CAMBREX CORP
Form 10-Q/A
April 29, 2005

CONFORMED

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

FORM 10-Q/A

[X] QUARTERLY REPORT PURSUANT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended September 30, 2004

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)

(201) 804-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No

As of October 31, 2004, there were 26,108,327 shares outstanding of the registrant's Common Stock, $.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

FORM 10-Q/A

For The Quarter Ended September 30, 2004

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CAMBREX CORPORATION AND SUBSIDIARIES

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FOR THE QUARTER ENDED SEPTEMBER 30, 2004

EXPLANATORY NOTE:

During the 2004 year-end financial reporting process, the Company identified certain accounting adjustments principally related to amortization of leasehold improvements, employee benefit accruals, inventory and taxes that impacted prior years and prior quarters within 2004. The cumulative impact of the prior years' adjustments was a reduction to net income of $475 and is not considered material to any prior period. The prior years' adjustment of $475 has been reflected in the restated first quarter 2004 results. The impact on net income for the first, second and third quarters of 2004 was a decrease of $439 or $0.02 per fully diluted share, an increase of $229 or $0.01 per fully diluted share and a decrease of $666 or $0.03 per fully diluted share, respectively. Note #2 to the consolidated financial statements summarizes the impact of this restatement on the Company's statements of operations for the three and nine months ended September 30, 2004 and the balance sheet as of September 30, 2004.

The Company also identified certain adjustments to the December 31, 2003 foreign deferred tax balances, minimum pension liability and other comprehensive income which have been reflected as of March 31, 2004. These adjustments were not considered material to 2003 or to the quarter ended March 31, 2004.

This Form 10-Q/A hereby amends and restates Items 1, 2 and 4 in Part I of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, to reflect the restatement of the Company's consolidated financial statements included in such report. No further changes to the previously filed Form 10-Q are being made. All information in this Form 10-Q/A is as of September 30, 2004 and does not reflect any subsequent information or events other than the restatement.

For additional discussion of developments relating to periods subsequent to September 30, 2004, please see the Company's reports filed with the Securities and Exchange Commission with respect to such subsequent periods, including the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

(in thousands, except share data)

Part 1 - FINANCIAL INFORMATION

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

	September 30, 2004	Decembe 200
	(restated)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 83,761	$ 6
Trade receivables, less allowances of $2,211 and $3,281 at respective dates	56,233	5
Inventories, net	89,060	8
Deferred tax assets	6,174	
Prepaid expenses and other current assets	20,929	1
Total current assets	256,157	22
Property, plant and equipment, net	264,187	26
Goodwill	170,420	22
Other intangible assets, net	50,830	5
Other assets	6,714	
Total assets	$ 748,308	$ 77
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,416	$ 3
Accrued liabilities	59,085	5
Short-term debt and current portion of		

long-term debt	1,518	
Total current liabilities	92,019	9
Long-term debt	220,338	21
Deferred tax liabilities	29,351	2
Other non-current liabilities	47,181	4
Total liabilities	$ 388,889	$ 38
Stockholders' equity:		
Common stock, $.10 par value; issued 28,715,727 and 28,471,652 shares at respective dates	2,872	
Additional paid-in capital	210,737	20
Retained earnings	171,716	20
Treasury stock, at cost 2,607,650 and 2,614,910 shares at respective dates	(22,180)	(2
Deferred compensation	(1,704)	(
Accumulated other comprehensive income	(2,022)	
Total stockholders' equity	359,419	39
Total liabilities and stockholders' equity	$ 748,308	$ 77

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30,		Nine months end September 30	
	2004	2003	2004	2
	(restated)		(restated)	
Gross sales	$ 99,250	$ 95,179	$ 321,750	$ 3
Commissions & allowances	620	691	2,278	
Net sales	98,630	94,488	319,472	3
Other revenues	1,706	1,891	6,545	
NET REVENUES	100,336	96,379	326,017	3
Cost of goods sold	61,142	59,381	199,346	1
GROSS PROFIT	39,194	36,998	126,671	1
Operating expenses:				
Selling, general and administrative expenses	25,668	22,958	77,530	
Research and development expenses	4,520	4,061	13,936	
Legal settlement	-	-	-	

Goodwill impairment	48,720	-	48,720	
Other, net	-	-	(1,863)	
Total operating expenses	78,908	27,019	138,323	
OPERATING (LOSS)/PROFIT	(39,714)	9,979	(11,652)	
Other expenses (income):				
Interest expense, net	2,854	3,251	8,471	
Other income, net	(209)	(80)	(61)	
(Loss)/Income from continuing operations before income taxes	(42,359)	6,808	(20,062)	
Provision for income taxes	2,502	21,709	10,701	
LOSS FROM CONTINUING OPERATIONS	$ (44,861)	$ (14,901)	$ (30,763)	$
DISCONTINUED OPERATIONS (NOTE 11)				
Loss from discontinued operations before income taxes	(236)	(54,875)	(978)	(
Income tax benefit	-	(264)	-	
Loss on discontinued operations	(236)	(54,611)	(978)	(
Net loss	$ (45,097)	$ (69,512)	$ (31,741)	$ (
Basic and diluted earnings per share:				
Loss from continuing operations	$ (1.72)	$ (0.58)	$ (1.18)	$
Loss from discontinued operations	(0.01)	(2.12)	(0.04)	
Net loss	$ (1.73)	$ (2.70)	$ (1.22)	$
Weighted average shares outstanding:				
Basic	26,109	25,721	26,074	
Effect of dilutive stock options	0	0	0	
Diluted	26,109	25,721	26,074	
Cash Dividends paid per share	$ 0.03	$ 0.03	$ 0.09	$

See accompanying notes to unaudited consolidated financial statements.

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

	Nine months ended September 30,	
	2004	2003
	(restated)	
Cash flows from operating activities:		

Net loss	$ (31,741)	$ (59,102)
Depreciation and amortization	30,775	26,216
Goodwill Impairment	48,720	-
Deferred income tax provision	468	21,511
Changes in assets and liabilities:		
Mylan settlement, net of cash payments	(1,600)	7,013
Vitamin B-3 provision, net of cash payments	(728)	(4,890)
Receivables, net	1,633	6,525
Inventories	(7,848)	2,814
Prepaid expenses and other current assets	2,122	(1,553)
Accounts payable and accrued liabilities	5,554	(377)
Income taxes payable	(5,370)	(8,923)
Other non-current assets and liabilities	(2,574)	3,046
Discontinued operations:		
Changes in operating assets and liabilities	(1,073)	(714)
Write-down of assets held for sale and other non-cash charges	-	60,927
Net cash provided by operating activities	38,338	52,493
Cash flows from investing activities:		
Capital expenditures	(27,749)	(27,251)
Other investing activities	(337)	(2,249)
Discontinued operations - cash flows provided by investing activities	-	720
Net cash used in investing activities	(28,086)	(28,780)
Cash flows from financing activities:		
Dividends paid	(2,330)	(2,316)
Net increase in short-term debt	126	824
Long-term debt activity (including current portion):		
Borrowings	64,750	284,861
Repayments	(56,767)	(299,693)
Proceeds from stock options exercised	4,005	117
Purchase of treasury stock	(219)	(2,420)
Net cash provided by (used in) financing activities	9,565	(18,627)
Effect of exchange rate changes on cash	(350)	3,453
Net increase in cash and cash equivalents	19,467	8,539
Cash and cash equivalents at beginning of period	64,294	33,296
Cash and cash equivalents at end of period	$ 83,761	$ 41,835

See accompanying notes to unaudited consolidated financial statements.

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

(1) BASIS OF PRESENTATION

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

The accompanying unaudited Consolidated Financial Statements have been prepared from the records of the Company. In the opinion of management, the financial statements include all adjustments which are of a normal and recurring nature, except for the goodwill impairment discussed in Note 6, and are necessary for a fair presentation of financial position and results of operations in conformity with generally accepted accounting principles. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2003.

The results of operations for the three months and nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year.

As discussed in Note 11, on November 10, 2003, the sale of Rutherford Chemicals was completed and accordingly, the business comprising the Rutherford Chemicals segment is classified as a discontinued operation in all periods presented.

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

(2) RESTATEMENT OF 2004 QUARTERLY RESULTS

During the 2004 year-end financial reporting process, the Company identified certain accounting adjustments principally related to amortization of leasehold improvements, employee benefit accruals, inventory and taxes that impacted prior years and prior quarters within 2004. The cumulative impact of the prior years' adjustments was a reduction to net income of $475 and is not considered material to any prior period. The prior years' adjustment of $475 has been reflected in the restated first quarter 2004 results. The impact on net income for the three and nine months ended September 30, 2004 was a decrease of $666 or $0.03 and a decrease of $876 or $0.04 per fully diluted share, respectively. The Company has restated the results of the three and nine months ended September 30, 2004 to reflect these adjustments.

The Company also identified certain adjustments to the December 31, 2003 foreign deferred tax balances, minimum pension liability and other comprehensive income which have been reflected as of March 31, 2004. These adjustments were not considered material to 2003.

The restatement did not have any impact on the Company's cash flows (net cash provided by/used in operating activities, investing activities or financing activities). A summary of the effects of the restatement on the accompanying Consolidated Income Statements and Consolidated Balance Sheets is as follows:

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

(2) RESTATEMENT OF 2004 QUARTERLY RESULTS -- (CONTINUED)

Consolidated Income Statements	QUARTER ENDED SEPTEMBER 30, 2004		NINE MONTHS ENDED SEPTEMBER 30, 2004	
	AS PREVIOUSLY	AS	AS PREVIOUSLY	AS

	REPORTED	RESTATED	REPORTED	RESTATED
Gross sales	$ 99,250	$ 99,250	$ 321,793	$ 321,750
Cost of good sold	60,454	61,142	198,940	199,346
Gross profit	39,882	39,194	127,120	126,671
SG&A expenses	25,645	25,668	77,863	77,530
R&D expenses	4,512	4,520	13,899	13,936
Operating loss	(38,995)	(39,714)	(11,499)	(11,652)
Provision for income taxes	2,555	2,502	9,978	10,701
Loss from continuing operations	(44,195)	(44,861)	(29,887)	(30,763)
Net loss	(44,431)	(45,097)	(30,865)	(31,741)
Diluted EPS, Continuing operations	$ (1.69)	$ (1.72)	$ (1.15)	$ (1.18)
Diluted EPS, Net loss	$ (1.70)	$ (1.73)	$ (1.18)	$ (1.22)

Consolidated Balance Sheets	AS OF SEPTEMBER 30, 2004	
	AS PREVIOUSLY REPORTED	AS RESTATED
Trade receivables, net	$ 56,276	$ 56,233
Inventories, net	88,222	89,060
Deferred tax assets	8,757	6,174
Prepaid expenses and other current assets	21,184	20,929
Total current assets	258,200	256,157
Property, plant and equipment, net	265,261	264,187
Goodwill	171,514	170,420
Total assets	752,519	748,308
Accrued liabilities	59,176	59,085
Deferred tax liabilities	28,998	29,351
Other non-current liabilites	45,410	47,181
Total liabilities	386,856	388,889
Retained earnings	172,592	171,716
Accumulated other comprehensive income/(loss)	3,346	(2,022)
Total shareholders' equity	$ 365,663	$ 359,419

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

(3) IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46"). The interpretation provides guidance on consolidating variable interest entities and applies immediately to variable interests created after January 31, 2003. The guidelines of the interpretation became applicable for the Company in its fourth quarter 2003 financial statements for variable interest entities created before February 1, 2003. The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics.

In December 2003, the FASB issued FIN 46R which requires the application of either FIN 46 or FIN 46R by public entities created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after December 15, 2003. All entities created after January 31, 2003 by public entities were already required to be analyzed under FIN 46, and they must continue to do so, unless FIN 46R was adopted early. FIN 46R is applicable to all non-special purpose entities created prior to February 1, 2003 by Public Entities that are not small business issuers at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has reviewed FIN 46 and FIN 46R and determined their impact did not have an effect on the Company's consolidated financial position or results in operations.

Employer's Disclosure about Pension and Other Postretirement Benefits

In May 2004, the FASB issued FASB Staff Position (FSP) No.106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act ("the Act") of 2003", which supercedes FASB issued Staff Position 106-1 of the same title. The Act allows for the federal government to make subsidy payments (beginning in 2006) to employers that sponsor postretirement benefit plans under which retirees receive prescription drug benefits that are "actuarially equivalent" to the prescription drug benefit provided under Medicare. The Staff Position clarifies the accounting for the benefits attributable to the Act. The Company has preliminarily determined that the benefits provided under the Company's plan are not actuarially equivalent to the Medicare Part D benefit under the Act. As a result, FSP No. 106-2 is not expected to have any effect on the Company's consolidated financial position or results of operations.

(4) WEIGHTED AVERAGE SHARES OUTSTANDING

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Weighted average shares outstanding:				
Basic..................................	26,109	25,721	26,074	25,769
Effect of dilutive stock options........	-	-	-	-
Diluted................................	26,109	25,721	26,074	25,769

In the three months ended September 30, 2004 and 2003, 243 and 278 shares, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive effect. In the nine months ended September 30, 2004 and 2003, 357 and 263 shares, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive effect.

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

(5) STOCK BASED COMPENSATION

At September 30, 2004, the Company has seven active stock-based employee compensation plans in effect. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for

Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

In May 2003, the former Chief Executive Officer and current Chairman of the Board was granted 150,000 incentive stock appreciation rights. In the fourth quarter 2003 these rights vested and, as such, the Chairman of the Board is entitled to a cash settlement representing the difference in value between the closing price of Cambrex stock on the day of the grant, which was $19.30, and the closing price of Cambrex stock on the day the rights are exercised. These rights terminate one year after his retirement from the Company. These rights will be marked to market until the rights are exercised or expire with the amount being recorded as compensation expense or benefit in the applicable period. In the three and nine months ended September 30, 2004, the Company recorded $492 and $498, respectively, in compensation benefit.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(restated)		(restated)	
Net loss, as reported............................	$ (45,097)	$ (69,512)	$ (31,741)	$ (59,10
Deduct: stock based compensation benefit included in reported net income................	(492)	-	(498)	
Deduct: stock-based compensation expenses determined using fair value method...	(1,199)	(1,898)	(2,991)	(3,62
Proforma net loss................................	$ (46,788)	$ (71,410)	$ (35,230)	$ (62,72
Proforma weighted average shares outstanding:				
Basic...	26,109	25,721	26,074	25,76
Diluted.......................................	26,109	25,721	26,074	25,76

The effect of stock options would be anti-dilutive under the FAS 123 calculation and are therefore excluded. The stock based compensation benefits and expenses have not been tax affected due to the full domestic tax valuation allowances discussed in Note 7.

Earnings per share:				
Basic -- as reported.........................	$ (1.73)	$ (2.70)	$ (1.22)	$ (2.2
Basic -- proforma............................	$ (1.79)	$ (2.78)	$ (1.35)	$ (2.4
Diluted -- as reported.......................	$ (1.73)	$ (2.70)	$ (1.22)	$ (2.2
Diluted -- proforma..........................	$ (1.79)	$ (2.78)	$ (1.35)	$ (2.4

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(in thousands, except per-share data)

(6) GOODWILL AND INTANGIBLE ASSETS

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" the Company has established reporting units based on its current segment structure for purposes of testing goodwill for impairment. Goodwill has been assigned to the reporting units to which the value of the goodwill relates. The Company evaluates goodwill and other intangible assets not subject to amortization at least on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable based on the estimated future cash flows.

In the third quarter of 2004, the Company reconsidered whether the carrying value of the goodwill related to its Baltimore reporting unit, which is a component of the Biopharma segment, may not be recoverable due to the lowering of Baltimore's revenue and operating income forecast for the remainder of 2004 and beyond versus prior projections. The Company tested for impairment and determined that the carrying value exceeded its fair value, as determined by using a discounted cash flow model. Management retained valuation specialists to assist in the valuation of its tangible and identifiable intangible assets for purposes of determining the implied fair value of goodwill. Upon completion of the assessment, the Company recorded a non-cash impairment charge of $48,720 to reduce the carrying value of goodwill in the Baltimore reporting unit to its estimated fair value of $65,584.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2004, are as follows:

	Bioproducts Segment	Human Health Segment	Biopharma Segment	Total
	(restated)			(restated)
Balance as of January 1, 2004.........	$ 53,787	$ 41,617	$ 125,338	$ 220,742
Goodwill Impairment..................	-	-	(48,720)	(48,720)
Cumulative Translation Effect.........	(87)	(651)	-	(738)
Other, including Contingent Purchase Price Adjustment	(864)	-	-	(864)
Balance as of September 30, 2004.	$ 52,836	$ 40,966	$ 76,618	$ 170,420

Other intangible assets that are not subject to amortization, consist of the following:

	As of September 30, 2004	As of December 31, 2003
Proprietary Process.....................	$ 1,675	$ 1,675
Trademarks..............................	33,898	33,898
Total	$ 35,573	$ 35,573

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

(6) GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Other intangible assets, which continue to be amortized, consist of the following:

	As of September 30, 2004 Gross Carrying Amount	As of December 31, 2003 Gross Carrying Amount
Patents	$ 3,354	$ 3,122
Proprietary Process	7,146	6,972
Supply Agreements	2,110	2,110
Trademarks	1,160	785
Unpatented Technology	5,912	5,912
Other	2,265	2,249
Fully amortized assets*	2,883	2,883
Total	24,830	24,033
Accumulated Amortization	(9,573)	(8,215)
Net	$ 15,257	$ 15,818

*This category includes certain fully amortized patents, proprietary process and non-compete agreements.

Amortization expense for the three months and nine months ended September 30, 2004 was $458 and $1,380, respectively.

The expected amortization expense related to intangible assets is as follows:

For the year ended December 31, 2004........................	$1,882
For the year ended December 31, 2005........................	$1,898
For the year ended December 31, 2006........................	$1,881
For the year ended December 31, 2007........................	$1,848
For the year ended December 31, 2008........................	$1,667

(7) INCOME TAXES

The Company's domestic net deferred tax assets at September 30, 2004 were primarily associated with net operating loss carryforwards, foreign tax credits, research and experimentation tax credits and alternative minimum tax credits, which are evaluated quarterly to assess the likelihood of realization. The realization of these assets is ultimately dependent upon generating future taxable income or implementing tax-planning strategies prior to expiration of those assets. Beginning September 30, 2003 the Company has maintained a full valuation allowance on its domestic net deferred tax assets. Accordingly, for the nine months ended September 30, 2004 a full valuation allowance of the Company's domestic net deferred tax assets generated during the first nine months of 2004 was recorded. The Company will continue to record a full valuation allowance on its domestic net deferred tax assets until an appropriate level of domestic profitability is sustained or tax strategies can be developed that will enable the Company to conclude that it is more likely than not that a portion of the domestic net deferred assets will be realized. If the Company continues to report pre-tax losses in the United States, income tax benefits associated with those losses will not be recognized and, therefore, those losses will not be reduced by such income tax benefits. Additionally, should domestic losses continue, it is possible that tax planning strategies preserving certain domestic tax assets could be deemed inadequate, resulting in additional valuation allowances in the future. The carryforward periods for foreign tax credits, research and experimentation tax credits, net operating losses, and the federal alternative minimum tax credits are 10 years, 20 years, 20 years and an indefinite period,

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

(7) INCOME TAXES (CONTINUED)

respectively. As such, improvements in domestic pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

Within discontinued operations, the Company has also not recorded any tax benefit related to the domestic loss generated by the operation or sale of Rutherford Chemicals for the same reasons as those identified above.

(8) INVENTORIES

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

Inventories at September 30, 2004 and December 31, 2003 consist of the following:

	September 30, 2004 (restated)	December 31, 2003
Finished goods	$ 44,529	$ 42,045
Work in process	23,892	19,105
Raw materials	15,611	16,601
Supplies	5,028	4,262
Total	$ 89,060	$ 82,013

(9) LONG-TERM DEBT

Long-term debt at September 30, 2004 and December 31, 2003 consists of the following:

	September 30, 2004	December 31, 2003
Bank credit facilities	$114,100	$105,200
Senior notes	100,000	100,000
Other	7,629	8,545
Subtotal	221,729	213,745
Less: current portion	(1,391)	(1,376)
Total	$220,338	$212,369

The Company met all bank covenants for the first nine months of 2004 and 2003.

(10) RESTRUCTURING AND OTHER CHARGES

2004 Actions

In the first quarter of 2004, management communicated to employees that a workforce reduction would occur at one of the Company's European facilities within the Human Health segment. The Company recorded a $1,000 charge in Other, net operating expenses to accrue for the termination benefits related to the workforce reduction. In all, 13 workers were terminated. As of September 30, 2004 approximately $700 has been paid. The company expects to pay the remaining benefits over the next three months.

(10) RESTRUCTURING AND OTHER CHARGES (CONTINUED)

The following table displays the activity related to the 2004 reduction in workforce reserve through September 30, 2004 (in millions):

	2004 Activity		
	2004 Expense	Cash Payments	September 30, 2004 Reserve Balance
Workforce reduction	$1.0	$(0.7)	$0.3

2002 Actions

In 2002, Cambrex completed a plan to realign its businesses, and at that time, the Company recorded net special pre-tax charges of $15,087, of which $10,849 were recorded in discontinued operations.

The following table displays the activity related to the 2002 restructuring accruals through September 30, 2004 (in millions):

	December 31, 2002 Reserve Balance	2003 Activity Cash Payments	December 31, 2003 Reserve Balance	2004 Activity Cash Payments	Septembe 30, 2004 Reserve Balance
Restructuring and other charges:					
Employee severance..............	$1.0	$(0.8)	$0.2	$(0.2)	-
Facility closure costs..........	1.6	(0.6)	1.0	(0.7)	$0.3
Total...........................	$2.6	$(1.4)	$1.2	$(0.9)	$0.3

The remaining facility closure costs are expected to be paid in the fourth quarter 2004.

(11) DISCONTINUED OPERATIONS - SALE OF RUTHERFORD CHEMICALS

On November 10, 2003 the Company completed the sale of Rutherford Chemicals. As a result of the completion of the transaction, the business comprising the Rutherford Chemicals segment is being reported as a discontinued operation in all periods presented. The agreement specified proceeds for the sale of $55,000 in cash at closing, a $2,000 subordinated 12% interest bearing note payable in full in 5 1/2 years from the closing date, and an $8,000 performance-based cash earn-out if certain future operating profit targets are achieved in each of the next 3 years. These terms resulted in a write-down of assets to estimated fair value of approximately $53,098 which is based on the selling price, including fees associated with the transaction. The Company has not included any of the performance based cash earn-out in the computation of the $53,098 loss and income for discontinued operations will be recorded in future periods if the Company receives any payments under the earn-out arrangement. In the first quarter of 2004, the Company finalized the post closing working capital adjustment. This adjustment, along with legal and other charges associated with the sale, has resulted in an additional $742 charge to discontinued operations in the first quarter 2004. In the third quarter of 2004, the Company incurred an additional $236 primarily for revised estimates of environmental liabilities associated with Rutherford Chemicals. These losses have not been tax affected, the reasons for which are more fully explained in Note 7.

In accordance with the sale agreement, the Company has retained certain liabilities of the Rutherford Chemicals business including existing general litigation matters, including the Vitamin B-3 matter, pre-closing environmental liabilities and post retirement benefits and pension liabilities. See Note 16 for further discussion.

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

(11) DISCONTINUED OPERATIONS - SALE OF RUTHERFORD CHEMICALS (CONTINUED)

The following table shows revenues and loss from discontinued operations for the three and nine months ended September 30, 2004 and 2003:

	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 2004
Revenues	$ -	$ 29,460	$ -
Pre-tax loss from discontinued operations	(236)	(1,777)	(978)
Write-down to fair value based on expected selling price	-	(53,098)	-
Loss from discontinued operations before income taxes	$ (236)	$(54,875)	$(978)

(12) COMPREHENSIVE INCOME

The following table shows the components of comprehensive loss for the three and nine months ended September 30, 2004 and 2003:

	For the three months ended September 30,		For the ended S
	2004	2003	2004
	(restated)		(restate
Net loss	$ (45,097)	$ (69,512)	$ (31,74
Foreign Currency Translation	6,256	6,099	(5,55
Unrealized gain on hedging contracts	352	626	92
Mimimum Pension Liability	(15)	-	(2,85
Other	16	(12)	
Total	$ (38,488)	$ (62,799)	$ (39,22

The Company identified certain adjustments to the December 31, 2003 foreign deferred tax balances, minimum pension liability and other comprehensive income which have been reflected in the first quarter of 2004. These adjustments were not considered material to 2003.

(13) RETIREMENT PLANS

Domestic Pension Plans

(in thousands, except per-share data)

The Company maintains two U.S. defined-benefit pension plans which cover substantially all eligible employees: (1) the Nepera Hourly Pension Plan (the "Nepera Plan") which covers the union employees at the formerly owned Harriman, New York plant, and (2) the Cambrex Pension Plan (the "Cambrex Plan") which covers all other eligible employees.

(13) RETIREMENT PLANS (CONTINUED)

The components of net periodic pension cost for the Company's domestic plans for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three months ended September 30, 2004 (restated)	Three months ended September 30, 2003	Ni mon en Septem 20 (rest
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service Cost....................................	$ 581	$ 650	$ 1
Interest Cost...................................	731	710	2
Expected return on plan assets..................	(650)	(525)	(1
Amortization of prior service cost..............	11	17	
Recognized actuarial loss.......................	129	130	
Net periodic benefit cost.......................	$ 802	$ 982	$ 2

The Company is expected to contribute $4,859 in cash to its two U.S. defined-benefit pension plans in 2004. As of September 30, 2004 the Company has contributed $3,958 in cash to these plans.

The Company has two Supplemental Executive Retirement Plans (SERP) for key executives. These plans are non-qualified and unfunded.

The components of net periodic pension cost for the Company's SERP Plans for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three months ended September 30, 2004	Three months ended September 30, 2003	Sep
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service Cost....................................	$ 52	$ 63	
Interest Cost...................................	107	106	

Amortization of unrecognized transition obligation	25	-
Amortization of prior service cost	1	1
Recognized actuarial loss	12	33
Net periodic benefit cost	$ 197	$ 203

International Pension Plans

Certain foreign subsidiaries of the Company maintain pension plans for their employees that conform to the common practice in their respective countries. Based on local laws and customs, some of those plans are not funded. For those plans that are funded, the amount in the trust supporting the plan is actuarially determined and in compliance with local statutes, where applicable.

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

(13) RETIREMENT PLANS (CONTINUED)

The components of net periodic pension cost for the Company's international plans for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three months ended September 30, 2004	Three months ended September 30, 2003	Se
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service Cost	$ 217	$ 158	
Interest Cost	222	207	
Expected return on plan assets	(71)	(46)	
Amortization of excess plan net	21	(8)	
Amortization of prior service cost	(5)	32	
Net periodic benefit cost	$ 384	$ 343	

The Company has contributed $611 in cash to its international pension plans in 2004 and does not expect to contribute any more cash for the remainder of the year.

(14) OTHER POSTRETIREMENT BENEFITS

Cambrex provides postretirement health and life insurance benefits ("postretirement benefits") to all eligible retired employees. Employees who retire at or after age 55 with ten years of service are eligible to participate in the postretirement benefit plans. The Company's responsibility for such premiums for each plan participant is based upon years of service subject to an annual maximum of one thousand dollars. Such plans are self-insured and are not funded.

The components of net periodic benefit cost for the three and nine months ended September 30, 2004 and 2003 are as follows:

	Three months ended September 30, 2004	Three months ended September 30, 2003	m e Septe
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost of benefits earned	$ 13	$ 31	$
Interest cost..................................	37	50	
Actuarial loss recognized......................	29	53	
Amortization of unrecognized prior service cost..	(38)	(44)	
Total periodic postretirement benefit cost.......	$ 41	$ 90	$

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

(15) SEGMENT INFORMATION

Cambrex is a life sciences company dedicated to providing essential products and services to accelerate discovery, development and manufacturing processes for human therapeutics. The Company primarily supplies its products and services worldwide to pharmaceutical and biopharmaceutical companies, generic drug companies, biotech companies and research organizations. In the fourth quarter 2003, the Company began reporting results in three segments: Bioproducts segment (previously part of the Biosciences segment), consisting of cell culture, cell therapy services, media and serum, endotoxin detection products and services and electrophoresis and chromatography products; Biopharma segment (previously part of the Biosciences segment), consisting of contract biopharmaceutical process development and manufacturing services; and Human Health segment (formerly Human Health and All Other), consisting of active pharmaceutical ingredients ("APIs") and pharmaceutical intermediates produced under Food and Drug Administration Current Good Manufacturing Practices for use in the production of prescription and over-the-counter drug products, imaging chemicals used in x-ray contrast media, and other fine custom chemicals derived from organic chemistry. The Company allocates corporate expenses to each of its subsidiaries. The allocation of corporate expenses in the first nine months of 2003 has been adjusted to be consistent with the allocation methodology adopted by the Company in the fourth quarter of 2003.

One customer, a distributor representing multiple customers, accounted for 14.6% of consolidated gross sales in the third quarter 2003 and 10.9% and 12.8% of consolidated gross sales for the nine months ended September 30, 2004 and 2003, respectively.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(in thousands, except per-share data)

(15) SEGMENT INFORMATION (CONTINUED)

Following is a summary of business segment information for the following dates:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	20
	(restated)		(restated)	
Gross Sales:				
Bioproducts	$ 33,958	$ 29,607	$ 102,190	$ 8
Biopharma	11,375	8,680	31,739	3
Human Health	53,917	56,892	187,821	18
	$ 99,250	$ 95,179	$ 321,750	$ 30
Gross Profit:				
Bioproducts	$ 18,632	$ 14,419	$ 55,676	$ 4
Biopharma	1,892	837	3,303	
Human Health	18,670	21,742	67,692	6
	$ 39,194	$ 36,998	$ 126,671	$ 12
Operating (Loss)/Profit*:				
Bioproducts	$ 6,379	$ 3,883	$ 21,872	$ 1
Biopharma	(49,247)	(1,615)	(53,065)	
Human Health	9,146	13,632	37,503	4
Corporate	(5,992)	(5,921)	(17,962)	(3
Total Operating (Loss)/Profit ...	$ (39,714)	$ 9,979	$ (11,652)	$ 2
Reconciliation to loss from Continuing Operations:				
Interest expense, net	$ 2,854	$ 3,251	$ 8,471	$
Other income, net	(209)	(80)	(61)	
Provision for income taxes	2,502	21,709	10,701	2
Loss from continuing operations	$ (44,861)	$ (14,901)	$ (30,763)	$ (
Capital Spending:				
Bioproducts	$ 2,592	$ 2,147	$ 6,809	$
Biopharma	2,015	1,787	7,749	
Human Health	4,813	3,833	12,595	1
Corporate	191	389	596	
	$ 9,611	$ 8,156	$ 27,749	$ 2

*The operating segments include charges of certain corporate allocations reflecting services provided for or on behalf of the respective segments.

Unallocated corporate spending is included in "Corporate." For the three and nine months ended September 30, 2004, the Biopharma operating profit includes a $48,720 charge for an impairment to goodwill. For the nine months ended September 30, 2004, the Bioproducts operating profit includes $2,863 of income due to the early termination of a contract. For the nine months ended September 30, 2003, the Corporate operating profit includes an $11,342 charge for the settlement of certain class action lawsuits involving Mylan laboratories.

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

(15) SEGMENT INFORMATION (CONTINUED)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	20
	(restated)		(restated)	
Depreciation:				
Bioproducts....................	$ 1,300	$ 1,262	$ 4,022	$
Biopharma......................	899	592	3,338	
Human Health...................	6,960	6,321	21,015	1
Corporate......................	340	626	1,020	
	$ 9,499	$ 8,801	$ 29,395	$ 2
Amortization:				
Bioproducts....................	$ 342	$ 282	$ 1,030	$
Biopharma......................	108	117	324	
Human Health...................	8	-	26	
	$ 458	$ 399	$ 1,380	$

	September 30, 2004	December 31, 2003
	(restated)	
Total Assets:		
Bioproducts....................	$ 208,042	$ 197,689
Biopharma......................	131,546	176,467
Human Health...................	361,852	356,885
Corporate......................	46,868	47,462
	$ 748,308	$ 778,503

(16) CONTINGENCIES

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company continually assesses all known facts and circumstances as they pertain to all legal and environmental matters and evaluates the need for reserves and/or disclosures as deemed necessary based on these facts and circumstances and as such facts and circumstances develop.

Environmental

In connection with laws and regulations pertaining to the protection of the environment, the Company and/or its subsidiaries is a party to several environmental proceedings and remediation investigations and cleanups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites ("Superfund sites"). Additionally, as discussed in the "Sale of Rutherford Chemicals" section of this Note, the Company has retained the liability for certain environmental proceedings, associated with the Rutherford Chemicals business. Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided unfavorably against the Company. The resolution of such matters often spans several years and frequently involves regulatory oversight and/or adjudication. Additionally, many remediation requirements are not fixed and are likely to be affected by future technological, site, and regulatory developments. Consequently, the ultimate extent of liabilities with respect to such matters, as well as the timing of cash disbursements cannot be determined with certainty.

(16) CONTINGENCIES (CONTINUED)

In matters where the Company has been able to reasonably estimate its liability, the Company has accrued for the estimated costs associated with the study and remediation of Superfund sites not owned by the Company and the Company's current and former operating sites. These accruals were $5,337 and $5,100 at September 30, 2004, and December 31, 2003, respectively. The increase in the accrual is due to currency fluctuation of $58, payments of $255 and an increase to the reserve of $550. A portion of this increase relates to an increase in an existing reserve associated with the on-going investigation and remediation at the Company's Carlstadt, New Jersey location. An assessment of remedial costs based on information currently known resulted in the increase. Based upon currently available information and analysis, the Company's current accrual represents management's best estimate of what it believes are the probable and estimable costs associated with environmental proceedings.

The Company expects to receive information in the near future on three matters, as described below, that could impact the Company's current assessment of its probable and estimable costs and as such may require an adjustment to the reserves.

As a result of the sale of the Bayonne, New Jersey facility (see "Sale of Rutherford Chemicals" section of this Note), an obligation to investigate site conditions and conduct required remediation under the New Jersey Industrial Site Recovery Act was triggered; and the Company has retained the responsibility for such obligation. Recently, the Company completed a Preliminary Assessment (PA) of the Site and submitted the PA to the New Jersey Department of Environmental Protection. The PA identified potential areas of concern based on historical operations and proposed certain sampling at the Site. The Company has reserved for the costs of the sampling. The sampling will be conducted during the next several months. The results of the sampling will be used to develop an estimate of the Company's future liability for remediation costs, if required.

In March 2000, the Company completed the acquisition of the Cambrex Profarmaco Landen facility in Belgium. At the time of acquisition, Cambrex was aware of certain site contamination and recorded a reserve for the estimated costs of remediation. This property has been the subject of an extensive on-going environmental investigation, which when completed will be followed by a health risk assessment related to the site contamination. The results of the environmental investigation and health risk assessment will determine the ultimate remedial actions to be performed at the Site and it is possible that a liability significantly different from the Company's current reserve may exist.

The Company's Cosan subsidiary conducted manufacturing operations in Clifton, New Jersey from 1968 until 1979. In 1997, Cosan entered into an Administrative Consent Order with the State of New Jersey Department of Environmental Protection. Under the Administrative Consent Order, Cosan is required to complete an investigation of the Clifton site conditions and conduct remediation as may be necessary. The investigation of site conditions continues and is expected to be completed in the next several months. The results of the investigation will enable the Company to estimate its liability, if any.

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

If any of the Company's environmental matters are resolved in an unfavorable manner these matters, either individually or in the aggregate, could have a material adverse effect on the Company's financial condition, operating results and cash flows when resolved in a future reporting period.

(16) CONTINGENCIES (CONTINUED)

Litigation and Other Matters

Mylan Laboratories

In 1998 the Company and its subsidiary Profarmaco S.r.l. (currently known as Cambrex Profarmaco Milano S.r.l.") ("Profarmaco") were named as defendants (along with Mylan Laboratories, Inc. ("Mylan") and Gyma Laboratories of America, Inc., Profarmaco's distributor in the United States) in a proceeding instituted by the Federal Trade Commission ("FTC") in the United States District Court for the District of Columbia (the "District Court"). The allegations arise from exclusive license agreements between Profarmaco and Mylan covering the drug master files for lorazepam and clorazepate, two active pharmaceutical ingredients ("APIs"). The FTC alleged violations of the Federal Trade Commission Act; including unlawful restraint of trade and conspiracy to monopolize markets for the APIs. A lawsuit making similar allegations against the same parties seeking injunctive relief and treble damages, was filed by the Attorneys General of 31 states in the District Court on behalf of those states and persons in those states who were purchasers of the generic pharmaceuticals.

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

On February 9, 2001, a federal court in Washington, DC entered an Order and Stipulated Permanent Injunction as part of a settlement of the FTC and Attorneys General's suits. Under these settlement documents Mylan agreed to pay over $140,000 on its own behalf and on behalf of most of the other defendant companies including Cambrex and Profarmaco. In the Order and Injunction, the settling defendants also agreed to monitor certain future conduct. The private litigation continues.

On April 7, 2003, Cambrex reached an agreement with Mylan under which Cambrex would contribute $12,415 to the settlement of consolidated litigation brought by a class of direct purchasers. In exchange, Cambrex and Profarmaco received from Mylan a release and full indemnity against future costs or liabilities in related litigation brought by purchasers, as well as potential future claims related to this matter. Approximately $4,415 was paid in April 2003 and an additional $1,600 was paid in April 2004 in accordance with the agreement, with the remaining $6,400 to be paid over the next four years. Cambrex recorded an $11,342 charge (discounted to the present value due to the five year pay-out) in the first quarter of 2003 as a result of this settlement. As of September 30, 2004 the outstanding balance for this liability was $5,814.

Vitamin B-3

On May 14, 1998, the Company's subsidiary, Nepera, which formerly operated the Harriman facility and manufactured and sold niacinamide (Vitamin B-3), received a Federal Grand Jury subpoena for the production of documents relating to the pricing and possible customer allocation with regard to that product. In the fourth quarter of 1999, the Company reached a settlement with the Government concerning Nepera's alleged role in Vitamin B-3 violations from 1992 to 1995. On October 13, 2000, the Government settlement was finalized with Nepera entering into a voluntary plea agreement with the Department of Justice. Under this agreement, Nepera entered a plea of guilty to one count of price fixing and market allocation of Vitamin B-3 from 1992 to 1995 in violation of section one of the Sherman Act and agreed to pay a fine of $4,000. Under the plea agreement, Nepera was placed on probation for one year, which has ended. The fine was paid in February 2001.

(16) CONTINGENCIES (CONTINUED)

Nepera has been named as a defendant, along with several other companies, in a number of private civil actions brought on behalf of alleged purchasers of Vitamin B-3.

An accrual of $6,000 was recorded in the fourth quarter 1999 to cover the anticipated government settlements, related litigation, and legal expenses. Based on discussions with various plaintiffs' counsel, as well as current estimates of expenditures for legal fees, an additional accrual of $4,400 was established in the fourth quarter of 2001. The Company believed that the reserves would be sufficient to cover resolution of the remaining related litigation matters. However, during 2002, based on information developed during the year, the Company determined that the remaining litigation matters would be more costly than previously anticipated. Therefore, during 2002, the Company increased reserves by $10,000. The balance of this accrual as of September 30, 2004 was approximately $3,107. This accrual has been recorded in accrued liabilities.

Litigation in the United States under the U.S. antitrust laws was commenced some years ago by a group of European purchasers. On motion by the Vitamin B-3 defendants, the District Court dismissed the litigation, under the long-standing rule that foreign purchasers cannot sue in U.S. courts under U.S. antitrust statutes. Thereafter, the Federal Circuit Court for the District of Columbia reversed the District Court's decision. The Vitamin B-3 defendants, supported by the U.S. Department of Justice, appealed to the United States Supreme Court and oral arguments were heard on April 29, 2004. In June 2004, the United States Supreme Court ruled that foreign purchasers could not sue in U.S. courts under U.S. antitrust statutes if the conduct at issue resulted in purely foreign harm. However, the Court left open potential claims where foreign injuries suffered by foreign plaintiffs were dependent upon domestic harm resulting from conduct that violates the U.S. antitrust laws. The Court directed the parties to file additional briefs to determine whether Plaintiffs preserved such a claim in the underlying proceedings in which case a hearing on such a claim would proceed in Circuit Court. The Company currently has made no accrual for potential non-U.S. claims for this matter given the lack of historical precedent and significant uncertainty of the outcome of the proceedings.

Sale of Rutherford Chemicals

The Company completed the sale of its Rutherford Chemicals business on November 10, 2003. Under the agreement for the sale, the Company provided standard representations and warranties and included various covenants concerning the business, operations, liabilities and financial condition of the Rutherford Chemicals business. Most of such representations and warranties will survive for a period of thirty days after the Buyer's preparation of its audited financial statements for year-end 2004. Therefore, claims for breaches of such representations would have to be brought during that time frame. Certain specified representations and warranties and covenants, such as those relating to employee benefit matters and certain environmental matters, will survive for longer periods and claims under such representations, warranties and covenants could be brought during such longer periods. Under the sale agreement, the Company has indemnified the Buyer for breaches of representations, warranties and covenants. Indemnifications for certain but not all representations and warranties are subject to a deductible of $750 and a cap at 25 percent of the purchase price.

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

(16) CONTINGENCIES (CONTINUED)

Under the agreement for sale, the Company has retained the liabilities associated with existing general litigation matters related to Rutherford Chemicals, including Vitamin B-3 as stated above. With respect to certain pre-closing environmental matters, the Company retains the responsibility for: (i) certain existing matters including violations, environmental testing for the New York facility incinerator and off-site liabilities; and (ii) completing the on-going remediation at the New York facility. Further, as a result of the sale of the Bayonne, New Jersey facility, the obligation to investigate site conditions site conditions and conduct required remediation under the provisions of the New Jersey Industrial Site Recovery Act was triggered; and the Company has retained the responsibility for completion of any such investigation and remediation. With respect to all other pre-closing environmental liabilities, whether known or unknown, the Buyer is responsible for the management of potential future matters; however, the Buyer and the Company may share the costs of associated remediation with respect to such potential future matters, subject to certain limitations defined in the agreement for sale.

Class Action Matter

In October 2003, the Company was notified of a securities class action lawsuit filed against Cambrex and five former and current Company officers. Five class action suits were filed with the New Jersey Federal District Court. Under the rules applicable to class action litigation, the various plaintiffs appeared in Federal Court on January 12, 2004, and the Court designated the lead plaintiff and selected counsel to represent the class. The cases were also consolidated and an amended complaint was filed on March 30, 2004. The lawsuit has been brought as a class action in the names of purchasers of the Company's common stock from October 21, 1998 through July 25, 2003. The complaint alleges that the Company failed to disclose in timely fashion the January 2003 accounting restatement and subsequent SEC investigation, as well as the loss of a significant contract at the Baltimore facility.

The Company filed a motion to dismiss in May 2004. Thereafter the plaintiff filed a reply brief. The Company responded and is awaiting a decision from the Court. The Company considers the complaints to be substantially without merit and will vigorously defend against them. As such, the Company has recorded no reserves related to this matter.

Securities and Exchange Commission

The Securities and Exchange Commission ("SEC") is currently conducting an investigation into the Company's inter-company accounting procedures from the period 1997-2001. The investigation began in the first half of 2003 after the Company voluntarily disclosed certain matters related to inter-company accounts for the five-year period ending December 31, 2001 that resulted in the restatement of the Company's financial statements for those years. To Cambrex's knowledge, the investigation is limited to this inter-company accounting matter, and the Company does not expect further revisions to its historical financial statements relating to these issues. The Company is fully cooperating with the SEC.

Other

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

(16) CONTINGENCIES (CONTINUED)

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

The Company currently believes the estimated fair value of its indemnification agreements is not significant based on currently available information, and as such, the Company has no liabilities recorded for these agreements as of September 30, 2004.

In addition to the matters identified above, Cambrex's subsidiaries are party to a number of other proceedings. While it is not possible to predict with certainty the outcome of the Company's litigation matters and various other lawsuits and contingencies, it is the opinion of management based on information currently available that the ultimate resolution of these matters should not have a material adverse effect on the Company's results of operations, cash flows and financial position. These matters, if resolved in an unfavorable manner, could have a material effect on the operating results and cash flows when resolved in a future reporting period.

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

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

As discussed in the explanatory note, and in note 2 to the unaudited consolidated financial statements, during the 2004 year-end financial reporting process, the Company identified certain accounting adjustments principally related to amortization of leasehold improvements, employee benefit accruals, inventory and taxes that impacted prior years and prior quarters within 2004. The Company has restated the quarterly results for the three quarters of 2004, as such all 2004 results and comparisons to prior year have been restated.

The Company also identified certain adjustments to the December 31, 2003 foreign deferred tax balances, minimum pension liability and other comprehensive income which have been reflected as of March 31, 2004. These adjustments were not considered material to 2003 or to the quarter ended March 31, 2004.

RESULTS OF OPERATIONS

COMPARISON OF THIRD QUARTER 2004 VERSUS THIRD QUARTER 2003

The following tables show the gross sales of the Company's three segments, in dollars and as a percentage of the Company's total gross sales for the quarters ended September 30, 2004 and 2003.

	Three Months Ended September 3		
	2004		2
	(restated)		
	$	%	$
Bioproducts..	$33,958	34.2%	$29,607
Biopharma..	11,375	11.5	8,680

Human Health	53,917	54.3	56,892
Total gross sales	$99,250	100.0%	$95,179

The following table shows gross profit of the Company's three product segments for the third quarter 2004 and 2003.

	2004 (restated)		2
	Gross Profit $	Gross Margin %	Gross Profit $
Bioproducts	$18,632	54.9%	$14,419
Biopharma	1,892	16.6	837
Human Health	18,670	34.6	21,742
Total	$39,194	39.5%	$36,998

Gross sales in the third quarter 2004 increased $4,071 or 4.3% to $99,250 from $95,179 in the third quarter 2003. Increased sales in Bioproducts and Biopharma segments were partly offset by lower sales in the Human Health segment. Gross sales were favorably impacted 3.7% due to exchange rates reflecting a weaker U.S. dollar in the third quarter of 2004 versus the third quarter 2003.

Gross profit in the third quarter of 2004 was $39,194 compared to $36,998 in 2003. Gross margin percentage increased to 39.5% from 38.9% in the third quarter of 2003. The higher gross margin percentage reflects increased margins in the Bioproduct and Biopharma segments partially offset by lower margins in the Human Health segment.

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THIRD QUARTER 2004 VERSUS THIRD QUARTER 2003 (CONTINUED)

The following table shows sales by geographic area for the three months ended September 30, 2004 and 2003:

	Three Months Ended September 30, 2004	2003
North America	$ 54,667	$ 51,026
Europe	36,892	38,103
Asia	4,675	3,836
Other	3,016	2,214
Total	$ 99,250	$ 95,179

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The Bioproducts Segment gross sales in the third quarter 2004 of $33,958 were $4,351 or 14.7% above the third quarter 2003. The Bioproducts segment sales were favorably impacted 3.4% due to exchange rates reflecting a weaker U.S. dollar in the third quarter 2004 versus 2003. The sales increase primarily reflects higher sales of Research Products due to increased demand of serum and the timing of certain Cell Biology orders, higher sales of Endotoxin Detection products due to strong European markets and increased Bioservices sales due to the addition of a number of new customers.

The Bioproducts margins increased primarily due to increased pricing on some products, lower bad debt reserves due to favorable collection experience, favorable overhead absorption on the increased sales and the favorable impact of foreign currency.

The Biopharma Segment gross sales in the third quarter 2004 of $11,375 were $2,695 or 31.0% above the third quarter 2003 reflecting increased suite revenue due to new contracts signed in late 2003 and early 2004 partially offset by those contracts which were completed in 2003. Foreign currency had no impact on the Biopharma segment.

The Biopharma segment margin increase is primarily due to favorable overhead absorption on the increased revenues, partially offset by higher production costs and higher reimbursable materials expenses.

The Human Health Segment gross sales in the third quarter 2004 of $53,917 were $2,975 or 5.2% below the third quarter 2003. Human Health sales were favorably impacted 4.4% due to exchange rates reflecting a weaker U.S. dollar in the third quarter 2004 versus 2003. The decrease in gross sales primarily results from lower sales of cardiovascular, analgesic and central nervous system APIs and crop protection and feed additives due to strong competition and lower demand. The timing of shipments within the year of an advanced intermediate for an end-stage renal disease and amphetamines also impacted gross sales. These decreases were partially offset by higher demand for custom development products particularly in the United States and increased sales of diuretic and Alzheimer's treatment APIs due to strong demand.

Human Health segment gross margins decreased due to unfavorable impact of foreign currency translation, pricing pressures on certain generic APIs and feed additives and unfavorable overhead absorption due to lower production partially offset by favorable overhead spending.

Selling, general and administrative expenses of $25,668 or 25.9% of gross sales in the third quarter 2004 increased from $22,958, or 24.1% of gross sales in the third quarter 2003. This increase is due primarily to additional sales and marketing personnel in our Human Health and Bioproducts segments, higher spending for advertising and promotions, the impact of foreign currency and higher administration personnel.

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THIRD QUARTER 2004 VERSUS THIRD QUARTER 2003 (CONTINUED)

Research and development expenses of $4,520 were 4.6% of gross sales in the third quarter 2004, compared to $4,061 or 4.3% of gross sales in the third quarter 2003. The increase in expense primarily reflects higher lab spending and the impact of foreign currency.

In the third quarter of 2004, the Company reconsidered whether the carrying value of the goodwill related to its Baltimore reporting unit, which is a component of the Biopharma segment, may not be recoverable due to the lowering of Baltimore's revenue and operating income forecasts for the remainder of 2004 and beyond versus prior projections. The Company tested for impairment and determined that the carrying value exceeded its fair value, as determined by using a discounted cash flow model. Management retained valuation specialists to assist in the valuation of its tangible and identifiable intangible assets for purposes of determining the implied fair value of goodwill. Upon completion of the assessment, the Company recorded a non-cash impairment charge of $48,720 to reduce the carrying value of goodwill in the Baltimore reporting unit to its estimated fair value of $65,584.

The operating loss in the third quarter of 2004 was $39,714 including the goodwill impairment of $48,720 discussed above compared to operating profit of $9,979 in the third quarter of 2003. The 2004 results, excluding the goodwill impairment, reflect higher selling, general and administration expense offset by increased gross sales and higher gross margin.

Net interest expense of $2,854 in the third quarter 2004 decreased $397 from the third quarter of 2003 primarily reflecting lower average debt. The average interest rate was 5.51% in the third quarter of 2004 versus 5.35% in the third quarter of 2003.

The Company recorded tax expense of $2,502 for the third quarter of 2004 compared to $21,709 in the third quarter 2003. During the third quarter 2003, the Company concluded that $19,780 of domestic deferred tax assets were deemed unlikely to be realized, and as such, valuation allowances for this amount were recorded against these assets. Since that time, the Company has maintained a full valuation allowance on its domestic net deferred tax assets and no tax benefit has been recognized for domestic pre-tax losses. Accordingly, for the three months ended September 30, 2004 a full valuation allowance of the Company's domestic net deferred tax assets generated during the third quarter of 2004, including those related to the goodwill impairment charge, was recorded.

The Company will continue to record a full valuation allowance on its domestic net deferred tax assets until an appropriate level of domestic profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of the domestic net deferred assets would be realized. If the Company continues to report pre-tax losses in the United States, income tax benefits associated with those losses will not be recognized and, therefore, those losses would not be reduced by such income tax benefits. Additionally, should domestic losses continue, it is possible that certain tax planning strategies preserving certain domestic tax assets could be deemed inadequate, resulting in additional valuation allowances in the future. The carryforward periods for foreign tax credits, research and experimentation tax credits, net operating losses, and the federal alternative minimum tax credits are 10 years, 20 years, 20 years and an indefinite period, respectively. As such, improvements in domestic pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

The loss from continuing operations in the third quarter of 2004 was $44,861 or $1.72 per diluted share versus a loss of $14,901, or $0.58 per diluted share in the same period a year ago.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THIRD QUARTER 2004 VERSUS THIRD QUARTER 2003 (CONTINUED)

In the fourth quarter 2003, the Company completed the sale of the Rutherford Chemicals business and as a result the business is classified as a discontinued operation for all periods presented. In the third quarter of 2004, the Company recorded an additional $236 charge to discontinued operations due primarily to revised estimates of environmental liabilities related to Rutherford Chemicals. In the third quarter 2003, the company recorded a loss from discontinued operations of $54,611 due primarily to the sale of the Rutherford Chemicals business and the resulting write-down of assets.

Net loss in the third quarter of 2004 was $45,097, or $1.73 per diluted share versus a net loss of $69,512, or $2.70 per diluted share in the same period a year ago.

COMPARISON OF NINE MONTHS 2004 VERSUS NINE MONTHS 2003

	2004 (restated)		2003
	$	%	$
Bioproducts..	$102,190	31.7%	$ 89,383
Biopharma..	31,739	9.9	31,497
Human Health.......................................	187,821	58.4	182,646
Total gross sales	$321,750	100.0%	$303,526

The following table shows gross sales and gross profit of the Company's three product segments for the nine months ended September 30, 2004 and 2003.

	2004		2
	(restated)		
	Gross Profit $	Gross Margin %	Gross Profit $
Bioproducts..	$ 55,676	54.5%	$ 45,007
Biopharma..	3,303	10.4	8,158
Human Health.......................................	67,692	36.0	69,296
Total..	$126,671	39.4%	$122,461

Gross sales for the first nine months of 2004 increased 6.0% to $321,750 from $303,526 in the first nine months of 2003. All three segments reflect an increase in sales. Gross sales were favorably impacted 4.5% due to exchange rates reflecting a weaker U.S. dollar in the first nine months of 2004 versus the first nine months of 2003.

Gross profit in the first nine months of 2004 was $126,671 compared to $122,461 in the first nine months of 2003. Gross margin percentage decreased to 39.4%

from 40.3% in the first nine months of 2003. The reduced gross margin percentage reflects lower margins in the Human Health and Biopharma segments partially offset by higher margins in the Bioproduct segment.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF NINE MONTHS 2004 VERSUS NINE MONTHS 2003 (CONTINUED)

The following table shows sales by geographic area for the nine months ended September 30, 2004 and 2003:

	Nine Months Ended September 30,	
	2004	2003
	(restated)	
North America	$165,307	$155,988
Europe	134,745	128,926
Asia	12,573	11,522
Other	9,125	7,090
Total	$321,750	$303,526

The Bioproducts Segment gross sales in the first nine months of 2004 of $102,190 were $12,807 or 14.3% above the first nine months of 2003. The Bioproducts segment sales were favorably impacted 4.1% due to exchange rates reflecting a weaker U.S. dollar in the first nine months of 2004 versus 2003. The sales increase primarily reflects higher sales across most product categories including Research Products, Endotoxin Detection products and Bioservices sales due to stronger demand, higher pricing, new products and customers and investments in sales and marketing.

The Bioproducts margins increased primarily due to increased pricing across most product categories, lower bad debt reserves due to favorable collections and the favorable impact of foreign currency.

The Biopharma Segment gross sales in the first nine months of 2004 of $31,739 were $242 or 0.8% above the first nine months of 2003 reflecting increased suite fees partially offset by lower process development and other labor revenues. The increased suite fees reflect a number of new contracts in 2004 offset by the loss of a Biopharmaceutical customer in July 2003 whose product failed to receive FDA approval and the completion of other contracts in 2003. Foreign currency had no impact on the Biopharma segment.

The Biopharma segment margin decline is primarily due to higher production costs including increased material expenses.

The Human Health Segment gross sales for the first nine months of 2004 of $187,821 were $5,175 or 2.8% above the first nine months of 2003. Human Health sales were favorably impacted 5.5% due to exchange rates reflecting a weaker U.S. dollar in the first nine months 2004 versus 2003. The decrease, excluding currency, results from lower sales of a gastrointestinal and endocrine APIs due to timing of shipments as customers built-up inventory in 2003, lower sales of cardiovascular APIs, contract intermediates used in the manufacture of allergy and anti-viral APIs and a feed additive due to strong competition and lower demand. These decreases were partially offset by higher demand for custom development products particularly in the United States and increased sales of Alzheimer's treatment API.

Human Health segment gross margins decreased due to pricing pressures on certain generic APIs and feed additives and the unfavorable impact of foreign currency translation partially offset by favorable overhead spending and product mix.

Selling, general and administrative expenses of $77,530 or 24.1% of gross sales in the first nine months of 2004 increased from $71,033, or 23.4% of gross sales in the first nine months of 2003. This increase is due primarily to the impact of foreign currency, additional personnel in sales, marketing and administrative functions and higher spending for advertising and promotions.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF NINE MONTHS 2004 VERSUS NINE MONTHS 2003 (CONTINUED)

Research and development expenses of $13,936 were 4.3% of gross sales in the first nine months of 2004, compared to $12,576 or 4.1% of gross sales in the first nine months of 2003. The increase primarily reflects additional personnel and lab expenses and the impact of foreign currency.

In the third quarter of 2004, the Company reconsidered whether the carrying value of the goodwill related to its Baltimore reporting unit, which is a component of the Biopharma segment, may not be recoverable due to the lowering of Baltimore's revenue and operating income forecasts for the remainder of 2004 and beyond versus prior projections. The Company tested for impairment and determined that the carrying value exceeded its fair value, as determined by using a discounted cash flow model. Management retained valuation specialists to assist in the valuation of its tangible and identifiable intangible assets for purposes of determining the implied fair value of goodwill. Upon completion of the assessment, the Company recorded a non-cash impairment charge of $48,720 to reduce the carrying value of goodwill in the Baltimore reporting unit to its estimated fair value of $65,584.

The operating loss in the first nine months of 2004 was $11,652 including the $48,720 impairment charge compared to operating profit of $27,510 in the first nine months of 2003. The first nine months of 2004 also includes $2,863 of income due to the early termination of a Bioproducts customer contract and an unrelated $1,000 charge associated with the reorganization and related workforce reductions at a European facility. These items are recorded as other, net operating expenses. The first nine months of 2003 results include an $11,342 charge for the settlement of certain class action lawsuits involving Mylan laboratories. Excluding these items, the lower operating profit in the first nine months of 2004 reflects the higher operating expenses and lower gross margins partially offset by the increased gross sales.

Net interest expense of $8,471 in the first nine months of 2004 increased $170 from the first nine months of 2003 primarily reflecting higher interest rates partially offset by lower average debt. The average interest rate was 5.63% in the first nine months of 2004 versus 4.51% in the first nine months of 2003.

The Company recorded tax expense of $10,701 for the first nine months of 2004 as compared to $25,241 in the first nine months of 2003. During the first nine months of 2003, the Company concluded that approximately $19,780 of domestic deferred tax assets were deemed unlikely to be realized, and as such, valuation allowances for this amount were recorded against these assets. Since that time, the Company has maintained a full valuation allowance on its domestic net deferred tax assets and no tax benefit has been recognized for domestic pre-tax losses. Accordingly, for the nine months ended September 30, 2004, including those related to the goodwill impairment charge, a full valuation allowance of the Company's domestic net deferred tax assets generated during the first nine months of 2004 was recorded.

The loss from continuing operations in the first nine months of 2004 was $30,763 or $1.18 per diluted share versus a loss of $5,825, or $0.23 per diluted share in the same period a year ago.

In the fourth quarter 2003, the Company completed the sale of the Rutherford Chemicals business and as a result the business is classified as a discontinued operation for all periods presented. In the first quarter of 2004, the Company concluded its negotiations of the post-closing working capital adjustment and recorded a $742 charge to discontinued operations to reflect the change in the adjustment, along with legal and other expenses related to the sale of Rutherford Chemicals. In the third quarter of 2004, the Company recorded an additional $236 charge to discontinued operations due primarily to revised estimates of environmental liabilities related to Rutherford Chemicals. For the nine months of 2003, the company recorded loss from discontinued operations of $53,277 due primarily to the sale of the Rutherford Chemicals business and the resulting write-down of assets.

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF NINE MONTHS 2004 VERSUS NINE MONTHS 2003 (CONTINUED)

The net loss in the first nine months of 2004 was $31,741, or $1.22 per diluted share versus a net loss of $59,102, or $2.29 per diluted share in the same period a year ago.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2004, the Company generated cash flows from operations totaling $38,338, a decrease of $14,155 versus the same period a year ago. The decrease in operating cash flows in the first nine months of 2004 versus the first nine months of 2003 is due primarily to lower net income (excluding non-cash items such as the goodwill impairment in 2004 and the write-down of Rutherford Chemicals assets, domestic tax valuation allowance and non-cash Mylan expenses in 2003), the loss of cash flows from Rutherford Chemicals and an increase of inventories due to timing of shipments partially offset by an increase of deferred revenue.

Capital expenditures from continuing operations were $27,749 in the first nine months of 2004 as compared to $27,251 in 2003. In 2004, the funds were primarily used for a suite expansion at a Biopharma manufacturing plant, cell therapy manufacturing capabilities at a Bioproducts facility and new research and development labs at a Human Health facility.

Cash flows provided by financing activities in the first nine months of 2004 were $9,565 versus a use of cash of $18,627 in 2003. The 2004 cash provided by financing activities included net borrowings of $8,109 and proceeds from stock options exercised of $4,005, partially offset by dividends paid of $2,330. The 2003 use of cash includes net repayments of debt of $14,008, dividends paid of $2,316 and the purchase of treasury stock of $2,420.

During the first nine months of 2004 and 2003, the Company paid cash dividends of $0.09 per share.

Management believes that existing sources of capital, together with cash flows from operations, will be sufficient to meet foreseeable cash flow requirements.

FORWARD-LOOKING STATEMENTS

This document may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Rule 3B-6 under The Securities Exchange Act of 1934, including, without limitation, statements regarding expected performance, especially expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, acquisitions, divestitures, collaborations, or other expansion opportunities. These statements may be identified by the fact that they use words such as "expects," "anticipates," "intends," "estimates,""believes" or similar expressions in connection with any discussion of future financial and operating performance. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Form 10-Q/A. The forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations including but not limited to factors that could affect the Company's forward-looking statements relating to the resolution of the material weaknesses in internal controls discussed in Item 4 of this Quarterly Report including, among other things: the Company's ability to fully resolve the weaknesses within the period discussed in Item 4; the Company's ability to identify and retain qualified and experienced personnel on both a short and long term basis in its tax department; the Company's ability to design and maintain policies and procedures which enable the Company to avoid any reoccurrence of the matters which gave rise to the material weaknesses; the Company's ability to implement policies and procedures including documentation that meets the internal control over financial reporting requirements of the rules adopted by the Commission pursuant to Section 404 of the