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

CONFORMED

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

FORM 10-Q/A

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

for the quarterly period ended March 31, 2004

OR

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

for the transition period from __________ to ____________
Commission file number 1-10638

CAMBREX CORPORATION
(Exact name of registrant as specified in its charter)

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

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073
(Address of principal executive offices)

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

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

Yes [X] No

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

Yes [X] No

As of April 30, 2004, there were 26,109,818 shares outstanding of the registrant's Common Stock, $.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

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FOR THE QUARTER ENDED MARCH 31, 2004

EXPLANATORY NOTE:

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

March 31, 2004 and the balance sheet as of March 31, 2004.

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

This Form 10-Q/A hereby amends and restates Items 1, 2 and 4 in Part I of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, to reflect the restatement of the Company's consolidated financial statements included in such report. No further changes to the previously filed Form 10-Q are being made. All information in this Form 10-Q/A is as of March 31, 2004 and does not reflect any subsequent information or events other than the restatement.

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

(in thousands, except per share data)

Part 1 - FINANCIAL INFORMATION

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

	March 31, 2004 (restated)	Dec
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73,682	$
Trade receivables, net	56,220	
Inventories, net	85,259	
Deferred tax assets	6,174	
Prepaid expenses and other current assets	10,863	
Total current assets	232,198	
Property, plant and equipment, net	260,465	
Goodwill	218,574	
Other intangible assets, net	51,328	
Other assets	6,877	
Total assets	$ 769,442	$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 32,815	$
Accrued liabilities	58,316	
Short-term debt and current portion of long-term debt	3,445	
Total current liabilities	94,576	
Long-term debt	202,422	
Deferred tax liabilities	29,021	
Other non-current liabilities	50,515	
Total liabilities	$ 376,534	$
Stockholders' equity:		
Common stock, $.10 par value; issued 28,708,152 and 28,471,652 shares at respective dates	2,871	
Additional paid-in capital	210,662	
Retained earnings	212,018	
Treasury stock, at cost 2,598,334 and 2,614,910 shares at respective dates	(21,961)	
Deferred compensation	(1,610)	
Accumulated other comprehensive (loss)/income	(9,072)	
Total stockholders' equity	392,908	
Total liabilities and stockholders' equity	$ 769,442	$

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	2004	2003
	(restated)	
Gross sales	$ 113,549	$ 105,231
Commissions & allowances	959	1,133
Net sales	112,590	104,098
Other revenues	3,042	2,888
NET REVENUES	115,632	106,986
Cost of goods sold	70,161	61,732
GROSS PROFIT	45,471	45,254

Operating expenses:		
Selling, general and administrative expenses	27,437	25,112
Research and development expenses	4,743	4,093
Legal settlement	-	11,342
Other, net	(1,863)	-
Total operating expenses	30,317	40,547
OPERATING PROFIT	15,154	4,707
Other expenses:		
Interest expense, net	2,929	2,349
Other expense, net	127	185
Income from continuing operations before income taxes	12,098	2,173
Provision for income taxes	4,339	609
INCOME FROM CONTINUING OPERATIONS	$ 7,759	$ 1,564
DISCONTINUED OPERATIONS (NOTE 10)		
(Loss)/income from discontinued operations before income taxes	(742)	1,015
Income tax provision	-	220
(Loss)/income on discontinued operations	(742)	795
Net income	$ 7,017	$ 2,359
Basic earnings per share:		
Income from continuing operations	0.30	0.06
(Loss)/income from discontinued operations	(0.03)	0.03
Net income	0.27	0.09
Diluted earnings per share:		
Income from continuing operations	0.29	0.06
(Loss)/income from discontinued operations	(0.03)	0.03
Net income	0.26	0.09
Weighted average shares outstanding:		
Basic	26,001	25,853
Effect of dilutive stock options	604	301
Diluted	26,605	26,154
Cash dividends paid per share	$ 0.03	$ 0.03

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31, 2004 (restated)	Three months ended March 31, 2003
Cash flows from operating activities:		
Net income	$ 7,017	$ 2,359
Depreciation and amortization	10,747	8,338
Deferred income tax provision	472	3,984
Changes in assets and liabilities:		
Mylan settlement, net of cash payments	-	11,342
Receivables, net	1,024	3,238
Inventories	(5,046)	1,170
Prepaid expenses and other current assets	5,080	1,784
Accounts payable and accrued liabilities	3,099	1,092
Income taxes payable	2,200	(4,192)
Other non-current assets and liabilities	(775)	(144)
Discontinued operations:		
Non-cash charges and changes in operating assets and liabilities	-	3,404
Net cash provided by operating activities	23,818	32,375
Cash flows from investing activities:		
Capital expenditures	(7,224)	(10,003)
Other investing activities	(412)	(161)
Discontinued operations - cash flows used in investing activities	-	(980)
Net cash used in investing activities	(7,636)	(11,144)
Cash flows from financing activities:		
Dividends paid	(786)	(781)
Net increase in short-term debt	2,111	445
Long-term debt activity (including current portion):		
Borrowings	5,300	60,650
Repayments	(15,241)	(72,293)
Proceeds from stock options exercised	3,929	72
Other financing activities	(63)	-
Net cash used in financing activities	(4,750)	(11,907)
Effect of exchange rate changes on cash	(2,044)	730
Net increase in cash and cash equivalents	9,388	10,054
Cash and cash equivalents at beginning of period	64,294	33,296

Cash and cash equivalents at end of period	$ 73,682	$ 43,350

See accompanying notes to unaudited condensed consolidated financial statements.

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

(1) BASIS OF PRESENTATION

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

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

The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year.

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

(2) RESTATEMENT OF 2004 QUARTERLY RESULTS

During the 2004 year-end financial reporting process, the Company identified certain accounting adjustments principally related to amortization of leasehold improvements, employee benefit accruals, inventory and taxes that impacted prior years and prior quarters within 2004. The cumulative impact of the prior years' adjustments was a reduction to net income of $475 and is not considered material to any prior period. The prior years' adjustment of $475 has been reflected in the restated first quarter 2004 results. The impact on net income for the first quarter of 2004 was a decrease of $439 or $0.02 per fully diluted share. The Company has restated the results of the first quarter of 2004 to reflect these adjustments.

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

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

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

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

Consolidated Income Statements

	QUARTER ENDED MARCH 31, 2004	
	AS PREVIOUSLY REPORTED	AS RESTATED
Gross sales	$ 113,592	$ 113,549
Cost of goods sold	70,517	70,161
Gross profit	45,158	45,471
SG&A expenses	27,479	27,437
R&D expenses	4,722	4,743
Operating profit	14,820	15,154
Provision for income taxes	3,566	4,339
Income from continuing operations	8,198	7,759
Net income	7,456	7,017
Diluted EPS, Continuing operations	$ 0.31	$ 0.29
Diluted EPS, Net income	$ 0.28	$ 0.26

Consolidated Balance Sheets

	AS OF MARCH 31, 2004	
	AS PREVIOUSLY REPORTED	AS RESTATED
Trade receivables, net	$ 56,263	$ 56,220
Inventories, net	84,324	85,259
Deferred tax assets	8,757	6,174
Prepaid expenses and other current assets	11,164	10,863
Total current assets	234,190	232,198
Property, plant and equipment, net	261,173	260,465
Goodwill	219,668	218,574
Total assets	773,236	769,442
Accrued liabilities	58,626	58,316
Deferred tax liabilities	28,998	29,021
Other non-current liabilites	48,592	50,515
Total liabilities	374,898	376,534
Retained earnings	212,457	212,018
Accumulated other comprehensive loss	(4,081)	(9,072)
Total shareholders' equity	$ 398,338	$ 392,908

(in thousands, except share and per-share data)

(3) IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Consolidation of Variable Interest Entities

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

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

Employers' Disclosure about Pension and Other Postretirement Benefits

In December 2003, the FASB published a revision to Statement of Financial Accounting Standard No. 132 "Employers' Disclosure about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106" ("SFAS 132"). SFAS 132R requires additional disclosures to those in the original SFAS 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The provisions of SFAS 132 remain in effect until the provisions of SFAS 132R are adopted. SFAS 132R is effective for financial statements with fiscal years ending after December 15, 2003. The interim period disclosures required by SFAS 132R are effective for interim periods beginning after December 15, 2003. The Company is in compliance with SFAS 132R.

On January 12, 2004, the FASB issued Staff Position 106-1 which permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Company has elected to defer the accounting effects of this act. As a result, any measures of the plan accumulated pension benefit obligation or net periodic postretirement benefit cost in the financial statements or accompanying notes do not reflect the effects of the Act on the plan and specific authoritative guidance on the accounting for the federal subsidy is pending and that guidance, when issued, could require the Company to change previously reported information.

(4) STOCK BASED COMPENSATION

At March 31, 2004, the Company has seven active stock-based employee compensation plans in effect. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

In May 2003, the Chief Executive Officer was granted 150,000 incentive stock appreciation rights. In the fourth quarter 2003 these rights vested and, as such, the employee is entitled to a cash settlement or the equivalent value of Cambrex stock representing the difference in value between the closing price of Cambrex stock on the day of the grant, which was $19.30, and the closing price of Cambrex stock on the day the rights are exercised. These rights terminate one year after the employee's retirement. These rights will be marked to market until the rights are exercised or expire with the amount being recorded as compensation expense or benefit in the applicable period. In the first quarter of 2004, the Company recorded approximately $245 in compensation expense.

	Three Months Ended March 31,	
	2004 (restated)	2003
Net income, as reported......................	$ 7,017	$ 2,359
Add: stock based compensation included in reported net income, net of tax effects........................	245	-
Deduct: stock-based compensation expenses determined using fair value method, net of tax effects................	(1,379)	(762)
Proforma net income..........................	$ 5,883	$ 1,597
Earnings per share:		
Basic - as reported.......................	$ 0.27	$ 0.09
Basic - proforma..........................	$ 0.23	$ 0.06
Diluted - as reported.....................	$ 0.26	$ 0.09
Diluted - proforma........................	$ 0.22	$ 0.06

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

(5) GOODWILL AND INTANGIBLE ASSETS

The Company adopted SFAS 142, "Goodwill and Other Intangible Assets" in the first quarter of fiscal 2002. The Company has established reporting units based on its current segment structure for purposes of testing goodwill for impairment. Goodwill has been assigned to the reporting units to which the value of the goodwill relates. The Company evaluates goodwill and other intangible assets at least on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable based on the estimated future cash flows.

The changes in the carrying amount of goodwill for the three months ended March 31, 2004, are as follows:

	Bioproducts Segment (restated)	Human Health Segment	Biopharma Segment	Total (restated)
Balance as of January 1, 2004...	$ 53,787	$ 41,617	$ 125,338	$ 220,742
Cumulative Translation Effect...	(133)	(1,171)	-	(1,304)
Other, including Contingent Purchase Price Adjustment.......	(864)	-	-	(864)
Balance as of March 31, 2004....	$ 52,790	$ 40,446	$ 125,338	$ 218,574

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

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

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

	As of March 31, 2004 Gross Carrying Amount	As of December 31, 2003 Gross Carrying Amount
Patents.........................	$ 3,265	$ 3,122
Proprietary Process.............	7,146	6,972
Supply Agreements...............	2,110	2,110
Trademarks......................	785	785
Unpatented Technology...........	5,912	5,912

Other..........................	2,341	2,249
Fully amortized assets*..........	2,883	2,883
Total	24,442	24,033
Accumulated Amortization.........	(8,687)	(8,215)
Net	$ 15,755	$ 15,818

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

(5) GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

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

Amortization expense for the quarters ended March 31, 2004 and 2003 were $472 and $391, respectively.

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

For the year ended December 31, 2004.....................	$ 1,691
For the year ended December 31, 2005.....................	$ 1,667
For the year ended December 31, 2006.....................	$ 1,657
For the year ended December 31, 2007.....................	$ 1,639
For the year ended December 31, 2008.....................	$ 1,520

(6) INCOME TAXES

The Company's domestic net deferred tax assets at March 31, 2004 were primarily associated with net operating loss carryforwards, foreign tax credits, research and experimentation tax credits and alternative minimum tax credits, which are evaluated quarterly to assess the likelihood of realization. The realization of these assets is ultimately dependent upon generating future taxable income or implementing tax planning strategies prior to expiration of those assets. For the three months ended March 31, 2004 a full valuation allowance of the Company's domestic net deferred tax assets generated during the first quarter of 2004 was recorded. Beginning September 30, 2003 the company has maintained a full valuation allowance on its domestic net deferred tax assets and will continue to do so until an appropriate level of domestic profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of the domestic net deferred assets would be realized. If the Company continues to report pre-tax losses in the United States, income tax benefits associated with those losses will not be recognized and, therefore, those losses would not be reduced by such income tax benefits. Additionally, should domestic losses continue, it is possible that tax planning strategies preserving certain domestic tax assets could be deemed inadequate, resulting in additional valuation allowances in the future. The carryforward periods for foreign tax credits, research and experimentation tax credits, net operating losses, and the federal alternative minimum tax credits are 5 years, 20 years, 20 years and an indefinite period, respectively. As such, improvements in domestic pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

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

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

(7) INVENTORIES

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

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

	March 31, 2004 (restated)	December 31, 2003
Finished goods	$ 42,548	$ 42,045
Work in process	21,303	19,105
Raw materials	17,436	16,601
Supplies	3,972	4,262
Total	$ 85,259	$ 82,013

(8) LONG-TERM DEBT

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

	March 31, 2004	December 31, 2003
Bank credit facilities	$ 95,600	$ 105,200
Senior notes	100,000	100,000
Other	8,204	8,545
Subtotal	203,804	213,745
Less: current portion	(1,382)	(1,376)
Total	$202,422	$ 212,369

During June 2003, the Company borrowed $75,000 in a private offering. The debt consists of 7 year guaranteed senior Notes due in June 2010 and interest payments are due semi-annually at a rate of 5.31%. During October 2003, the Company borrowed an additional $25,000 in a private offering. The debt consists of 10 year guaranteed senior Notes due in October 2013 and interest payments are due semi-annually at a rate of 7.05%. These Notes rank equal with the Company's other senior indebtedness. The funds were used primarily to pay down existing bank debt and provide Cambrex with longer term fixed rate debt.

The Company met all bank covenants for the first three months of 2004.

(9) RESTRUCTURING AND OTHER CHARGES

2002 Actions

In 2002, Cambrex completed its plan to realign its businesses, and at that time, the Company recorded net special pre-tax charges of $15,087. These charges included: Rutherford Chemicals fixed asset impairments of $7,689, closure costs for a small manufacturing facility of $1,800, inventory write-downs of $586 (included in cost of sales), a goodwill impairment for Rutherford Chemicals of $3,962, and severance costs of $1,050. Of these charges, $10,849 were recorded in discontinued operations.

Severance charges, which apply to a Rutherford Chemicals domestic site and the Corporate office, relate to the termination of approximately 19 employees. All these employees were terminated by January 31, 2003.

The accrued liabilities balance related to the 2002 actions for severance and other costs included above was approximately $800 and $1,200 at March 31, 2004 and December 31, 2003, respectively. All accrual balances for these periods relate to continuing operations.

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

(9) RESTRUCTURING AND OTHER CHARGES (CONTINUED)

The following table displays the activity related to the 2002 restructuring accruals through March 31, 2004 (in millions):

		2003 Activity		2004 Activity	
	December 31, 2002 Reserve Balance	Cash Payments	December 31, 2003 Reserve Balance	Cash Payments	Marc 31, 2 Reser Balan
Restructuring and other charges:					
Employee severance..........................	$1.0	$(0.8)	$ 0.2	$(0.1)	$ 0.
Facility closure costs......................	1.6	(0.6)	1.0	(0.3)	0.
Total..	$2.6	$(1.4)	$ 1.2	$(0.4)	$ 0.

Facility closure costs and severance costs are expected to be paid by second quarter 2004.

(in thousands, except share and per-share data)

2004 Actions

In the first quarter 2004, management at one of the Company's European facilities within the Human Health segment communicated to employees that a workforce reduction would occur at the site. The Company recorded a $1,000 charge in Other, net operating expenses to accrue for the termination benefits related to the workforce reduction. Thirteen workers are expected to be terminated in the second quarter 2004. No payments have been made as of March 31, 2004, however, the Company expects to pay most of these benefits within the next three months.

(10) DISCONTINUED OPERATIONS - SALE OF RUTHERFORD CHEMICALS

On November 10, 2003 the Company completed the sale of Rutherford Chemicals. The agreement specified proceeds for the sale of $55,000 in cash at closing, a $2,000 subordinated 12% interest bearing note payable in full in 5 1/2 years from the closing date, and an $8,000 performance-based cash earn-out if certain future operating profit targets are achieved in each of the next 3 years. These terms resulted in a write-down of assets to estimated fair value of approximately $53,098 which is based on the selling price, including fees associated with the transaction. The Company has not included any of the performance based cash earn-out in the computation of the $53,098 loss and income for discontinued operations will be recorded in future periods if the Company receives any payments under the earn-out arrangement. In the first quarter of 2004, the Company finalized the post closing working capital adjustment. This adjustment, along with legal and other charges associated with the sale, has resulted in an additional $742 charge to discontinued operations in the first quarter 2004. This loss has not been tax effected as more fully explained in Note #6.

Also, the Company retains the liabilities of the Rutherford Chemicals business associated with existing general litigation matters, including Vitamin B-3 reserves, pre-closing environmental liabilities and post retirement benefits and pension liabilities. See Note #16 for further discussion.

As a result of the completion of the transaction on November 10, 2003, the business comprising the Rutherford Chemicals segment is being reported as a discontinued operation in all periods presented.

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

The following table shows revenues and (loss)/income from discontinued operations for the three months ended:

	March 31, 2004	March 31, 2003
Revenues	$ -	$ 34,689
Pre-tax (loss)/income from operations of		

discontinued operations...............................	$ (742)	$ 1,015

(11) COMPREHENSIVE INCOME

Comprehensive (loss)/income for the three months ended March 31, 2004 and 2003 were $(7,512) as restated and $8,304 respectively. The decrease in comprehensive income was due to higher foreign currency translation, unrealized losses on hedging contracts and an increase in the additional minimum pension liability partly offset by higher net income.

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

(12) OTHER REVENUE

Other revenue consists primarily of realized gains/losses on foreign currency hedge contracts, foreign exchange transaction gains/losses and freight billings. With respect to the foreign currency hedge contracts, the Company enters into such contracts to reduce exposures to market risks resulting from fluctuations in foreign exchange rates. The Company does not enter into financial instruments for trading or speculative purposes.

(13) RETIREMENT PLANS

Domestic Pension Plans

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

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

(13) RETIREMENT PLANS (CONTINUED)

The components of net periodic pension cost for the Company's domestic plans for the three months ended March 31, 2004 and 2003 are as follows:

	2004 (restated)	2003
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service Cost..	$ 581	$ 650
Interest Cost...	731	710
Expected return on plan assets....................................	(639)	(525)
Amortization of prior service cost................................	11	17
Recognized actuarial loss..	129	130

(in thousands, except share and per-share data)

Net periodic benefit cost	$ 813	$ 982

The Company expects to contribute $4,859 in cash to its two U.S. defined-benefit pension plans in 2004.

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

The components of net periodic pension cost for the Company's SERP Plans for the three months ended March 31, 2004 and 2003 are as follows:

	2004	2003
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service Cost	$ 52	$ 63
Interest Cost	107	106
Amortization of unrecognized transition obligation	25	-
Amortization of prior service cost	1	1
Recognized actuarial loss	12	33
Net periodic benefit cost	$ 197	$ 203

International Pension Plans

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

(13) RETIREMENT PLANS (CONTINUED)

The components of net periodic pension cost for the Company's international plans for the three months ended March 31, 2004 and 2003 are as follows:

	2004	2003
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service Cost	$ 173	$ 158
Interest Cost	234	207
Expected return on plan assets	(45)	(46)
Amortization of excess plan net	(10)	(8)
Amortization of prior service cost	34	32

Net periodic benefit cost........................	$ 386	$ 343

The Company expects to contribute approximately $562 in cash to its international pension plans in 2004.

(14) OTHER POSTRETIREMENT BENEFITS

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

The components of net periodic pension cost for the three months ended March 31, 2004 and 2003 are as follows:

	2004	2003
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost of benefits earned	$ 13	$ 31
Interest cost	37	50
Actuarial loss recognized	29	53
Amortization of unrecognized prior service cost	(38)	(44)
Total periodic postretirement benefit cost	$ 41	$ 90

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

(15) SEGMENT INFORMATION

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

One customer, a distributor representing multiple customers, accounted for 10.6% and 9.9% of consolidated gross sales in the three months ended March 31, 2004 and 2003, respectively.

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

(15) SEGMENT INFORMATION (CONTINUED)

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

	Three months ended March 31, 2004 (restated)	Three months ended March 31, 2003
Gross Sales:		
Human Health	$ 69,909	$ 61,126
Bioproducts	34,521	30,128
Biopharma	9,119	13,977
	$ 113,549	$ 105,231
Gross Profit:		
Human Health	$ 26,624	$ 23,637
Bioproducts	18,397	15,413
Biopharma	450	6,204
	$ 45,471	$ 45,254
Operating Profit*:		
Human Health	$ 15,335	$ 15,710
Bioproducts	8,936	4,664
Biopharma	(2,260)	3,681
Corporate	(6,857)	(19,348)
Total Operating Profit	$ 15,154	$ 4,707
Reconciliation to income from Continuing Operations:		
Interest Expense, net	$ 2,929	$ 2,349
Other Expense, net	127	185
Provision for income taxes	4,339	609
Income from continuing operations	$ 7,759	$ 1,564

Capital Spending:		
Human Health	$ 3,265	$ 3,328
Bioproducts	961	1,801
Biopharma	2,836	4,635
Corporate	162	239
	$ 7,224	$ 10,003

*The operating segments include charges of certain corporate allocations reflecting services provided for or on behalf of the respective segments. Unallocated corporate spending is included in "Corporate."

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

(15) SEGMENT INFORMATION (CONTINUED)

	Three months ended March 31,	
	2004	2003
	(restated)	
Depreciation:		
Human Health.....................	$ 7,103	$ 5,893
Bioproducts......................	1,350	1,211
Biopharma........................	1,482	519
Corporate........................	340	324
	$ 10,275	$ 7,947
Amortization:		
Human Health.....................	$ 6	$ 3
Bioproducts......................	358	292
Biopharma........................	108	96
	$ 472	$ 391

	March 31, 2004	December 31, 2003
	(restated)	
Total Assets:		
Human Health.....................	$356,974	$358,811
Bioproducts......................	202,945	197,689

(in thousands, except share and per-share data)

Biopharma.......................	175,906	176,467
Corporate.......................	33,617	45,536
	$769,442	$778,503

(16) CONTINGENCIES

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

Environmental

In connection with laws and regulations pertaining to the protection of the environment, the Company is a party to several environmental remediation investigations and cleanups and, along with other companies, has been named a "potentially responsible party" for certain waste disposal sites ("Superfund sites"). Each of these matters is subject to various uncertainties, and it is possible that some of these matters will be decided unfavorably against the Company. The Company had accruals, included in other non-current liabilities of $4,698 and $4,900 at March 31, 2004 and December 31, 2003, respectively, for costs associated with the study and remediation of Superfund sites and the Company's current and former operating sites for matters that are probable and reasonably estimable. The decrease in the accrual is due to currency fluctuation of $109 and payments of $93. Included in the liabilities mentioned above are environmental liabilities discussed in the "Sale of Rutherford Chemicals" section of this Note. Based on currently available information and analysis, the Company's accrual represents management's best estimate of what it believes are the probable and estimable environmental cleanup related costs of a non-capital nature. After reviewing information currently available, management believes any amounts paid in excess of the accrued liabilities will not have a material effect on its financial

(16) CONTINGENCIES (CONTINUED)

position or results of operations. However, these matters, if resolved in a manner different from the estimates could have a material adverse effect on the financial condition, operating results and cash flows when resolved in a future reporting period.

Litigation

Mylan Laboratories

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

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

On February 9, 2001, a federal court in Washington, DC entered an Order and Stipulated Permanent Injunction as part of a settlement of the FTC and Attorneys General's suits. Under these settlement documents Mylan agreed to pay over $140,000 on its own behalf and on behalf of most of the other defendant companies including Cambrex and Profarmaco. In the Order and Injunction, the settling defendants also agreed to monitor certain future conduct. Mylan had been fully covering the costs for the defense and indemnity of Cambrex and Profarmaco under certain obligations set forth in the license agreements. Cambrex agreed to cover separate legal defense costs incurred for Cambrex and Profarmaco on a going forward basis beginning August 1, 2000. The private litigation continues.

On April 7, 2003, Cambrex reached an agreement with Mylan under which Cambrex would contribute $12,415 to the settlement of consolidated litigation brought by a class of direct purchasers. In exchange, Cambrex and Profarmaco received from Mylan a release and full indemnity against future costs or liabilities in related litigation brought by purchasers, as well as potential future claims related to this matter. Approximately $4,415 was paid in April 2003 in accordance with the agreement, with the remaining $8,000 to be paid over the next five years. Cambrex recorded an $11,342 charge (discounted to the present value due to the five year pay-out) in the first quarter of 2003 as a result of this settlement. As of March 31, 2004 the outstanding balance for this liability was $7,273.

(16) CONTINGENCIES (CONTINUED)

Vitamin B-3

On May 14, 1998, the Company's Nepera subsidiary, a manufacturer and seller of niacinamide (Vitamin B-3), received a Federal Grand Jury subpoena for the production of documents relating to the pricing and possible customer allocation with regard to that product. The Company understands that the subpoena was issued as part of the Federal Government's ongoing anti-trust investigation into various business practices in the vitamin industry generally. In the fourth quarter of 1999, the Company reached a settlement with the Government concerning Nepera's alleged role in Vitamin B-3 violations from 1992 to 1995. On October 13, 2000, the Government settlement was finalized with Nepera entering into a voluntary plea agreement with the Department of Justice. Under this agreement, Nepera entered a plea of guilty to one count of price fixing and market allocation of Vitamin B-3 from 1992 to 1995 in violation of section one of the Sherman Act and agreed to pay a fine of $4,000. Under the plea agreement, Nepera was placed on probation for one year, which has ended. The fine was paid in February 2001. Nepera has been named as a defendant, along with several other companies, in a number of private civil actions brought on behalf of alleged purchasers of Vitamin B-3.

An accrual of $6,000 was recorded in the fourth quarter 1999 to cover the anticipated government settlements, related litigation, and legal expenses. Based on discussions with various plaintiffs counsel, as well as current estimates of expenditures for legal fees, an additional accrual of $4,400 was established in the fourth quarter of 2001. The Company believed that the reserves would be sufficient to cover resolution of the remaining related litigation matters. However, during 2002, based on information developed during the year, the Company determined that the remaining litigation matters would be more costly than previously anticipated. Therefore, during 2002, the Company increased reserves by $10,000. The balance of this accrual as of March 31, 2004 was approximately $3,811. This accrual has been recorded in accrued liabilities.

Litigation in the United States under the U.S. antitrust laws was commenced some years ago by a group of European purchasers. On motion by the Vitamin B-3 defendants, the District Court dismissed the litigation, under the long-standing rule that foreign purchasers cannot sue in U.S. courts under U.S. antitrust statutes. Recently, the Federal Circuit Court reversed the District Court's decision. The Vitamin B-3 defendants, supported by the U.S. Department of Justice, appealed to the United States Supreme Court and oral arguments were heard on April 29, 2004. The court's decision is expected later this year. The Company strongly believes that the claim should be dismissed, however, the Circuit Court's decision is so unusual that we cannot predict the disposition of this matter.

(16) CONTINGENCIES (CONTINUED)

Sale of Rutherford Chemicals

As previously announced, the Company entered into an agreement for the sale of its Rutherford Chemicals business. The transaction was completed on November 10, 2003. The agreement for the sale of the Company provided standard representations and warranties concerning the business, operations, liabilities and financial condition of the Rutherford Chemicals Business. Most of such representations and warranties will survive for a period of thirty days after the Buyer's preparation of its audited financial statements for year-end 2004. Therefore, claims for breaches of such representations would have to be brought during that time frame. Certain specified representations and warranties, such as those relating to employee benefit matters, will survive for longer periods. Under the sale agreement, the Company has indemnified the Buyer for breaches of representations and warranties, such indemnifications for certain representations and warranties are subject to a deductible of $750 and a cap at 25 percent of the purchase price.

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

Class Action Matter

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

The Company will file a motion to dismiss by May 30, 2004. We consider the complaints to be substantially without merit and will vigorously defend against them.

(16) CONTINGENCIES (CONTINUED)

Securities and Exchange Commission

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

Other

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

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

The Company believes the estimated fair value of the above indemnification agreements is not significant, and as such, the Company has no liabilities recorded for these agreements as of March 31, 2004.

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

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

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

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

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

RESULTS OF OPERATIONS

COMPARISON OF FIRST QUARTER 2004 VERSUS FIRST QUARTER 2003

The following tables show the gross sales of the Company's three segments, in dollars and as a percentage of the Company's total gross sales for the quarters ended March 31, 2004 and 2003.

	Quarter Ended March 31,			
	2004 (restated)		2003	
	$	%	$	%
Human Health	$ 69,909	61.6%	$ 61,126	58.1%
Bioproducts	34,521	30.4	30,128	28.6

Biopharma	9,119	8.0	13,977	13.3
Total gross sales	$113,549	100.0%	$105,231	100.0%

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

	Gross Sales	Gross Profit $	Gross Profit %
2004 (restated)			
Human Health...........	$ 69,909	$ 26,624	38.1%
Bioproducts............	34,521	18,397	53.3
Biopharma..............	9,119	450	4.9
Total............	$ 113,549	$ 45,471	40.0%

	Gross Sales	Gross Profit $	Gross Profit %
2003			
Human Health...........	$ 61,126	$ 23,637	38.7%
Bioproducts............	30,128	15,413	51.2
Biopharma..............	13,977	6,204	44.4
Total............	$ 105,231	$ 45,254	43.0%

Gross sales in the first quarter 2004 increased 7.9% to $113,549 from $105,231 in the first quarter 2003. Increased sales in the Human Health and Bioproducts segments were partly offset by lower sales in the Biopharma segment. Gross sales were favorably impacted 6.6% due to exchange rates reflecting a weaker U.S. dollar in the first quarter of 2004 versus the first quarter 2003.

RESULTS OF OPERATIONS (CONTINUED)

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

The Human Health Segment gross sales of $69,909 were $8,783 or 14.4% above the first quarter 2003. Human Health sales were favorably impacted 8.4% due to exchange rates reflecting a weaker U.S. dollar in the first quarter 2004 versus 2003. The increase, excluding currency, results from higher sales of an API to treat Alzheimer's disease due to the signing of a long-term sales agreement, increased demand for innovator pharma products and services and higher shipments of certain central nervous system and diuretic APIs. Partly offsetting these increases were lower sales of Imaging and Fine Custom Chemical product catogories.

The Bioproducts Segment gross sales of $34,521 were $4,393 or 14.6% above the first quarter 2003. The Bioproducts segment sales were favorably impacted 6.2% due to exchange rates reflecting a weaker U.S. dollar in the first quarter 2004 vs. 2003. The sales increase, excluding currency, primarily reflects higher sales across most products categories including Cell Biology, Molecular Biology and Media and Serum due to higher pricing, new products, investments in sales and marketing and favorable market conditions.

The Biopharma Segment gross sales of $9,119 were $4,858 or 34.8% below the first quarter 2003 reflecting reduced volumes and suite utilization due to the loss of a Biopharmaceutical customer whose product failed to receive FDA approval and the completion of other contracts in 2003 that were only partially replaced in the first quarter 2004. Foreign currency had no impact on the Biopharma segment.

Export sales from U.S. businesses of $4,862 in the first quarter 2004 decreased 9.8% from the first quarter 2003. Sales from our European operations totaled $67,271 for the first quarter 2004 as compared with $58,614 in 2003, an increase of 14.8%. The $113,549 of sales in the first quarter of 2004 consisted of $55,564, $50,177, $4,356 and $3,452 to North America, Europe, Asia and the rest of the world, respectively. The $105,231 of sales in the first quarter of 2003 consisted of $54,461, $44,505, $3,727 and $2,538 to North America, Europe, Asia and the rest of the world, respectively.

Gross profit in the first quarter of 2004 was $45,471 compared to $45,254 in 2003. Gross margin percentage decreased to 40.0% from 43.0% in the first quarter of 2003. The reduced gross margin percentage reflects lower margins in the Biopharma and Human Health segments partially offset by higher margins in the Bioproduct segment. Human Health segment gross margins decreased due to unfavorable impact of foreign currency translation and pricing pressures on feed additives, certain generic APIs and imaging products, partly offset by higher production volumes and favorable product mix. The Bioproducts margins increased primarily due to increased pricing across most product categories and the favorable impact of foreign currency, partially offset by increased inventory reserves and lower royalty revenue. The Biopharma segment margin decline is primarily due to the lower suite utilization and reflects the high fixed costs in this segment.

Selling, general and administrative expenses of $27,437 or 24.2% of gross sales in the first quarter 2004 increased from $25,112, or 23.9% in the first quarter 2003. This increase is due primarily to the impact of foreign currency exchange, higher spending for advertising and promotions and increased headcount.

Research and development expenses of $4,743 were 4.2% of gross sales in the first quarter 2004, compared to $4,093 or 3.9% of gross sales in 2003. The increase primarily reflects higher spending in all segments and the impact of foreign currency exchange.

The operating profit in the first quarter 2004 was $15,154 compared to $4,707 in 2003. The results reflect the increased gross sales offset by the lower gross margins and higher operating expenses. In addition, the first quarter 2004 results include $2,863 of income due to the early termination of a Bioproducts customer

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF FIRST QUARTER 2004 VERSUS FIRST QUARTER 2003 (CONTINUED) contract and an unrelated $1,000 charge associated with the reorganization and related workforce reductions at a European facility. These items are recorded as other, net operating expenses. The first quarter 2003 results include a $11,342 charge for the settlement of certain class action lawsuits involving Mylan laboratories.

Net interest expense of $2,929 in the first quarter 2004 increased $580 from 2003 primarily reflecting higher interest rates partially offset by lower average debt. The average interest rate was 5.8% in the first quarter 2004 versus 3.9% in 2003.

The effective tax rate for the first quarter 2004 was 35.9% compared to 28.0% in the first quarter 2003. The increase in the tax rate is primarily due to the recording of a full valuation allowance related to benefits from domestic losses in the first quarter of 2004. Beginning September 30, 2003 the company has maintained a full valuation allowance on the Company's domestic net deferred tax assets and will continue to do so until an appropriate level of domestic profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of the domestic net deferred assets would be realized. If the Company continues to report pre-tax losses in the United States, income tax benefits associated with those losses will not be recognized and, therefore, those losses would not be reduced by such income tax benefits. Additionally, should domestic losses continue, it is possible that certain tax planning strategies preserving certain domestic tax assets could be deemed inadequate, resulting in additional valuation allowances in the future. The carryforward periods for foreign tax credits, research and experimentation tax credits, net operating losses, and the federal alternative minimum tax credits are 5 years, 20 years, 20 years and an indefinite period, respectively. As such, improvements in domestic pre-tax income in the future may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

The income from continuing operations in the first quarter of 2004 was $7,759 or $0.29 per diluted share versus $1,564, or $0.06 per diluted share in the same period a year ago.

In the third quarter 2003, the Company announced that an agreement to sell the Rutherford Chemicals business had been signed and as a result the business is being reported as a discontinued operation for all periods presented. In the first quarter of 2004, the Company concluded its negotiations of the post-closing working capital adjustment and recorded a $742 charge to discontinued operations to reflect the change in the adjustment, along with legal and other expenses related to the sale of Rutherford Chemicals.

The net income in the first quarter of 2004 was $7,017, or $0.26 per diluted share versus $2,359, or $0.09 per diluted share in the same period a year ago.

RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2004, the Company generated cash flows from operations totaling $23,818, a decrease of $8,557 versus the same period a year ago. This decrease in cash flows is due primarily to the loss of cash flows resulting from the Rutherford Chemical facilities and an increase in inventories due to the timing of shipments including a long-term contract, partially offset by an increase in depreciation expense due to capital expenditures in 2003 and a reorganization accrual in 2004 related to workforce reductions at a separate European facility.

Capital expenditures from continuing operations were $7,224 in the first three months of 2004 as compared to $10,003 in 2003. Part of the funds in 2004 were used for a suite expansion at a Biopharma manufacturing plant in Hopkinton, Massachusetts cell therapy manufacturing capabilities at the Bioproducts facility in Walkersville, and new research and development labs at Milan, Italy.

Cash flows used in financing activities in the first three months of 2004 of $4,750 include net repayment of debt of $7,830, and payment of dividends of $786, partially offset by proceeds from stock options exercised of $3,929.

During the first three months of 2004 and 2003, the Company paid cash dividends of $0.03 per share.

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

FORWARD-LOOKING STATEMENTS

This document may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Rule 3B-6 under The Securities Exchange Act of 1934, including, without limitation, statements regarding expected performance, especially expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, acquisitions, divestitures, collaborations, or other expansion opportunities. These statements may be identified by the fact that they use words such as "expects," "anticipates," "intends," "estimates," "believes" or similar expressions in connection with any discussion of future financial and operating performance. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Form 10-Q/A. The forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations including but not limited to factors that could affect the Company's forward-looking statements relating to the resolution of the material weaknesses in internal controls discussed in Item 4 of this Quarterly Report including, among other things: the Company's ability to fully resolve the weaknesses during the three to six month period from the date of filing of this Quarterly Report; the Company's ability to identify and retain qualified and experienced personnel on both a short and long term basis in its tax department; the Company's ability to design and maintain policies and procedures which enable the Company to avoid any reoccurrence of the matters which gave rise to the material weaknesses; the Company's ability to implement policies and procedures including documentation that meets the internal control over financial reporting requirements of the rules adopted by the Commission pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, global economic trends, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and/or regulations (particularly environmental issues), tax rate, technology, manufacturing and legal issues, unfavorable results shipments, changes in foreign exchange rates, performance of minority investments, un-collectable receivables, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials and the risks and other factors described under the caption "Risk Factors That May Affect Future Results" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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ITEM 4. CONTROLS AND PROCEDURES

With the participation of the Company's Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the Company's `disclosure controls and procedures' (as defined in the Rules 13a-15(e) under the Securities Exchange Act of 1934 (the `Exchange Act') as of the end of the period covered by this quarterly report. Disclosure controls and procedures are designed to provide reasonable assurance that the Company is able to meet the objective of filing reports under the Exchange Act that contain disclosure which is recorded, processed, summarized and reported pursuant to the disclosure requirements and within the time periods specified in the rules and forms of the Commission. Based on such evaluation, including consideration of the matter discussed below, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at March 31, 2004.

Restatement

In connection with the Restatement and the filing of this Form 10-Q/A, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the re-evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective as of the end of the period covered by this report.

In coming to the conclusion that our disclosure controls and procedures were effective as of the end of the period covered by this report, our management considered, among other things, a significant control deficiency related to periodic reassessment of the application of generally accepted accounting principles which resulted in the need to restate our previously issued interim financial statements as disclosed in Note 2 to the financial statements included in this Form 10-Q. After reviewing and analyzing the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 99, "Materiality," Accounting Principles Board Opinion No. 28, "Interim Financial Reporting," paragraph 29 and SAB Topic 5 F, "Accounting Changes Not Retroactively Applied Due to Immateriality," and taking into consideration (i) that the restatement adjustments did not have a material impact on any previously issued annual or interim financial statements, (ii) that the cumulative impact of the restatement adjustments on stockholders' equity was not material to any previously issued financial statements; and (iii) that we decided to restate our 2004 quarterly financial statements solely because the cumulative impact of the restatement, if recorded in the fourth quarter of 2004, would have been material to that quarter's reported net income, our management concluded that the restatement of the prior period financial statements was not the result of a material weakness in our disclosure controls and procedures.

Tax Weakness

In February of 2004, senior management and the Company's Audit Committee were informed by the Company's independent auditors, PricewaterhouseCoopers LLP, that there were material weaknesses (as defined in AU 325, Communication of Internal Control Related Matters Noted in an Audit, of the AICPA Professional Standards) in the Company's internal controls relating to the adequacy of documentation and level of personnel within the Company's corporate tax department. The insufficient documentation and inadequate level of human resources within the tax department led to untimely identification and resolution of certain tax accounting matters that included matters leading to a restatement of the Company's third quarter 2003 results. These matters included: (i) a valuation allowance to the Provision for income taxes of $5.4 million for deferred tax assets arising from unrealized interest rate swap losses and minimum pension liabilities, the benefits of which had previously been included in Accumulated other comprehensive income (loss); and (ii) a $1.9 million reduction to Loss from discontinued operations due to the reversal of deferred tax liabilities related to the Rutherford Chemicals segment that were not previously taken into consideration in determining such loss from discontinued operations.

The Company has taken and is taking the following actions to address these weaknesses in its tax department:

- Contracted with our external tax advisers for a senior level tax professional to review the Company's tax structure and tax accounting processes in order to provide an additional layer of assurance related to our quarterly tax accounting. This additional layer of review was performed on our first quarter 2004 tax accounting with no significant findings noted.

- Retained a consultant with significant experience in managing corporate tax functions to review and complete documentation of critical procedures within the corporate tax department, specifically including documentation requirements, in order to strengthen the reliability and timeliness of the Company's tax accounting and to prepare for internal control audits pursuant to Sarbanes-Oxley Section 404;

- Conducting searches for two vacant positions - a Vice President of Tax and a Tax Manager - which are in progress with several candidates for each position having been identified or interviewed;

- Increased the level of involvement of its external tax advisers pertaining to, among other things, the adequacy and design of the Company's tax strategies and entity structure;

- Increased the level of review and discussion of significant tax matters and supporting documentation with senior finance management;

- Increased the level of discussion and review of tax accounting matters with the Company's independent auditors;

While the Company is responding to these weaknesses, management estimates that it will take at least three to six months from the date of filing this quarterly report to fully resolve them. Management believes these weaknesses do not have a material effect on the Company's consolidated financial statements for the period ending March 31, 2004.

PART II - OTHER INFORMATION

CAMBREX CORPORATION AND SUBSIDIARIES

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS.

Purchases of equity securities by the issuer and affiliated purchasers.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (Or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum N (or Approximate Value) of Shar Units) that May Purchased Unde Plans or Prog
January 1-31, 2004	-	-	-	580,700
February 1-29, 2004	-	-	-	580,700
March 1-31, 2004	-	-	-	580,700
Total	-	-	-	

ITEM 4. MATTERS SUBMITTED TO A VOTE OF SECURITIES HOLDERS.

1. At the Annual Meeting of Stockholders held on April 22, 2004, four Directors in Class II were elected to hold office as Directors of the Company until the 2007 Annual Meeting of Stockholders.

Nominees	Votes For	Votes Against
Rosina B. Dixon, M.D.	24,151,732	793,377
Roy W. Haley	24,618,125	326,984
Leon J. Hendrix, Jr.	24,620,925	324,184
Ilan Kaufthal	24,124,832	820,277

2. Also, the Stockholders voted for the approval of the 2004 Incentive Plan.

Votes For	Votes Against	Votes Abstained	Unvoted
18,862,053	3,827,087	500,811	1,755,158

3. Also, the Stockholders voted for the appointment of PricewaterwaterhouseCoopers LLP as the Company's Independent Accountants for 2004.

Votes For	Votes Against	Votes Abstained	Unvoted
24,606,787	300,001	38,321	-

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits

1. Exhibit 31.1 - CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

2. Exhibit 31.2 - CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

3. Exhibit 32.1 - CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

4. Exhibit 32.2 - CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K

The following are the Form 8-Ks filed (or furnished) during the First Quarter, 2004:

January 23, 2004 regarding the press release dated January 22, 2004 announcing the financial results for the fourth quarter and full year of 2003 and providing guidance for 2004. April 23, 2004 regarding the press release dated April 22, 2004 announcing the financial results for the first quarter of 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAMBREX CORPORATION

By /s/ Luke M. Beshar

Luke M.Beshar
Executive Vice President and
Chief Financial Officer
(On behalf of the Registrant and
as the Registrant's Principal
Financial Officer)

Date: April 29, 2005