

CAMBREX CORP
Form 10-K
February 03, 2017

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, 2016

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	(I.R.S. Employer
incorporation or organization)	Identification No.)

One Meadowlands Plaza,

07073

East Rutherford, New Jersey

(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:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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 (§ 232.405 of this chapter) 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 (§ 229.405 of this chapter) 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 Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$1,640,718,651 as of June 30, 2016.

As of January 26, 2017, there were 32,346,686 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 2017 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, 2016

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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.

(dollars in thousands, except per share data)

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; partner with generic drug companies to grow the Company's extensive portfolio of generic APIs; and develop, or co-develop with partners, a portfolio of niche generic drug products in finished dosage form. The Company also seeks to demonstrate excellence in regulatory compliance, environmental, health and safety, and customer service. Cambrex has four operating segments, which are manufacturing facilities that have been aggregated as one reportable segment.

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 new generic and controlled substance APIs, a portfolio of niche generic drug products in finished dosage form, and optimize manufacturing processes 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.

Investment in Manufacturing Capacity: The Company commits significant capital to improving and expanding its manufacturing facilities to meet the ongoing growth in pharmaceutical outsourcing.

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.

(dollars in thousands, except per share data)

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 annually on drug discovery and development and 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 scaling up and optimizing manufacturing processes.

Demand for outsourced services from pharmaceutical companies continues to grow. Large pharmaceutical companies outsource a portion of the development and manufacturing of intermediates and APIs 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 larger pharmaceutical companies typically outsource development and manufacturing. 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.

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 approximately 100 generic APIs, typically in relatively small quantities for use in niche therapeutics. The Company also continuously maintains a portfolio of APIs in development for eventual commercial sale to generic drug companies upon future patent expiration.

The Company recently began developing a portfolio of finished dosage form generic drug products and expects to eventually file Abbreviated New Drug Applications (“ANDAs”) in the U.S. and may make equivalent filings in other countries to market these products. Cambrex will work with formulation development, manufacturing and marketing partners and may fund all or a portion of the expenses necessary to bring these products to market. Given expected development and approval times, the Company does not expect to realize revenues from this initiative until 2019 at the earliest, although this could be sooner if the Company acquires products already being sold commercially.

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. Continuous significant investment in facilities, people and training, along with excellent regulatory and quality systems and 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.

(dollars in thousands, except per share data)

Competitors from developing markets continually increase their capabilities in drug substance manufacturing and finished dosage form drugs. 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 and competition in general, have resulted in downward pricing pressure throughout the pharmaceutical supply chain, and especially on generic APIs and early stage development services for clinical phase products. Pricing pressures due to developing market competitors for later stage clinical projects and supply arrangements for patented products has been limited to date, although these pressures may increase as competitors in developing markets improve their quality, regulatory and manufacturing systems to 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

In October 2016, Cambrex purchased 100% of PharmaCore, Inc. a privately-held company located in High Point, NC for \$24,275, net of cash. The transaction was structured as a stock purchase. PharmaCore, which has been renamed Cambrex High Point, Inc. (“CHP”), specializes in developing, manufacturing and scaling up small molecule APIs for projects in early clinical phases. With the acquisition of CHP, Cambrex enhances its capabilities and expertise to efficiently develop early clinical phase products and new technologies, and increases the number of potential late stage and commercial products that could be manufactured at Cambrex’s larger manufacturing sites.

In the fourth quarter of 2015, Cambrex management, with Board authority, committed to a plan to sell Zenara. The immaterial assets and liabilities of Zenara are included in “Prepaid expenses and other current assets” and “Accrued expenses and other current liabilities” on the Company’s balance sheet for 2016 and 2015. An arrangement for the sale of Zenara, whereby the Company transferred the assets and liabilities of Zenara to the purchaser, was completed in January 2017. Refer to Notes 8 and 23 to the Company’s consolidated financial statements for further explanation of the sale of Zenara.

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 products and services are sold to a diverse group of several hundred customers, with one customer, Gilead Sciences, Inc., accounting for 36.9%, 34.5% and 24.0% of 2016, 2015, and 2014 consolidated sales, respectively. The Company's products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 31.6%, 32.1% and 22.9% of 2016, 2015 and 2014 consolidated sales, respectively.

The following table shows gross sales by geographic area:

	2016	2015	2014
Europe	\$321,525	\$280,593	\$232,894
North America	138,328	127,024	117,477
Asia	17,996	14,024	12,865
Other	13,689	12,215	10,914
Total	\$491,538	\$433,856	\$374,150

(dollars in thousands, except per share data)

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 in those areas where they are deemed to be more effective or economical than direct sales efforts, primarily to access generic API customers in markets outside the U.S. and Western Europe.

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 grow our portfolio of generic APIs, establish a portfolio of finished dosage form generic drug products, introduce innovative and proprietary products, improve manufacturing processes to reduce costs, improve quality and increase our capabilities to compete for business requiring significant technical expertise. R&D activities are performed at all of the Company's manufacturing facilities. As of December 31, 2016, 174 employees were at least partially involved in R&D activities worldwide.

The Company spent \$14,292, \$12,540 and \$13,075 in 2016, 2015 and 2014, 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 22 issued patents and has 3 patent applications pending in the United States and owns over 180 patents and has over 100 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.

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.

(dollars in thousands, except per share data)

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 numerous 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 ongoing 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 21 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 \$6,081, \$2,739 and \$3,733 in 2016, 2015 and 2014, respectively, for environmental, safety and health compliance 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.

Employees

At December 31, 2016, the Company had 1,295 employees worldwide (853 of whom were from international operations) compared with 1,228 employees at December 31, 2015 and 1,117 at December 31, 2014.

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.

(dollars in thousands, except per share data)

Export and International Sales

Export sales from the Company's domestic operations in 2016, 2015 and 2014 amounted to \$182,215, \$159,048 and \$101,101, respectively. Sales from international operations were \$220,765, \$196,710 and \$187,415 in 2016, 2015 and 2014, respectively. Refer to Note 19 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 SEC maintains an internet site, www.sec.gov, containing reports, proxy and information statements, and other information regarding issuers that file electronically with 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.

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.

Sales to a relatively small number of customers have historically accounted for a significant percentage of the Company’s business. For example, one customer accounted for 36.9% of 2016 consolidated sales. Should this, or any other significant customer renegotiate on terms more favorable to them, or discontinue or significantly 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 flows.

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. Moreover, pricing for pharmaceutical products has come under increasing scrutiny by governments, legislative bodies and enforcement agencies. Such pricing pressures, if passed on to the Company, could have a material adverse effect on the Company’s financial position, results of operations and cash flows.

(dollars in thousands, except per share data)

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. In general, innovator pharmaceutical companies expect price declines over time and especially upon contract renewals. These price declines could have a significant negative impact on future profits. 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 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 Company primarily supplies its products and services worldwide to innovator and generic pharmaceutical companies. As a result, the success of the Company depends, in part, on the demand for such pharmaceutical companies' finished drug product. Any decrease in the number of such companies' clinical-phase projects could result in a decrease in the number and size of the Company's supply contracts and have an adverse effect on its financial condition and results of operation. The Company's success also depends on the continued reliance by such pharmaceutical companies on third-party manufactures for APIs and intermediates used in their drug products. To the extent the Company's customers, particularly large pharmaceutical companies with established manufacturing expertise, shift to direct manufacturing for certain APIs and intermediates used in their drug products, the Company's sales could be materially adversely affected.

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

The Company seeks to continually renew existing customer contracts and win new contracts, which subjects the Company to potentially significant pricing pressures. While the Company's preferred practice is to renegotiate new or extended agreements prior to expiration, 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 business, results of

operations and financial condition could be materially adversely affected. In addition, certain of the Company's long-term contracts may be cancelled or delayed by customers for any reason upon notice. Multiple cancellations of significant contracts could have a materially adverse effect on the Company's business.

(dollars in thousands, except per share data)

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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, which in some instances are supplied from a single source. 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. In particular, manufacturing problems may occur with these suppliers, and 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 with 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.

Failure to obtain sufficient quota from the Drug Enforcement Administration ("DEA") or an inability to renew other licenses, certificate approvals, or permits necessary for the Company's operations could affect the Company's ability to manufacture and deliver certain products.

The Company's operations are subject to various licenses, certificates, approvals and permits in domestic and foreign jurisdictions. There is no assurance that the Company will be able to renew all licenses, certificates, approvals, and permits upon their expiration or that it will satisfy new requirements for such licenses, certificates, approvals, and permits in the future. Any such event may have an adverse effect on the Company's business.

In particular, 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. The DEA limits the manufacturing and distribution of certain starting materials and APIs manufactured by the Company and the Company 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. In addition, if the Company's DEA registration were revoked or suspended, 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 products from the market that eliminates or reduces 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.

(dollars in thousands, except per share data)

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 provide assurance 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, its 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.

Refer to Note 21 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 caused by 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 and/or be forced to shut down its operations, which could have a materially adverse effect on its business and results of operations.

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. For example, the Company is currently 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. Despite its efforts to comply with applicable 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 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 21 to the Company's consolidated financial statements for a discussion of the Company's environmental and legal matters.

(dollars in thousands, except per share data)

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 the customer and its 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.

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 such 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 that 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.

(dollars in thousands, except per share data)

The Company has made and continues to make significant capital investments in 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' business.

The Company has made and continues to make substantial investments in all of its manufacturing facilities. As a result, 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 continues to expand 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.

Disruption or instability in global markets could have a material adverse effect on the Company's business, financial condition and results of operations.

The U.S. and global capital markets have experienced periods of disruption during which general economic conditions have deteriorated with adverse consequences for the broader financial and credit markets and during which the availability of debt and equity capital for the market as a whole was reduced significantly. Any future 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. While the Company believes that cash flows from operations and funds available under its revolving credit facility will be adequate to meet the operational and debt servicing needs of the Company, such disruptions could impact the Company's cash flows and the availability of funds under its revolving credit facility, if, for instance, one or more of the participant banks were to fail, in which case the Company's business may be materially adversely affected.

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.

In the course of the Company's business, the Company selectively pursues complementary acquisitions, such as the acquisition of PharmaCore, Inc. in October 2016, that 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, potentially resulting in a high level of debt obligations or significant dilution of ownership, or both.

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.

(dollars in thousands, except per share data)

Any indemnities or warranties obtained in connection with such acquisitions may not fully cover the 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 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 equity financings, equity interests in the Company 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.

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 up to the equivalent of \$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 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;

(dollars in thousands, except per share data)

general economic decline or political unrest in the markets in which it operates;

geopolitical risks, terrorism, or acts of war or hostility;

compliance with local laws and regulations including laws restricting the inflow of capital or cash and unexpected changes in regulatory requirements;

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 that 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, it may not produce the revenues, earnings, or strategic benefits that it anticipates which could have a material adverse effect on the Company's business.

As a result of the Company's substantial international operations, 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, primarily the euro and the Swedish krona, 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 foreign exchange 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.

Certain jurisdictions 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 against 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. Because of these fluctuations, results for any one quarter are not necessarily indicative of the results that may be achieved for any other quarter or for the full fiscal year.

(dollars in thousands, except per share data)

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 makes a claim to 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, the Company'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 global enterprise resource planning system.

The Company is engaged in a multi-year implementation of a 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, the Company 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. Any issues with implementation could also cause the Company to fail to timely or accurately report its financial results. While the Company has invested significant resources in planning and project management, significant implementation issues may arise.

(dollars in thousands, except per share data)

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 11 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. Additionally, the Company has domestic federal deferred tax assets of approximately \$13,000 which were recorded at the U.S. tax rate of 35%. If the U.S. were to enact a lower corporate tax rate as part of corporate tax reform, the revaluation of these deferred tax assets could result in a significant non-cash charge.

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, frozen in 2007, 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.

(dollars in thousands, except per share data)

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. Any modifications to these regulations could have a material adverse effect on the Company's business. If regulations become more stringent, 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 and increase competition for the Company's products.

Healthcare legislative reform measures could have a material adverse effect on the Company.

The continuing increase in expenditures for healthcare has been the subject of considerable government attention almost everywhere the Company does business. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or together, the Affordable Care Act, was passed in the United States, which substantially changed the way healthcare is financed by both governmental and private insurers, significantly impacting the U.S. pharmaceutical industry. There have been judicial and congressional challenges to certain aspects of the Affordable Care Act, and the Company expects there will be additional challenges and amendments in the future, particularly in light of the change in administration following the 2016 U.S. presidential election. In addition, there has been heightened governmental scrutiny in the United States recently over the manner in which drug manufacturers set prices for their marketed products. As a result, the Company expects that healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria and lower reimbursement. Such cost containment measures in the United States, or similar measures in the other countries in which the Company does business, could place additional downward pressure on the prices that the Company receives for its products and adversely affect the Company's ability to sell its products.

Failure to comply with current Good Manufacturing Practices ("cGMP") and other government regulations, as well as 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 periodic regulatory and customer inspections to ensure compliance with cGMP and other requirements applicable to such products. A finding that the Company has 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 product 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 that 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. Products that have already been approved can be removed from the market by regulatory agencies for numerous reasons.

Item 1B *Unresolved Staff Comments.*

None.

(dollars in thousands, except per share data)

Item 2 Properties.

Set forth below is information relating to manufacturing facilities owned by the Company as of December 31, 2016:

<u>Location</u>	<u>Acreage</u>	<u>Operating Subsidiary</u>	<u>Primary Product Lines Manufactured</u>
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

Item 3 Legal Proceedings.

See "Environmental and Safety Regulations and Proceedings" under Item 1 and Note 21 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 21 to the Company's consolidated financial statements.

Item 4 Mine Safety Disclosures.

None.

(dollars in thousands, except per share data)

PART II**Item 5** *Market for 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:

<u>2016</u>	High	Low
First Quarter	\$44.57	\$31.12
Second Quarter	52.90	42.55
Third Quarter	58.85	42.83
Fourth Quarter	54.85	38.85

<u>2015</u>	High	Low
First Quarter	\$39.63	\$21.34
Second Quarter	46.24	35.71
Third Quarter	53.82	39.57
Fourth Quarter	53.63	40.38

As of January 24, 2017, there were approximately 21,599 beneficial holders of the outstanding common stock of the Company.

The Company does not anticipate paying cash dividends in the foreseeable future. There were no cash dividends paid on our common stock during the past three fiscal years.

2016 Equity Compensation Table

The following table provides information as of December 31, 2016 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)**

<u>Plan category</u>	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	1,519,338	\$25.22	1,366,025

(dollars in thousands, except per share data)

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, 2011, to the close of the last trading day of 2016, 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 48 companies as of December 31, 2016.

(dollars in thousands, except per share data)

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, 2016 are derived from the audited financial statements. The consolidated financial statements of the Company as of December 31, 2016 and 2015 and for each of the years in the three year period ended December 31, 2016 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,				
	2016⁽¹⁾	2015⁽²⁾	2014⁽³⁾	2013⁽⁴⁾	2012⁽⁵⁾
INCOME DATA:					
Gross sales	\$491,538	\$433,856	\$374,150	\$317,212	\$277,931
Net revenues	490,644	433,326	374,613	318,176	276,501
Gross profit	204,225	176,965	123,798	102,904	90,487
Selling, general and administrative expenses	60,422	57,867	52,489	47,568	45,248
Research and development expenses	14,292	12,540	13,075	10,387	9,544
Restructuring expenses	1,158	15,573	-	-	-
Loss on voluntary pension settlement	-	-	7,170	-	-
Gain on sale of asset	-	-	(1,234)	(4,680)	-
Operating profit	128,353	90,985	52,298	49,629	35,695
Interest expense, net	717	1,699	2,174	2,242	2,439
Equity in losses of partially-owned affiliates	-	-	4,623	2,262	1,766
Other expenses/(income), net	97	(279)	(5)	118	122
Income before income taxes	127,539	89,565	45,506	45,007	31,368
Provision/(benefit) for income taxes	40,214	32,389	(12,627)	14,732	(31,861)
Income from continuing operations	87,325	57,176	58,133	30,275	63,229
(Loss)/income from discontinued operations, net of tax	(5,647)	41	(830)	(4,360)	(926)
Net income	81,678	57,217	57,303	25,915	62,303
EARNINGS PER SHARE DATA:					
Earnings/(loss) per common share (basic):					
Income from continuing operations	\$2.72	\$1.82	\$1.89	\$1.00	\$2.13
(Loss)/income from discontinued operations, net of tax	\$(0.17)	\$0.00	\$(0.03)	\$(0.14)	\$(0.03)
Net income	\$2.55	\$1.82	\$1.86	\$0.86	\$2.10
Earnings/(loss) per common share (diluted):					
Income from continuing operations	\$2.65	\$1.76	\$1.84	\$0.98	\$2.09
(Loss)/income from discontinued operations, net of tax	\$(0.17)	\$0.00	\$(0.03)	\$(0.14)	\$(0.03)
Net income	\$2.48	\$1.76	\$1.81	\$0.84	\$2.06
Weighted average shares outstanding (in thousands):					
Basic	32,086	31,420	30,763	30,150	29,703
Diluted	32,969	32,555	31,643	30,901	30,314
BALANCE SHEET DATA: (at end of period)					

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Working capital	\$227,193	\$129,477	\$125,172	\$102,513	\$60,018
Total assets	611,865	505,539	486,587	458,037	385,731
Long-term debt	-	-	60,000	79,250	64,000
Total stockholders' equity	405,427	310,835	251,226	210,220	163,297

(dollars in thousands, except per share data)

(1) Income from continuing operations includes restructuring expenses of \$1,158 related to the decision to sell the finished dosage form facility in Hyderabad, India. Loss from discontinued operations includes pre-tax expense of \$8,777, reduced by a tax benefit of \$3,130, for environmental remediation related to sites of divested businesses.

(2) Income from continuing operations includes restructuring expenses of \$15,573 and a tax benefit of \$1,464 related to the decision to sell the finished dosage form facility in Hyderabad, India. Income from discontinued operations includes pre-tax income of \$63, reduced by tax expense of \$22, for environmental reimbursements related to sites of divested businesses.

(3) 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.

(4) 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.

(5) 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.

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

Executive Overview

The Company's business primarily consists of four manufacturing facilities. These facilities mainly manufacture APIs, pharmaceutical intermediates and, to a lesser extent, other fine chemicals.

The following significant events, which are explained in detail on the following pages, occurred during 2016:

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Gross sales in 2016 increased 13.3% to \$491,538 from \$433,856 in 2015. The impact from foreign currency exchange was negligible.

Operating profit increased 41.1% to \$128,353 from \$90,985 in 2015. Excluding Zenara related restructuring charges in 2016 and 2015, operating profit increased 21.5%.

The 2016 net cash balance was \$74,141, an improvement of \$60,167, compared to \$13,974 in 2015.

The Company purchased 100% of PharmaCore, Inc. ("CHP") a privately-held company located in High Point, NC for \$24,275, net of cash.

Restructuring charges of \$1,158 related to classifying Zenara as held for sale.

Gross sales in 2016 of \$491,538 were \$57,682 or 13.3% higher than 2015. The impact of foreign currency was negligible. The increase is a result of higher volumes (17.5%) partially offset by lower pricing (4.2%). The volume increase was primarily due to higher sales of certain branded APIs, controlled substances and clinical phase products. The price decline was due to a combination of tiered pricing arrangements where unit prices decline as volumes increase, contractual agreements and negotiated market based price adjustments for certain products. The acquisition of CHP contributed \$4,648 to gross sales.

(dollars in thousands, except per share data)

Gross margins increased to 41.5% in 2016 compared to 40.8% in 2015. Current year gross margins included a 0.6% favorable impact from foreign currency versus 2015. Margins were positively impacted by higher production volumes that drove plant efficiencies and favorable product mix. These impacts were partially offset by lower pricing.

The Company reported income from continuing operations of \$87,325, or \$2.65 per diluted share in 2016, compared to \$57,176 or \$1.76 per diluted share in 2015. Excluding restructuring charges of \$15,573 and a related tax benefit of \$1,464 (discussed below), income from continuing operations was \$71,285 in 2015.

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 or advance payments 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 estimated orders. The Company 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.

The review of the carrying value of goodwill is conducted annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. The Company first performs a qualitative assessment to test goodwill for impairment. If, after performing the qualitative assessment, the Company concludes that it is more likely than not that the fair value of the reporting units is less than its carrying value, the two-step process would be utilized. 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.

(dollars in thousands, except per share data)

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 the asset and liability method 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 carrying amounts and tax bases of assets and liabilities, and net operating loss (“NOL”) and tax credit carryovers, on a taxing jurisdiction basis using enacted tax rates in effect for the year in which the differences are expected to reverse or the NOLs or 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, considering both positive and negative evidence, 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. This assessment takes into account the nature, frequency, and severity of any financial reporting losses, sources of future taxable income, and available prudent and feasible tax planning strategies. 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 Company has provided a valuation allowance against state NOLs, state tax credits, state deferred tax assets and foreign NOLs. It is possible that changes in the assessment could result in the release of valuation allowance attributable to these items in the future, or the establishment of a valuation allowance against certain deferred tax assets for which the Company has no current reserves. 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.

The Company accounts for uncertain tax positions by applying the more likely than not threshold to recognition and de-recognition. Tax benefits from uncertain tax positions are recognized if it is more likely than not that the tax position will be sustained upon examination by taxing authorities with full knowledge of all relevant information, based on the technical merits of the position. The calculation of uncertain tax positions involves significant judgment in applying complex tax laws, and resolution of these matters in a manner inconsistent with management’s expectations could have a material impact on the Company’s financial condition and results of operations.

Environmental and Litigation Contingencies

The Company periodically assesses the potential liabilities related to any lawsuits or claims brought against it. See Note 21 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.

(dollars in thousands, except per share data)

Employee Benefit Plans

The Company provides a range of benefits to certain employees and retired employees, including pension benefits under a plan that was frozen in 2007. 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.

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

2016 Compared to 2015

Gross sales in 2016 of \$491,538 were \$57,682 or 13.3% higher than 2015. The impact of foreign currency was negligible. The increase is a result of higher volumes (17.5%) partially offset by lower pricing (4.2%). The volume increase was primarily due to higher sales of certain branded APIs, controlled substances and clinical phase products. The price decline was due to a combination of tiered pricing arrangements where unit prices decline as volumes increase, contractual agreements and negotiated market based price adjustments for certain products. The acquisition of CHP contributed \$4,648 to gross sales.

The Company's products and services are sold to a diverse group of several hundred customers, with one customer accounting for 36.9% and 34.5% of 2016 and 2015 consolidated sales, respectively. The Company's products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 31.6% and 32.1% of 2016 and 2015 consolidated sales, respectively.

Gross profit in 2016 was \$204,225 compared to \$176,965 in 2015. Gross margins increased to 41.5% in 2016 compared to 40.8% in 2015. The 2016 gross margins included a 0.6% favorable impact from foreign currency versus 2015. Margins were positively impacted by higher production volumes that drove plant efficiencies and favorable

product mix. These impacts were partially offset by lower pricing.

Selling, general and administrative (“SG&A”) expenses were \$60,422, or 12.3% of gross sales in 2016, compared to \$57,867, or 13.3%, in 2015. The increase in administrative expenses is mainly due to higher performance share expense (approximately \$1,200), the addition of CHP (approximately \$1,200) and higher personnel costs (approximately \$1,000). Sales and marketing expenses were also higher (approximately \$1,100) mainly as a result of adding additional sales associates and the Cambrex rebranding. Higher costs were partially offset by lower recruiting/relocation expenses (approximately \$1,500).

Research and development (“R&D”) expenses were \$14,292, or 2.9% of gross sales in 2016, compared to \$12,540, or 2.9%, of gross sales in 2015. The increase is primarily due to higher personnel expenses (approximately \$2,000).

Restructuring expenses relate to the decision to sell Zenara, which was classified as held for sale at December 31, 2015. Charges include the write off of goodwill and an amortizable intangible asset as well as adjusting Zenara’s assets and liabilities to reflect fair value. These charges totaled \$1,158 in 2016 and \$15,573 in 2015, the majority of which are non-cash expenses. See Notes 8 and 23 to the Company’s consolidated financial statements for an explanation of the sale of Zenara.

(dollars in thousands, except per share data)

Operating profit was \$128,353 in 2016 compared to \$90,985 in 2015. The increase in operating profit is primarily due to higher gross profit and lower restructuring expenses partially offset by higher SG&A and R&D expenses.

Net interest expense was \$717 in 2016 compared to \$1,699 in 2015. The decrease in net interest expense is the result of paying off the Company's debt in early 2016. The average interest rate on debt was 1.9% in 2016 versus 2.3% in 2015.

The Company recorded tax expense of \$40,214 in 2016, resulting in an effective tax rate of 31.5%, compared to \$32,389 and 36.2% in 2015. Excluding the effects of the Zenara restructuring charges of \$15,573 and the related tax benefit of \$1,464, the effective tax rate was 32.2% in 2015.

Income from continuing operations in 2016 was \$87,325 or \$2.65 per diluted share, versus \$57,176, or \$1.76 per diluted share in 2015.

2015 Compared to 2014

Gross sales in 2015 of \$433,856 were \$59,706 or 16.0% higher than 2014. Excluding unfavorable foreign currency, sales increased 21.4% as a result of higher volumes. The volume increase was primarily due to higher sales of certain branded APIs, generic APIs and controlled substances.

The Company's products and services are sold to a diverse group of several hundred customers, with one customer accounting for 34.5% and 24.0% of 2015 and 2014 consolidated sales, respectively. The Company's products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 32.1% and 22.9% of 2015 and 2014 consolidated sales, respectively.

Gross profit in 2015 was \$176,965 compared to \$123,798 in 2014. Gross margins increased to 40.8% in 2015 compared to 33.1% in 2014. The 2015 gross margins included a 2.6% favorable impact from foreign currency versus 2014. Margins were positively impacted by plant efficiencies primarily driven by higher production volumes and favorable product mix.

Selling, general and administrative expenses were \$57,867, or 13.3% of gross sales in 2015, compared to \$52,489, or 14.0%, in 2014. The increase in administrative expenses is mainly due to higher personnel costs (approximately

\$5,000), costs related to the implementation of a new ERP system (approximately \$1,000), pension (approximately \$700), recruiting (approximately \$400) and medical expenses (approximately \$300). Sales and marketing expenses were also higher (approximately \$2,200) mainly as a result of adding additional sales associates. Higher costs were partially offset by favorable foreign currency (approximately \$5,100).

Research and development expenses were \$12,540, or 2.9% of gross sales in 2015, compared to \$13,075, or 3.5%, of gross sales in 2014. The decrease is primarily due to favorable foreign currency (approximately \$1,300) partially offset by costs to develop new generic drug products (approximately \$800).

Restructuring expenses relate to the decision to sell Zenara, which is classified as held for sale at December 31, 2015. Charges include the write off of goodwill and an amortizable intangible asset as well as adjusting Zenara's assets and liabilities to reflect fair value. These charges totaled \$15,573, the majority of which are non-cash expenses.

Operating profit was \$90,985 in 2015 compared to \$52,298 in 2014. The increase in operating profit is primarily due to higher gross profit partially offset by higher operating expenses.

(dollars in thousands, except per share data)

Net interest expense was \$1,699 in 2015 compared to \$2,174 in 2014. The decrease in net interest expense is attributed to higher capitalized interest as a result of large capital projects under construction in 2015, and a decrease in average borrowing and interest rates. The average interest rate on debt was 2.3% in 2015 versus 2.4% in 2014.

The Company recorded tax expense of \$32,389 in 2015, resulting in an effective tax rate of 36.2%, compared to a benefit of \$12,627 in 2014. Excluding the effects of the Zenara restructuring charges of \$15,573 and the related tax benefit of \$1,464, the effective tax rate was 32.2% in 2015. Excluding the effects of a benefit of \$26,902 for domestic valuation allowance reversals, a benefit of \$3,948 for tax audit settlements, a gain of \$1,234 on the sale of land and related tax expense of \$387, a loss of \$7,170 on voluntary pension settlement, and a loss of \$4,122 on the acquisition of Zenara shares, the effective tax rate was 32.1% in 2014.

During the fourth quarter of 2014, the Company entered into a final settlement with a tax authority, without any admission of fault or breach of laws, in order to avoid further litigation concerning intercompany transactions from 2003. 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 2015 was \$57,176 or \$1.76 per diluted share, versus \$58,133, or \$1.84 per diluted share in 2014. 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.

Liquidity and Capital Resources

During 2016, cash flows from operations provided \$123,278, compared to \$83,606 in the same period a year ago. The increase in cash flows from operations in 2016 compared to 2015 was largely due to higher net income after adjusting for non-cash items as well as an advance payment of \$39,000, partially offset by increased inventory levels to support sales growth in 2017 and higher accounts receivable.

Cash flows used in investing activities in 2016 of \$73,976 reflects cash flows related to capital expenditures of \$49,714 and the acquisition of CHP for \$24,275. Capital expenditures in 2016 and 2015 primarily expanded the Company's manufacturing capacity to support expected growth.

Cash flows used in financing activities in 2016 of \$17,296 mainly reflects the pay down of the Company's debt partially offset by proceeds from stock options exercised. Net cash increased \$60,167 during 2016 to a net cash balance of \$74,141.

In May 2016, the Company entered into a \$500,000 five-year Syndicated Senior Revolving Credit Facility ("Credit Facility") which expires in May 2021. The Company pays interest on this Credit Facility at LIBOR plus 1.25% - 2.00% 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, 2016.

The 2016 and 2015 weighted average interest rates for long-term bank debt were 1.9% and 2.3%, respectively.

For 2017, capital expenditures are expected to be approximately \$70,000 to \$75,000.

(dollars in thousands, except per share data)

Contractual Obligations

At December 31, 2016, the Company's contractual obligations with initial or remaining terms in excess of one year were as follows:

	Total	2017	2018	2019	2020	2021	2022+
Operating leases	\$6,757	\$2,269	\$1,191	\$779	\$578	\$575	\$1,365
Purchase obligations	5,831	5,831	-	-	-	-	-
Contractual cash obligations	\$12,588	\$8,100	\$1,191	\$779	\$578	\$575	\$1,365

In addition to the contractual obligations listed above, the Company expects to contribute \$1,585 in cash to its U.S. defined-benefit pension plan in 2017. It is possible that higher pension contributions could be required in 2018 and beyond. For the unfunded SERP, the Company expects to make annual benefit payments of approximately \$600 in 2017 and 2018. For the unfunded international pension plan, the Company expects to make annual benefit payments of approximately \$700 in 2017 and 2018, and approximately \$800 for 2019 through 2021. See Note 18 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 \$2,233 of uncertain tax positions due to uncertainties surrounding the timing of the obligation. See Note 11 to the Company's consolidated financial statements for details on the Company's tax positions. The Company may be required to make cash payments to remediate certain environmental sites at unknown future periods as discussed in Note 21 to the Company's consolidated financial statements.

See Notes 12, 18, 20 and 21 to the Company's consolidated financial statements for additional information regarding the Company's debt, pension plans, and other commitments.

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. The notional amount of the contracts outstanding as of December 31, 2016 was \$20,896. The foreign exchange contracts have varying maturities with none exceeding twelve months.

With respect to the contracts outstanding at December 31, 2016, a 10% fluctuation of the local currency over a one-year period would cause approximately \$2,102 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.

(dollars in thousands, except per share data)

Interest Rate Management

The Company employed a plan to mitigate interest rate risk by entering into an interest rate swap agreement. A 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. The interest rate swap had a notional value of \$60,000, at a fixed rate of 0.92%, which expired in September 2015. The Company's strategy was to cover a portion of outstanding bank debt with interest rate protection.

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. 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"). 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 the recorded liabilities or potential future liabilities and the Company expects the net cash impact related to the contingencies described below to be reduced by the applicable income tax rate.

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. At December 31, 2016, these reserves were \$16,703, of which \$15,441 is included in "Other non-current liabilities" on the Company's balance sheet. At December 31, 2015, the reserves were \$8,329, of which \$7,498 is included in "Other non-current liabilities" on the Company's balance sheet. The increase in the reserves includes adjustments to reserves of \$9,994, partially offset by payments of \$1,620. 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.

(dollars in thousands, except per share data)

Bayonne

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. New remedial requirements were identified during 2016, and site investigation continues. As of December 31, 2016, the Company's reserve was \$502.

Clifton and Carlstadt

The Company has implemented a sampling and pilot program in Clifton and 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, and the Company continues to move forward with the projects at each site in accordance with the established schedules and work plans. As of December 31, 2016, the Company's reserve was \$2,024.

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 ("RI") and feasibility study ("FS") 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.

In June 2016, the PRPs received a request from USEPA to amend the RI/FS Work Plan to accommodate a phased, iterative approach to the Berry's Creek remediation. USEPA requested an initial interim remedy that focuses on a portion of the site, namely, sediments in Upper and Middle Berry's Creek and the marsh in Upper Peach Island Creek. Any subsequent remedial action will occur after the implementation and performance monitoring of this interim remedy and the extent of future action is expected to be at least partially determined by the outcome of this initial phase.

The scope of remedial activities in the initial interim remedy is currently being developed and based upon preliminary cost estimates, the Company recorded a pretax expense of \$7,517 (\$4,886 after tax), net of assumed insurance coverage, in the third and fourth quarters of 2016. The estimated costs for the initial interim remedy will be further developed over the next several months and the Company's accrual may change based upon the final remedy selected and revisions to cost estimates. At this time it is not known when the costs for the complete remediation plan will be estimable, and as such, no accrual beyond the initial interim remedy has been recorded. The Company's share has been preliminarily estimated by the PRP group at 2.4%. While the Company will defend its position that its share should be reduced from the current level, its share could be increased or decreased depending on the outcome of the final allocation process that will take place in future periods.

While any resolution of this matter is not expected to materially impact the Company's operations or financial position, it could be material to the financial statements in the period recorded.

(dollars in thousands, except per share data)

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. Most members of the Berry's Creek PRP group received such notice letters, and the PRP Group coordinated a joint response, which was to decline participation in a cooperative assessment at this time, given existing investigation work at the site. The cost of any future 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. In 2016, the Company reserved \$370 for additional USEPA oversight expenses. As of December 31, 2016, the Company's reserve was \$692 to cover long-term ground water monitoring and related costs.

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 Record of Decision ("ROD") 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"). In December 2013, the Company, Pfizer and the NYSDEC entered into a federal court stipulation, which the court subsequently endorsed as a court order, resolving certain disputes with the NYSDEC about the scope of the obligations under the Consent Decree and the 1997 ROD, and requiring the Company and Pfizer to carry out an environmental investigation and study of certain areas of the Harriman Site.

Site clean-up work under the 1997 ROD, the Consent Decree and the 2013 stipulation is ongoing and is being jointly performed by Pfizer and the Company, with NYSDEC oversight. Since 2014, Pfizer and the Company have performed supplemental remedial investigation measures requested by the NYSDEC, and the findings have been submitted to NYSDEC in various reports, including a study evaluating the feasibility of certain remedial alternatives in August 2016. By letter dated January 5, 2017, NYSDEC disapproved such feasibility study report and requested certain revisions to the report. The Company and Pfizer intend to make a timely response to the disapproval. As it is too soon to determine whether these reports and remedial plans, when finalized, will result in any significant changes to the Company's responsibilities, no change to the reserve has been made. ELT Harriman, LLC ("ELT"), the current owner of the Harriman site, is conducting other investigation and remediation activities under a separate NYSDEC directive.

No final remedy for the site has been determined, which will follow further discussions with the NYSDEC. The Company estimates the range for its share of the liability at the site to be between \$2,000 and \$7,000. As of December 31, 2016, the Company's reserve was \$3,515. 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 the immediately preceding owner, Vertellus Specialties Holdings ("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. In May 2016, some but not all of the Vertellus entities who are parties to the Company's 2007 settlement agreement filed for restructuring under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Company has filed several claims as creditors in the bankruptcy proceeding and will continue to monitor the bankruptcy proceeding.

(dollars in thousands, except per share data)

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). While the Company continues to dispute the methodology used by the PRP group to arrive at its interim allocation for cash contributions, the Company paid the funding requests in 2010 and 2014-2015. A final allocation of SCP Site costs (excluding Berry’s Creek costs) is expected to be finalized in 2017. As of December 31, 2016, the Company’s reserve was \$883, of which approximately \$565 is expected to be covered by insurance.

Newark Bay Complex

The USEPA and a private party group are evaluating remediation plans for the Passaic River, Newark Bay, Hackensack River, Arthur Kill, Kill Van Kull and adjacent waters (the “Newark Bay Complex”). Although the Company is not involved in the USEPA action, it continues to monitor developments related to the site due to its past involvement in a previously settled state action relating to the Newark Bay Complex. The USEPA has finalized its decision on a cleanup plan for 8.3 miles of the lower Passaic River, and has estimated the cost of this plan at \$1.38 billion. Due to the uncertainty of the future scope and timing of any possible claims against the Company, no liability has been recorded.

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.

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. 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.

(dollars in thousands, except per share data)

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, 2016.

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

Impact of Recent Accounting Pronouncements

Please refer to Note 3 to the Company's consolidated financial statements for a discussion on recently issued accounting pronouncements.

(dollars in thousands, except per share data)

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 30 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:

	Page Number
	(in this Report)
Reports of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets as of December 31, 2016 and 2015	39
Consolidated Income Statements for the Years Ended December 31, 2016, 2015 and 2014	40
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014	41
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2016, 2015 and 2014	42
Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014	43
Notes to Consolidated Financial Statements	44
Selected Quarterly Financial and Supplementary Data (unaudited)	75

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

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, 2016 and 2015 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, 2016. 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 and schedule 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 schedules. 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, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, presents 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, 2016, 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 3, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Woodbridge, NJ

February 3, 2017

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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, 2016, 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, 2016, 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, 2016 and 2015, 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, 2016 and our report dated February 3, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA LLP

Woodbridge, NJ

February 3, 2017

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

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$74,141	\$43,974
Trade receivables, less allowances of \$341 and \$304 at respective dates	110,622	90,920
Other receivables	6,748	7,278
Inventories, net	123,184	109,920
Prepaid expenses and other current assets	7,960	7,187
Total current assets	322,655	259,279
Property, plant and equipment, net	217,092	186,487
Goodwill	40,323	32,063
Intangible assets, net	14,800	6,691
Deferred income taxes	13,061	19,259
Other non-current assets	3,934	1,760
Total assets	\$611,865	\$505,539
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$42,873	\$39,257
Deferred revenue and advance payments	7,506	16,298
Taxes payable	9,469	8,471
Accrued expenses and other current liabilities	35,614	35,776
Short-term debt	-	30,000
Total current liabilities	95,462	129,802
Advance payments	39,000	-
Deferred income taxes	6,921	7,735
Accrued pension benefits	43,109	42,661
Other non-current liabilities	21,946	14,506
Total liabilities	206,438	194,704
Commitments and contingencies (see Notes 20 and 21)		
Stockholders' equity:		
Common Stock, \$.10 par value; authorized 100,000,000 issued 33,927,595 and 33,528,915 shares at respective dates	3,393	3,353
Additional paid-in capital	153,681	131,980
Retained earnings	327,376	245,698
Treasury stock, at cost, 1,583,909 and 1,729,727 shares at respective dates	(13,503)	(14,747)
Accumulated other comprehensive loss	(65,520)	(55,449)

Total stockholders' equity	405,427	310,835
Total liabilities and stockholders' equity	\$611,865	\$505,539

See accompanying notes to consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(dollars in thousands, except per share data)

	Years Ended December 31,		
	2016	2015	2014
Gross Sales	\$491,538	\$433,856	\$374,150
Commissions, allowances and rebates	2,369	1,949	2,306
Net sales	489,169	431,907	371,844
Other revenue, net	1,475	1,419	2,769
Net revenues	490,644	433,326	374,613
Cost of goods sold	286,419	256,361	250,815
Gross profit	204,225	176,965	123,798
Selling, general and administrative expenses	60,422	57,867	52,489
Research and development expenses	14,292	12,540	13,075
Restructuring expenses	1,158	15,573	-
Operating expenses	75,872	85,980	65,564
Loss on voluntary pension settlement	-	-	7,170
Gain on sale of asset	-	-	(1,234)
Operating profit	128,353	90,985	52,298
Other expenses/(income)			
Interest expense, net	717	1,699	2,174
Equity in losses of partially-owned affiliates	-	-	4,623
Other expenses/(income), net	97	(279)	(5)
Income before income taxes	127,539	89,565	45,506
Provision/(benefit) for income taxes	40,214	32,389	(12,627)
Income from continuing operations	87,325	57,176	58,133
(Loss)/income from discontinued operations, net of tax	(5,647)	41	(830)
Net income	\$81,678	\$57,217	\$57,303
Basic earnings per share			
Income from continuing operations	\$2.72	\$1.82	\$1.89
(Loss)/income from discontinued operations, net of tax	\$(0.17)	\$0.00	\$(0.03)
Net income	\$2.55	\$1.82	\$1.86
Diluted earnings per share			
Income from continuing operations	\$2.65	\$1.76	\$1.84
(Loss)/income from discontinued operations, net of tax	\$(0.17)	\$0.00	\$(0.03)

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Net income	\$2.48	\$1.76	\$1.81
<u>Weighted average shares outstanding:</u>			
Basic weighted average shares outstanding	32,086	31,420	30,763
Effect of dilutive stock based compensation	883	1,135	880
Diluted weighted average shares outstanding	32,969	32,555	31,643

See accompanying notes to consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(dollars in thousands)**

	Years Ended December 31,		
	2016	2015	2014
Net income	\$81,678	\$57,217	\$57,303
Foreign currency translation adjustments:			
Foreign currency translation adjustments during the period	(8,481)	(16,424)	(25,800)
Reclassification adjustments for losses included in net income	71	1,954	4,400
Interest rate swap agreement:			
Unrealized net losses	-	(30)	(152)
Reclassification adjustments for losses included in net income	-	333	465
Income taxes	-	(110)	(109)
Pension plans:			
Actuarial (loss)/gain			
Actuarial (loss)/gain arising during the period	(3,192)	3,970	(18,338)
Amortization to net income of net actuarial loss	1,152	1,295	802
Prior service cost			
Amortization to net income of net prior service cost	52	52	50
Lump-sum pension payout	-	-	7,170
Income taxes	327	(1,508)	5,493
Comprehensive income	\$71,607	\$46,749	\$31,284

See accompanying notes to consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)

	Common Stock		Additional	Retained	Treasury	Accumulated	Total
	Shares	Par	Paid-In	Earnings	Stock	Other	Stockholders'
	Issued	Value	Capital			Comprehensive	Equity
		(\$.10)				Loss	
Balance at December 31, 2013	32,240,795	\$3,223	\$109,765	\$131,178	\$(14,984)	\$(18,962)	\$210,220
Net income				57,303			57,303
Other comprehensive loss						(26,019)	(26,019)
Exercise of stock options	596,135	61	4,142				4,203
Vested restricted stock			(161)		161		-
Stock option expense			2,491				2,491
Restricted stock expense			395				395
Performance stock expense			2,116				2,116
Excess tax benefits			517				517
Balance at December 31, 2014	32,836,930	\$3,284	\$119,265	\$188,481	\$(14,823)	\$(44,981)	\$251,226
Net income				57,217			57,217
Other comprehensive loss						(10,468)	(10,468)
Exercise of stock options	691,985	69	5,747				5,816
Vested restricted stock			(76)		76		-
Stock option expense			2,975				2,975
Restricted stock expense			353				353
Performance stock expense			2,271				2,271
Excess tax benefits			1,445				1,445
Balance at December 31, 2015	33,528,915	\$3,353	\$131,980	\$245,698	\$(14,747)	\$(55,449)	\$310,835
Net income				81,678			81,678
Other comprehensive loss						(10,071)	(10,071)
Exercise of stock options	398,680	40	4,901				4,941
Vested restricted stock			(92)		92		-
Vested performance shares			(1,152)		1,152		-
Stock option expense			3,816				3,816
Restricted stock expense			489				489
			3,461				3,461

Performance stock expense								
Excess tax benefits			10,278					10,278
Balance at December 31, 2016	33,927,595	\$3,393	\$ 153,681	\$ 327,376	\$(13,503)	\$ (65,520))	\$ 405,427

See accompanying notes to consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$81,678	\$57,217	\$57,303
Adjustments to reconcile net income to cash flows:			
Depreciation and amortization	24,665	22,061	23,826
Non-cash deferred revenue	(25,822)	(12,372)	(17,873)
Restructuring expenses	1,138	15,573	-
Loss on voluntary pension settlement	-	-	7,170
Increase in inventory reserve	7,885	3,119	5,343
(Gain)/loss on sale of assets	(33)	120	(1,099)
Stock based compensation	7,766	5,599	5,002
Deferred income tax provision	8,556	19,736	(16,025)
Equity in losses of partially-owned affiliates	-	-	4,623
Other	193	(261)	584
Changes in assets and liabilities:			
Trade receivables	(5,120)	(14,378)	(8,955)
Inventories	(23,679)	(32,721)	(9,062)
Prepaid expenses and other current assets	(729)	4,268	(5,766)
Accounts payable and other current liabilities	1,778	10,334	12,369
Deferred revenue and advance payments	41,962	12,178	11,773
Other non-current assets and liabilities	(3,961)	(5,331)	(2,387)
Discontinued operations:			
Non-current liabilities	7,517	-	-
Net cash used in discontinued operations	(516)	(1,536)	(1,858)
Net cash provided by operating activities	123,278	83,606	64,968
Cash flows from investing activities:			
Capital expenditures	(49,714)	(62,	