider the effect of the impairment on its investment. A series of operating losses of an investee or other factors may indicate that a decrease in value of the investment has occurred that is other than temporary. A loss in value of an investment that is other than a temporary decline would be recognized as an impairment if the fair value of that investment is less than its carrying amount.

The determination of fair value is judgmental and involves the use of significant estimates and assumptions, including projected future cash flows primarily based on operating plans, discount rates, determination of appropriate market comparables and perpetual growth rates. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the magnitude of any such charge.

Income Taxes

The Company applies an asset and liability approach to accounting for income taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities, and tax credit carryforwards, on a taxing jurisdiction basis using enacted tax rates in effect for the year in which the differences are expected to reverse or the tax credit carryforwards are expected to be realized. The recoverability of deferred tax assets is dependent upon the Company's assessment that it is more likely than not that sufficient future taxable income of the appropriate type and in the appropriate taxable years will be generated in the relevant tax jurisdictions to utilize the deferred tax assets. When the Company determines that future taxable income will not be sufficient to utilize the deferred tax assets, a valuation allowance is recorded. After release of a portion of the Company's domestic valuation allowance in 2012 and 2014, the remaining domestic valuation allowance primarily relates to certain state deferred tax balances. The Company's foreign valuation allowances primarily relate to net operating loss ("NOL") carryforwards in foreign jurisdictions with little or no history of generating taxable income or where future profitability is uncertain. The Company's accounting for deferred taxes represents management's best estimate of those future events. Changes in current estimates, due to unanticipated events, could have a material impact on the Company's financial condition and results of operations.

Assumptions and Approach Used in Assessing the Need for a Valuation Allowance

The Company considers both positive and negative evidence related to the likelihood of realization of deferred tax assets. If, based on the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, the Company records a valuation allowance against all or a portion of the deferred tax assets to adjust the balance to the amount considered more likely than not to be realized. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified.

This assessment, which is completed on a taxing jurisdiction basis, takes into account a number of types of evidence, including the following:

- Nature, frequency, and severity of current and cumulative financial reporting losses. A pattern of objectively-measured cumulative pre-tax losses over a three-year period is heavily weighted as a source of negative evidence. The Company also considers the strength and trend of earnings, as well as other relevant factors. In certain circumstances, historical information may not be as relevant due to changes in the Company's business operations;

- Sources of future taxable income. Future reversals of existing temporary differences are heavily-weighted sources of objectively verifiable evidence. Projections of future taxable income exclusive of reversing temporary differences are a source of positive evidence only when the projections are combined with a history of recent profits and can be reasonably estimated; and

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- Tax planning strategies. Prudent and feasible tax planning strategies that would be implemented to maximize utilization of expiring tax credit carryforwards are evaluated as a source of additional positive evidence.

Valuation Allowance Assessment

In 2003, the Company's assessment of the need for a valuation allowance against domestic deferred tax assets considered current and past performance, cumulative losses in recent years from domestic operations, and a shift in the geographic mix of forecasted income. Considering the pattern of then-recent domestic losses, the Company gave significant weight to projections showing future domestic losses for purposes of assessing the need for a valuation allowance. This assessment resulted in a determination that it was more likely than not that domestic deferred tax assets would not be realized, and as such, a valuation allowance against net domestic deferred tax assets was recorded.

A sustained period of domestic profitability along with expectations of future domestic profitability of sufficient amounts and character was required before the Company changed its judgment regarding the need for a full valuation allowance against net domestic deferred tax assets. During 2012, the Company concluded that its three-year cumulative domestic profitability through the end of 2012 and expectations of future domestic profitability warranted the reversal of all of the domestic valuation allowance attributable to net federal temporary differences, alternative minimum tax credits, and research and experimentation tax credits. Additionally, the Company released a portion of the domestic valuation allowance attributable to federal foreign tax credits. These valuation allowance releases resulted in a tax benefit to continuing operations of $36,287 in 2012.

Throughout 2014, the Company received updated customer projections that impacted current and future years' income in amounts and type that support full utilization of the federal foreign tax credits. Accordingly, the Company released the remaining domestic valuation allowance attributable to these foreign tax credits. These valuation allowance releases resulted in a tax benefit to continuing operations of $26,902 in 2014. The Company continues to provide a valuation allowance against a portion of foreign NOL carryovers and state items. It is possible that changes in the amount or type of future income could result in the release of additional valuation allowance attributable to these items in the future, or the establishment of a reserve against certain deferred tax assets for which the Company has no current reserves.

Environmental and Litigation Contingencies

The Company periodically assesses the potential liabilities related to any lawsuits or claims brought against it. See Note 20 to the Company's consolidated financial statements for a discussion of the Company's current environmental and litigation matters, reserves recorded and its position with respect to any related uncertainties. While it is typically very difficult to determine the timing and ultimate outcome of these actions, the Company uses its best judgment to determine if it is probable that the Company will incur an expense related to a settlement for such matters and whether a reasonable estimation of such probable loss, if any, can be made. If probable and estimable, the Company accrues for the costs of investigation, remediation, settlements and legal fees. Given the inherent uncertainty related to the eventual outcome of litigation and environmental matters, it is possible that all or some of these matters may be resolved for amounts materially different from any provisions that the Company may have made with respect to their resolution from time to time.

Employee Benefit Plans

The Company provides a range of benefits to certain employees and retired employees, including pension benefits. The Company records annual amounts relating to these plans based on calculations, which include various actuarial assumptions, including discount rates, assumed rates of return and turnover rates. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. The effect of the modifications is generally recorded and amortized over future periods. The Company believes that the assumptions utilized for recording obligations under its plans are reasonable.

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The discount rate used to measure pension liabilities and costs is selected by projecting cash flows associated with plan obligations which are matched to a yield curve of high quality bonds. The Company then selects the single rate that produces the same present value as if each cash flow were discounted by the corresponding spot rate on the yield curve.

Results of Operations

2014 Compared to 2013

Gross sales in 2014 of $374,150 were $56,938 or 17.9% higher than 2013. Excluding foreign currency, sales increased 19.4% as a result of higher volumes (+19.7%) partially offset by slightly lower pricing (-0.3%). The volume increase was primarily due to higher sales of certain branded APIs, controlled substances and generic APIs. Also contributing to the increase in sales is the inclusion of Zenara's results in the Company's consolidated financial statements subsequent to the purchase of the remaining shares in Zenara during the second quarter of 2014. Zenara's sales were $4,225 subsequent to the purchase.

The Company's products and services are sold to a diverse group of several hundred customers, with one customer accounting for 24.0% and 18.3% of 2014 and 2013 consolidated sales, respectively, and another customer accounting for 12.5% of 2012 consolidated sales. The Company's products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 22.9% of 2014 consolidated sales.

Gross profit in 2014 was $123,798 compared to $102,904 in 2013. Gross margins of 33.1% in 2014 were higher compared to 32.4% in 2013. 2014 gross margins included a 0.6% favorable impact from foreign currency versus 2013. Excluding the foreign currency impact, gross margins were relatively flat. Margins were positively impacted by favorable product mix and plant efficiencies mostly offset by higher production costs and lower pricing. 2014 margins also benefited from the receipt of $1,900 from a business interruption insurance claim that covered 2014 and part of 2013.

Selling, general and administrative expenses of $52,489, or 14.0% of gross sales, in 2014 compared to $47,568, or 15.0%, in 2013. The increase in administrative expenses is mainly due to higher personnel (approximately $1,400) and medical expenses (approximately $700) as well as higher spending on costs related to completing the transaction to purchase the remaining shares in Zenara (approximately $500) and expenses related to due diligence on various acquisition opportunities (approximately $1,200). Sales and marketing expenses were also higher as a result of adding additional sales associates (approximately $1,400).

Research and development expenses of $13,075 were 3.5% of gross sales in 2014, compared to $10,387 or 3.3% of gross sales in 2013. The increase is primarily due to increased headcount (approximately $1,800) and costs to develop a new generic drug product.

In the third quarter of 2014, the Company announced a program to offer a one-time option to elect to receive a voluntary lump-sum pension payout to certain former employees with deferred vested balances in the Company's U.S. pension plan. As part of this voluntary lump-sum program, the Company settled $17,381 of pension obligations for the U.S. plan with an equal amount paid from plan assets. As a result, the Company recorded settlement losses of $7,170 reflecting the accelerated recognition of unamortized losses in the U.S. pension plan proportionate to the obligation that was settled. The loss on voluntary pension settlement is reflected as a separate line in the consolidated income statement with a corresponding balance sheet reduction in "Accumulated other comprehensive loss."

Operating profit was $52,298 in 2014 compared to $49,629 in 2013. The increase in operating profit is primarily due to higher gross profit and a gain on the sale of land of $1,234 partially offset by the pension settlement charge discussed above, higher operating expenses and a benefit related to a gain on sale of an office building of $4,680 in

2013.

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Net interest expense was $2,174 in 2014 compared to $2,242 in 2013. The decrease in net interest expense is attributed to a decrease in average borrowing partially offset by lower interest income and lower capitalized interest as a result of fewer large capital projects under construction in 2014. The average interest rate on debt was 2.4% in 2014 versus 2.3% in 2013.

Equity in losses of partially-owned affiliates was $4,623 and $2,262 in 2014 and 2013, respectively, primarily representing Zenara's results. The Company's portion of Zenara's loss, prior to the purchase of the remaining shares in May 2014, was $458 and $1,956 for 2014 and 2013, respectively. These amounts include amortization expense of $333 and $882 for 2014 and 2013, respectively. In addition, 2014 includes a loss of $4,122 related to the purchase of the remaining shares in Zenara.

The Company recorded a tax benefit of $12,627 in 2014 compared to expense of $14,732 in 2013. The tax benefit for 2014 includes a benefit of $26,902 for a reversal of domestic valuation allowances. The reversal of the valuation allowance in 2014 resulted from the Company's assessment of realizability of domestic federal foreign tax credit carryforwards due to expected future U.S. taxable income in amounts and type that support utilization of these credits. Excluding the effects of the valuation allowance reversal, tax audit settlements, the loss on voluntary pension settlement, the sale of the land, and the Zenara loss, the effective tax rate was 32.1% in 2014 compared to 32.7% in 2013. The lower effective tax rate in 2014 was mostly due to differences in the geographical mix of income.

In 2009, a subsidiary of the Company was examined by a European tax authority, which challenged the business purpose of the deductibility of certain intercompany transactions from 2003 and issued formal assessments against the subsidiary. The Company had several favorable rulings in the courts on this matter, although the rulings were appealed by the tax authority. At the same time, considering the hazards of litigation, the Company pursued settlement negotiations. During the fourth quarter of 2014, the Company entered into a final settlement with the tax authority in order to avoid further litigation, without any admission of fault or breach of law. The settlement required the Company to pay $1,487 in tax and interest during the fourth quarter of 2014 in full satisfaction of all liabilities for this matter, and in response the tax authority withdrew all pending litigation and renounced any outstanding claims. The settlement did not impose any penalties on the Company. Therefore, in the fourth quarter of 2014 the Company decreased its remaining reserve for unrecognized tax benefits for this matter by $4,137.

Income from continuing operations in 2014 was $58,133 or $1.84 per diluted share, versus $30,275, or $0.98 per diluted share in 2013. Income from continuing operations in 2014 includes a tax benefit of $26,902, or $0.85 per diluted share, resulting from the release of a valuation allowance on deferred tax assets.

2013 Compared to 2012

Gross sales in 2013 of $317,212 were $39,281 or 14.1% higher than 2012. Excluding foreign currency, sales increased 12.8% as a result of higher volumes (+11.5%) and higher pricing (+1.3%). The volume increase was primarily due to higher sales of a recently approved branded API. Partially offsetting this increase was lower volumes of generic APIs, controlled substances, branded APIs and products utilizing the Company's drug delivery technology.

The Company's products and services are sold to a diverse group of several hundred customers, with one customer accounting for 18.3% of 2013 consolidated sales. The Company's products are sold through a combination of direct sales and independent agents. Two APIs, one an antiviral, and the other a gastrointestinal product that is sold to multiple customers, represented 18.3% and 10.0% of 2013 consolidated sales, respectively.

Gross profit in 2013 was $102,904 compared to $90,487 in 2012. Gross margins were 32.4% in 2013 compared to 32.6% in 2012. Gross margins in 2013 included a 0.3% unfavorable impact from foreign currency versus 2012. Gross margins were positively impacted by higher pricing offset by unfavorable product mix.

Selling, general and administrative expenses of $47,568, or 15.0% of gross sales, in 2013 compared to $45,248, or 16.3%, in 2012. This increase is primarily related to higher stock-based compensation expense as a result of the Company's performance compared to a peer group and the Company's higher stock price (approximately $1,400) and an unfavorable impact from foreign exchange (approximately $800). Sales and marketing expenses were flat year over year.

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Research and development expenses of $10,387 were 3.3% of gross sales in 2013, compared to $9,544 or 3.4% of gross sales in 2012. The increase is primarily due to increased headcount (approximately $1,000) and an unfavorable impact from foreign exchange (approximately $300). Higher absorption of R&D expenses into inventory and cost of goods sold as a result of increased revenue generating custom development activity (approximately $500) partially offset these increases.

Operating profit was $49,629 in 2013 compared to $35,695 in 2012. The increase is due to higher gross profit and a $4,680 gain on sale of an office building partially offset by higher operating expenses discussed above.

Net interest expense was $2,242 in 2013 compared to $2,439 in 2012. The decrease in net interest expense is attributed to higher capitalized interest as a result of multiple large capital projects under construction during 2013. This decrease was partially offset by higher average debt and higher interest rates in 2013. The average interest rate on debt was 2.3% in 2013 versus 2.2% in 2012.

In November 2010, the Company acquired a 51% equity stake in Zenara, a pharmaceutical company focused on the formulation of final dosage form products based in India. Cambrex accounts for its investment in Zenara using the equity method of accounting. The impact of its ownership stake in Zenara was a loss of $1,956 and $1,976 in 2013 and 2012, respectively, and is located within “Other expenses/(income)” as “Equity in losses of partially-owned affiliates” in the Company’s income statement. These amounts include amortization expense of $882 and $965 in 2013 and 2012, respectively and depreciation expense of $130 and $132 in 2013 and 2012, respectively. Equity in losses of partially-owned affiliates also includes a loss of $311 and a gain of $210 in 2013 and 2012, respectively, related to an investment in a European joint venture.

The Company recorded tax expense of $14,732 in 2013 compared to a benefit of $31,861 in 2012. The tax benefit for 2012 includes a benefit of $36,287 for a reversal of domestic valuation allowances. Additionally, 2013 and 2012 include benefits of $95 and $8,818, respectively, for changes in valuation allowances to offset expense and benefit generated from domestic income, tax credits, and losses in certain foreign jurisdictions. The reversal of the valuation allowance in 2012 resulted from the Company’s assessment of realizability of domestic deferred tax assets and tax credit carryforwards due to expected future profitability in the U.S., among other factors. Since 2003, the Company had maintained a full valuation allowance on the tax benefits arising from domestic pre-tax losses, U.S. tax credits and net deferred tax balances. Excluding the effect of the valuation allowance reversal and the effect of remeasuring certain foreign deferred tax liabilities due to a change in enacted tax rates in 2012, the effective tax rate was 32.7% in 2013 compared to 18.3% in 2012. The lower effective tax rate in 2012 was mostly due to domestic tax expense on U.S. income in 2012 being offset by utilization of fully valued domestic tax attributes, prior to release of the domestic valuation allowance.

In 2009, a subsidiary of the Company was examined by a European tax authority, which challenged the business purpose of the deductibility of certain intercompany transactions from 2003 and issued formal assessments against the subsidiary. In 2010, the Company filed to litigate the matter. The first court date, which pertained to the smaller of the assessments, was held in 2011, after which the court issued its ruling in favor of the Company. The tax authorities appealed this ruling and the appeals court again ruled in the Company’s favor in 2012. In 2013, the court issued additional rulings in favor of the Company.

Income from continuing operations in 2013 was $30,275 or $0.98 per diluted share, versus $63,229, or $2.09 per diluted share in 2012. Income from continuing operations in 2012 includes a tax benefit of $36,287, or $1.20 per diluted share, resulting from the release of a valuation allowance on deferred tax assets.

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Liquidity and Capital Resources

During 2014, cash flows from operations provided $64,968, compared to $36,874 in the same period a year ago. The increase in cash flows from operations in 2014 compared to 2013 was largely due to collections of accounts receivable as a result of large shipments in the fourth quarter of 2013, changes in inventory levels and higher net income. Cash flows used in investing activities in 2014 of $24,798 mainly reflects cash flows related to capital expenditures of $23,323. Cash flows used in financing activities in 2014 of $14,525 mainly reflects the pay down of the Company's debt partially offset by proceeds from stock options exercised. Debt, net of cash, decreased $42,023 during 2014.

In November 2011, the Company entered into a $250,000 five-year Syndicated Senior Revolving Credit Facility ("Credit Facility") which expires in November 2016. The Company pays interest on this Credit Facility at LIBOR plus 1.75% - 2.50% based upon certain financial measurements. The Credit Facility also includes financial covenants regarding interest coverage and leverage ratios. The Company was in compliance with all financial covenants at December 31, 2014.

In March 2012, the Company entered into an interest rate swap with a notional value of $60,000, at a fixed rate of 0.92%, maturing in September 2015. The Company's strategy has been to cover a portion of its outstanding floating rate debt with fixed interest rate protection. At December 31, 2014 the Company had floating rate debt of $60,000, which was fixed by the interest rate swap.

The 2014 and 2013 weighted average interest rates for long-term bank debt were 2.4% and 2.3%, respectively.

For 2015, capital expenditures are expected to be approximately $80,000 to $85,000.

Contractual Obligations

At December 31, 2014, the Company's contractual obligations with initial or remaining terms in excess of one year were as follows:

	Total	2015	2016	2017	2018	2019	2020+
Long term debt	$60,000	$-	$60,000	$-	$-	$-	$ -
Interest on debt	2,206	1,352	854	-	-	-	-
Operating leases	3,193	1,194	600	588	528	193	90
Purchase obligations	7,588	7,588	-	-	-	-	-
Contractual cash obligations	$72,987	$10,134	$61,454	$588	$528	$193	$ 90

In addition to the contractual obligations listed above, the Company expects to contribute approximately $1,900 in cash to its U.S. defined-benefit pension plan in 2015. It is possible that higher pension contributions could be required in 2016 and beyond. For the unfunded SERP and international pension plans, the Company expects to make benefit payments of approximately $1,300 in 2015 and similar amounts in 2016 through 2018. See Note 17 to the Company's consolidated financial statements for details on the Company's unfunded balance related to its pension plans. Also not included in the table above is $2,132 of uncertain tax positions due to uncertainties surrounding the timing of the obligation. See Note 10 to the Company's consolidated financial statements. The Company may be required to make cash payments to remediate certain environmental sites at unknown future periods as discussed in Note 20 to the Company's consolidated financial statements.

See Notes 11, 17, 19 and 20 to the Company's consolidated financial statements for additional information regarding the Company's pension plans, debt and other commitments.

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The Company’s forecasted cash flow from future operations may be adversely affected by various factors including, but not limited to, declines in customer demand, increased competition, the deterioration in general economic and business conditions, interest rates, returns on assets within the Company’s domestic pension plan that are significantly below expected performance, tax audit payments, as well as other factors. See the Risk Factors section of this document for further explanation of factors that may negatively impact the Company’s cash flows. Any change in the current status of these factors could adversely impact the Company's ability to fund operating cash flow requirements.

Market Risks

Currency Risk Management

The Company's primary market risk relates to exposure to foreign currency exchange rate fluctuations on transactions entered into by international operations which are primarily denominated in the U.S. dollar, euro and Swedish krona. The Company may use foreign currency exchange forward contracts to mitigate the effect of short-term foreign exchange rate movements on the Company's operating results. As a matter of policy, the Company does not hedge to protect the translated results of foreign operations. The notional amount of these contracts as of December 31, 2014 was $3,632. The foreign exchange contracts have varying maturities with none exceeding twelve months.

With respect to the contracts outstanding at December 31, 2014, a 10% fluctuation of the local currency over a one-year period would cause approximately $350 pre-tax earnings to be at risk. These calculations do not include the impact of exchange gains or losses on the underlying positions that would offset the gains and losses of the derivative instrument.

Interest Rate Management

The Company has employed a plan to mitigate interest rate risk by entering into an interest rate swap agreement. The swap is a contract to exchange floating rate for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional debt amount. As of December 31, 2014, the Company had an interest rate swap in place with a notional value of $60,000, at a fixed rate of 0.92% and a maturity date of September 2015. The Company’s strategy has been to cover a portion of outstanding bank debt with interest rate protection. At December 31, 2014, the coverage was 100% of the Company’s variable interest rate debt. Since all outstanding debt is at a fixed rate, there would be no impact to the Company’s earnings and cash flows given a change in market interest rates.

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 known facts and circumstances as they pertain to applicable legal and environmental matters and evaluates the need for reserves and disclosures as deemed necessary based on these facts and circumstances. These matters, either individually or in the aggregate, could result in actual costs that are significantly higher than the Company’s current assessment and could have a material adverse effect on the Company's operating results and cash flows in future reporting periods. While these matters could have a material adverse effect on the Company’s financial condition, based upon past experience, the Company believes that payments significantly in excess of current reserves, if required, would be made over an extended number of years.

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 activities and along with other companies, have been named a potentially responsible party (“PRP”) for certain waste disposal sites ("Superfund sites"). Substantially all of the liabilities currently recorded on the Company’s balance sheet for environmental proceedings are associated with discontinued operations. The Company had insurance policies in place at certain of the discontinued operations for certain years that the Company believes should cover some portion of currently recorded liabilities or potential future liabilities.

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It is the Company’s policy to record appropriate liabilities for environmental matters where remedial efforts are probable and the costs can be reasonably estimated. Such liabilities are based on the Company’s estimate of the undiscounted future costs required to complete the remedial work. Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided against the Company. The resolution of such matters often spans several years and frequently involves regulatory oversight or adjudication. Additionally, many remediation requirements are fluid and are likely to be affected by future technological, site and regulatory developments. It is not possible at this time for the Company to determine fully the effect of all asserted and unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where asserted and unasserted claims can be estimated and where such claims are considered probable, the Company would record a liability. Consequently, the ultimate liability with respect to such matters, as well as the timing of cash disbursements, is uncertain.

In matters where the Company is able to reasonably estimate the probable and estimable costs associated with environmental proceedings, the Company accrues for the estimated costs associated with the study and remediation of applicable sites. These reserves were $9,595 and $10,881 at December 31, 2014 and 2013, respectively. The decrease in the reserve includes payments of $2,269 and the impact of currency translation of $226 partially offset by adjustments to reserves of $1,209. The reserves are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the outcome of investigative and study activities, the status of laws, regulations, enforcement, policies, the impact of other PRPs, technology and information related to individual sites, the Company does not believe it is possible to currently develop an estimate of the range of reasonably possible environmental loss in excess of its reserves.

CasChem

As a result of the sale of a Bayonne, New Jersey facility, the Company became obligated to investigate site conditions and conduct required remediation under the New Jersey Industrial Site Recovery Act. The Company intends to continue implementing a sampling plan at the property pursuant to the New Jersey Department of Environmental Protection’s (“NJDEP”) private oversight program. The results of the completed sampling, and any additional sampling deemed necessary, will be used to develop an estimate of the Company's future liability for remediation costs. As of December 31, 2014, the Company’s reserve for the investigation of site conditions was $193.

Cosan

The Company has implemented a sampling and pilot program in Clifton, New Jersey pursuant to the NJDEP private oversight program. The results of the sampling and pilot program to date have been used to develop an estimate of the Company's future liability for remediation costs. As of December 31, 2014, the Company’s reserve was $1,191.

Additionally, the Company has implemented a sampling and pilot program in Carlstadt, New Jersey pursuant to the NJDEP private oversight program. The results of the sampling and pilot program to date have been used to develop an estimate of the Company's future liability for remediation costs. As of December 31, 2014, the Company’s reserve was $1,063.

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Berry’s Creek

The Company received a notice from the United States Environmental Protection Agency (“USEPA”) that two subsidiaries of the Company are considered PRPs at the Berry’s Creek Study Area in New Jersey. These subsidiaries are among many other PRPs that were listed in the notice. Pursuant to the notice, the PRPs have been asked to perform a remedial investigation and feasibility study of the Berry’s Creek site. The Company has joined the group of PRPs and entered into an Administrative Settlement Agreement (“Agreement”) and Order on Consent with the USEPA agreeing to jointly conduct or fund an appropriate remedial investigation and feasibility study of the Berry’s Creek site with the other PRPs in the Agreement. The PRPs have engaged consultants to perform the work specified in the Agreement and develop a method to allocate related costs among the PRPs. As of December 31, 2014, the Company’s reserve was $388 to cover the current phase of investigation based on a tentative agreement on the allocation of the site investigation costs among the PRPs. Due to the very preliminary and uncertain nature of any estimates related to the method and costs of any remediation solution, the number of eventual PRPs, and their respective proportion of remediation costs, the Company’s liability cannot be reasonably estimated at this time; as such, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company’s results of operations in any future reporting period is not known.

In July 2014, the Company received a notice from the U.S. Department of the Interior, U.S. Fish & Wildlife Service, regarding the Company’s potential liability for natural resource damages at the Berry’s Creek site and inviting the Company to participate in a cooperative assessment of natural resource damages. All members of the Berry’s Creek PRP group are receiving such notice letters, and any response from the Company will be coordinated with the PRP Group. The substance of any response from the Company, the cost of any assessment, and the ultimate scope of natural resource damage liability are not yet known.

Maybrook Site

A subsidiary of Cambrex is named a PRP of a site in Hamptonburgh, New York by the USEPA in connection with the discharge, under appropriate permits, of wastewater at that site prior to Cambrex's acquisition in 1986. The PRPs implemented soil remediation which was completed in 2012 pending approval by the USEPA. The PRPs will continue implementing the ground water remediation at the site. As of December 31, 2014, the Company’s reserve was $322 to cover remaining ground water remediation and long-term monitoring.

Harriman Site

Subsidiaries of Cambrex and Pfizer are named as responsible parties for the Company’s former Harriman, New York production facility by the New York State Department of Environmental Conservation (“NYSDEC”). A final ROD (“Record of Decision”) describing the Harriman site remediation responsibilities for Pfizer and the Company was issued in 1997 (the "1997 ROD") and incorporated into a federal court Consent Decree in 1998 (the “Consent Decree”). Site clean-up work under the 1997 ROD is ongoing and is being jointly performed by Pfizer and the Company, with NYSDEC oversight. ELT Harriman, LLC ("ELT"), the current owner of the Harriman site, is conducting other investigation and remediation activities under a separate NYSDEC directive.

In October 2013, the NYSDEC sent the Company, Pfizer, ELT and the immediately preceding owner Vertellus Specialties Holdings (“Vertellus”) an enforcement letter demanding that the Company and Pfizer submit a work plan for the further study and remediation of certain areas of the Harriman site, including the evaluation of certain remedies that the Company has contended are not required by the 1997 ROD. In December 2013, the Company, Pfizer and the NYSDEC entered into a federal court stipulation, which the court subsequently endorsed as a court order, withdrawing the October 2013 enforcement letter as it relates to the Company and Pfizer, and resolving certain disputes about the scope of their obligations under the Consent Decree and the 1997 ROD. Pursuant to the court order, the Company and Pfizer are required to carry out an environmental investigation and study of certain areas of the Harriman Site.

No final remedy for the site has been determined, which will follow further discussions with the NYSDEC. The Company estimated the range for its share of the liability at the site to be between $2,000 and $7,000. As of December 31, 2014, the Company's reserve was $3,615. At this time, the Company is unable to provide an estimate of the ultimate investigative and remedial costs to the Company for any final remedy selected by the NYSDEC.

The Company intends to enforce all of its contractual rights to recover costs and for indemnification under a 2007 settlement agreement, and has filed such claims in an arbitration proceeding against ELT and Vertellus. ELT has filed counterclaims, and has threatened to file additional counterclaims, for contractual indemnification and for breach of the settlement agreement against the Company. Currently, the arbitration proceeding is stayed indefinitely.

(dollars in thousands, except per share data)

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Scientific Chemical Processing ("SCP") Superfund Site

A subsidiary of Cambrex was named a PRP of the SCP Superfund site, located in Carlstadt, New Jersey, along with approximately 130 other PRPs. The site is a former waste processing facility that accepted various waste for recovery and disposal including processing wastewater from this subsidiary. The PRPs are in the process of implementing a final remedy at the site. The SCP Superfund site has also been identified as a PRP in the Berry's Creek Superfund site (see previous discussion). For over a decade, the remediation has been funded by de minimus settlements and by the insurers of the SCP Superfund site's owners and operators. However, due to an unexpected increase in remediation costs at the site and costs related to SCP's involvement in the Berry's Creek investigation, the PRP group approved the assessment of an additional cash contribution by the PRP group. While the Company continues to dispute the methodology used by the PRP group to arrive at its allocation for the cash contribution, the Company has paid the recent funding requests in 2010 and 2014. The next funding request is expected in 2015. A final allocation of SCP Site costs is expected to be developed concurrent with the final allocation process for Berry's Creek Study Area starting in 2015. As of December 31, 2014, the Company's reserve was $1,039, of which approximately $737 is expected to be covered by insurance.

Newark Bay Complex

Two subsidiaries of the Company were named along with several hundred third-party defendants in a third-party complaint filed in February 2009, by Maxus Energy Corporation ("Maxus") and Tierra Solutions, Inc. ("Tierra") relating to a N.J. state action concerning the Passaic River, Newark Bay, Hackensack River, Arthur Kill, Kill Van Kull and adjacent waters (the "Newark Bay Complex"). The Company settled this case which resolved certain New Jersey state based claims related to the Newark Bay Complex. The settlement will require Maxus and Tierra to re-file any further claims against the Company in federal court. In preparation for any such federal or similar claims, the Company is currently monitoring developments regarding the Newark Bay Complex. Due to the uncertainty of the future scope and timing of any such claims, the Company's liability cannot be reasonably estimated at this time, and as such, no accrual is recorded for these potential future costs.

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

Litigation and Other Matters

Lorazepam and Clorazepate

In 1998, the Company and a subsidiary were named as defendants along with Mylan Laboratories, Inc. ("Mylan") and Gyma Laboratories, Inc. ("Gyma") in a proceeding instituted by the Federal Trade Commission in the United States District Court for the District of Columbia (the "District Court"). Suits were also commenced by several State Attorneys General and class action complaints by private plaintiffs in various state courts. The suits alleged violations of the Federal Trade Commission Act arising from exclusive license agreements between the Company and Mylan covering two APIs (Lorazepam and Clorazepate).

All cases have been resolved except for one brought by four health care insurers. In the remaining case, the District Court entered judgment after trial in 2008 against Mylan, Gyma and Cambrex in the total amount of $19,200, payable jointly and severally, and also a punitive damage award against each defendant in the amount of $16,709. In addition, at the time, the District Court ruled that the defendants were subject to a total of approximately $7,500 in prejudgment interest. The case is currently pending before the District Court following a January 2011 remand by the Court of Appeals. In July 2014, the District Court dismissed certain customers for which the plaintiffs were unable to establish jurisdiction and consequently, the plaintiffs currently have a motion pending before the District Court to reduce the damages award by a total of $9,600.

(dollars in thousands, except per share data)

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In 2003, Cambrex paid $12,415 to Mylan in exchange for a release and full indemnity against future costs or liabilities in related litigation brought by the purchasers of Lorazepam and Clorazepate, as well as potential future claims related to the ongoing matter. Mylan has submitted a surety bond underwritten by a third-party insurance company in the amount of $66,632. In the event of a final settlement or final judgment, Cambrex expects any payment required by the Company to be made by Mylan under the indemnity described above.

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 the 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, directors and employees for certain events or occurrences while the officer, director or employee is, or was, serving at the Company’s request in such capacity. The term of the indemnification period is for the officer's, director's or employee’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 material based on currently available information, and as such, the Company had no liabilities recorded for these agreements as of December 31, 2014.

Cambrex's subsidiaries are party to a number of other proceedings that are not considered material at this time.

Impact of Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact, if any, it will have on its consolidated financial statements.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued ASU 2014-08, which includes amendments that change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations - that is, a major effect on the organization's operations and financial results should be presented as discontinued operations. Additionally, the ASU requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. This update is effective in the first quarter of 2015. This pronouncement will not have an impact on the Company’s financial position or results of operations.

(dollars in thousands, except per share data)

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Item 7A Quantitative and Qualitative Disclosures about Market Risk.

The information required in this section can be found in the “Market Risks” section of Item 7 on page 31 of this Form 10-K.

Item 8 Financial Statements and Supplementary Data.

The following consolidated financial statements and selected quarterly financial data of the Company are filed under this item:

The financial statement schedules are filed pursuant to Item 15 of this report.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cambrex Corporation,

We have audited the accompanying consolidated balance sheets of Cambrex Corporation as of December 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cambrex Corporation at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cambrex Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 6, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Woodbridge, NJ
February 6, 2015

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Cambrex Corporation,

We have audited Cambrex Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cambrex Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cambrex Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cambrex Corporation as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 6, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA LLP

Woodbridge, NJ

February 6, 2015

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CAMBREX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	December 31, 2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$45,518	$22,745
Trade receivables, less allowances of $346 and $1,058 at respective dates	77,124	71,276
Other receivables	10,610	12,943
Inventories, net	85,630	89,965
Prepaid expenses and other current assets	8,688	5,631
Total current assets	227,570	202,560
Property, plant and equipment, net	163,567	171,966
Goodwill	43,912	38,670
Intangible assets, net	8,902	4,011
Investments in and advances to partially-owned affiliates	665	13,364
Deferred income taxes	38,424	19,799
Other non-current assets	4,032	7,667
Total assets	$487,072	$458,037
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$43,670	