

CAMBREX CORP  
Form 10-K  
February 08, 2018

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, 2017

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file Number 1-10638

**CAMBREX CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

**22-2476135**  
(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 if 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, smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer    Accelerated filer    Non-accelerated filer    (Do not check if a smaller reporting company)

Smaller reporting company    Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 computed by reference to the closing price of the common stock on June 30, 2017 was approximately \$1,936,518,532.

As of January 31, 2018, there were 32,846,822 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 2018 Annual Meeting are incorporated by reference into Part III of this Report.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

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**For the Year Ended December 31, 2017**

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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, customer and product concentration, the Company's ability to win new customer contracts and renew existing contracts on favorable terms, 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 undue 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.

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**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:

**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.

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

**Niche Market Focus:** The Company participates in niche markets where significant technical expertise provides a competitive advantage and market differentiation.

**Operational Excellence:** The Company maintains its commitment to continually improve productivity and customer service levels and maintains excellent quality and regulatory compliance systems.

**Acquisition and Licensing:** The Company may drive growth in strategic business segments through the prudent acquisition of businesses, products, product lines, technologies and capabilities to enhance the Company's position in its niche markets.

## **Market Overview and Growth Drivers**

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

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

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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 70 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 is developing a portfolio of finished dosage form generic drug products and through its partners, filed three 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.

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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 late 2015, Cambrex management, with Board authority, committed to a plan to sell Zenara. On January 30, 2017, the Company transferred the assets and liabilities of Zenara to the buyer for consideration of approximately \$2,800, which was held in escrow until approval by Indian regulatory authorities was obtained several months later. Accordingly, as of January 30, 2017, the Company no longer includes Zenara in its reported results. 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. Refer to Note 8 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 35.1%, 36.9% and 34.5% of 2017, 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 32.8%, 31.6% and 32.1% of 2017, 2016 and 2015 consolidated sales, respectively.

The following table shows the destination of gross sales by geographic area:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Europe	\$327,309	\$321,525	\$280,593
North America	170,490	138,328	127,024
Asia	17,625	17,996	14,024
Other	10,512	13,689	12,215
Total	\$525,936	\$491,538	\$433,856

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(dollars in thousands, except per share data)

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**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, 2017, 171 employees were at least partially involved in R&D activities worldwide.

The Company spent \$16,901, \$14,292 and \$12,540 in 2017, 2016 and 2015, respectively, on R&D efforts.

**Patents and Trademarks**

The Company has patent protection covering processes for manufacturing certain products. 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 six 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 patent right the Company considers most significant to its business is U.S. Patent No. 7,705,184, which relates to methods of manufacturing amphetamines, expires on May 15, 2019.

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.

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**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. 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, health and safety laws and regulations, and enforcement policies, could result in substantial costs and liabilities to the Company and could subject the Company's handling, manufacture, use, reuse or disposal of substances or pollutants at its plants to more rigorous scrutiny than at present.

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

The Company's policy is to comply with all legal requirements of applicable environmental, health and safety laws and regulations. The Company believes it is in compliance with such requirements and has adequate professional staff and systems in place to remain in compliance. In some cases, compliance can only be achieved by capital expenditures, and the Company made capital expenditures of \$9,872, \$6,081 and \$2,739 in 2017, 2016 and 2015, respectively, for environmental, health and safety 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, 2017, the Company had 1,228 employees worldwide (759 of whom were from international operations) compared with 1,295 employees at December 31, 2016 and 1,228 at December 31, 2015.

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.

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**Export and International Sales**

Export sales from the Company's domestic operations in 2017, 2016 and 2015 amounted to \$195,193, \$182,215 and \$159,048, respectively. Sales from international operations were \$213,041, \$220,765 and \$196,710 in 2017, 2016 and 2015, respectively. Refer to Note 18 to the Company's consolidated financial statements.

**Additional Information**

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

This Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q, the Company's Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on the Company's website [www.cambrex.com](http://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](http://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 and cash flows could be materially and 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 35.1% of 2017 consolidated sales. This customer uses the Company’s largest product for an anti-viral drug that has experienced decreasing sales and, accordingly, the Company expects sales of this product to the customer to trend downwards significantly over the next few years. Decreased sales to this customer, or any other significant customer, or any future contract renegotiations with this customer or any other significant customer in an attempt to acquire terms more favorable to them, could have a material adverse effect on the Company’s financial position, results of operations and cash flows. For certain large customers and products, the Company invests significant resources to increase production capacity. If we fail to contract for new projects as existing projects approach completion, we will experience excess production capacity, which could have a material adverse effect on profit margins.

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**Attempts by the Company's customers to reduce costs 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 various market dynamics specifically affecting the pharmaceuticals industry. Moreover, pricing for pharmaceutical products has come under 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.

**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 operations. The Company's success also depends on the continued reliance by such pharmaceutical companies on third-party manufacturers 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 and 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 and 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 material adverse effect on the Company's business.

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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.

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**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 the Company's 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 20 to the Company's consolidated financial statements for a discussion of the Company's environmental and legal matters.

**Incidents related to hazardous materials could adversely affect the Company.**

Portions of the Company's operations require the controlled use of hazardous materials. Although the Company designs and implements safety procedures to comply with the standards prescribed by federal, state, and local regulations, the risk of accidental contamination of property, or injury to individuals 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 material 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 proceedings and remediation 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.

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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. 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 losses in excess of its reserves.

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

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

The Company manufactures products intended for use by the public. These activities could expose the Company to risk of liability for personal injury or death to persons using such products. The Company seeks to reduce its potential liability through measures such as contractual indemnification provisions with customers (the scope of which may vary by customer, and the performances of which are not secured) and insurance maintained by the customer and its customers. The Company could be materially 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 is 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 and 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.

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**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.

**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 for the foreseeable future, 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 and 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.

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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.

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 and significantly larger balances in U.S. banks. The Company routinely monitors the risks associated with these institutions and diversifies its exposure by maintaining 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.

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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;

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

effects from the voter-approved exit of the United Kingdom from the European Union (commonly referred to as "Brexit"), including any resulting deterioration in economic conditions, volatility in currency exchange rates or adverse regulatory changes;

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 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 purchases foreign exchange contracts 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.

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

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

If a third party 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 access to 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.

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

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

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

As a matter of course, the Company is audited by federal, state, and foreign tax authorities. From time to time, these audits result in proposed assessments. In recent years, the Company utilized significant tax attributes such as domestic federal foreign tax credits to reduce U.S. cash taxes. While the Company believes that it has adequately provided for any taxes related to these items, and taxes related to all other aspects of its business, any such assessments or future settlements may be materially different than it has provided. Refer to Note 10 of 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. In December 2017 the U.S. enacted tax reform legislation informally known as the Tax Cuts and Jobs Act ("TCJA") that reduced the U.S. federal corporate income tax rate to 21% from 35% effective January 1, 2018. As a result, the Company revalued its domestic federal deferred tax balances and recorded a non-cash charge of \$1,611 for the fourth quarter of 2017. After giving effect to such charge, the Company has domestic federal net deferred tax assets of approximately \$2,262 which are recorded at the U.S. tax rate of 21%. Future changes in corporate income tax rates could require the Company to revalue its deferred tax balances, potentially resulting in significant non-cash charges.

**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.

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**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. For example, the U.S. Congress has recently considered legislation that would repeal or repeal and replace all or part of the Affordable Care Act, and the so-called "individual mandate" was repealed as part of tax reform legislation adopted in December 2017. The potential repeal or repeal and replacement of the Affordable Care Act could have a material adverse effect on the Company's industry generally and on the Company's ability to maintain or increase sales. In addition, there has been heightened public scrutiny in the United States recently over the manner in which drug manufacturers set prices for their marketed products. Such cost containment measures in the United States, or similar measures in the other countries in which the Company does business, could result in more rigorous coverage criteria and lower reimbursement, placing additional downward pressure on the prices that the Company receives for its products and adversely affecting 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.

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**Item 1B** *Unresolved Staff Comments.*

None.

**Item 2** *Properties.*

Set forth below is information relating to manufacturing facilities owned by the Company as of December 31, 2017:

<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 20 to the Company's consolidated financial statements with respect to various proceedings involving the Company in connection with environmental matters. The Company is party to a number of other proceedings also discussed in Note 20 to the Company's consolidated financial statements.

**Item 4** *Mine Safety Disclosures.*

None.

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Table of Contents**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>2017</u>	High	Low
First Quarter	\$58.25	\$49.75
Second Quarter	60.90	51.40
Third Quarter	61.95	49.85
Fourth Quarter	56.30	42.65

<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

As of January 25, 2018, there were approximately 33,717 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.

***2017 Equity Compensation Table***

The following table provides information as of December 31, 2017 with respect to shares of common stock that may be issued under the Company's existing equity compensation plans.

<b>Plan category</b>	<b>Column (a)</b>	<b>Column (b)</b>	<b>Column (c)</b>
	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	1,484,914	\$32.53	920,308

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*Comparison of Five-Year Cumulative Total Returns*

The comparative stock performance graph below compares the five-year cumulative total stockholder return (assuming reinvestment of dividends, if any) from investing \$100 on December 31, 2012, to the close of the last trading day of 2017, 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 44 companies as of December 31, 2017.

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Table of Contents**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, 2017 are derived from the audited financial statements. The consolidated financial statements of the Company as of December 31, 2017 and 2016 and for each of the years in the three year period ended December 31, 2017 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.

	<b>Years Ended December 31,</b>				
	<b>2017<sup>(1)</sup></b>	<b>2016<sup>(2)</sup></b>	<b>2015<sup>(3)</sup></b>	<b>2014<sup>(4)</sup></b>	<b>2013<sup>(5)</sup></b>
<b>INCOME DATA:</b>					
Gross sales	\$525,936	\$491,538	\$433,856	\$374,150	\$317,212
Net revenues	534,456	490,644	433,326	374,613	318,176
Gross profit	230,087	204,225	176,965	123,798	102,904
Selling, general and administrative expenses	70,468	60,422	57,867	52,489	47,568
Research and development expenses	16,901	14,292	12,540	13,075	10,387
Restructuring expenses	-	1,158	15,573	-	-
Loss on voluntary pension settlement	-	-	-	7,170	-
Gain on sale of asset	-	-	-	(1,234 )	(4,680 )
Operating profit	142,718	128,353	90,985	52,298	49,629
Interest expense, net	1,253	717	1,699	2,174	2,242
Equity in losses of partially-owned affiliates	-	-	-	4,623	2,262
Other (income)/expense, net	(360 )	97	(279 )	(5 )	118
Income before income taxes	141,825	127,539	89,565	45,506	45,007
Provision/(benefit) for income taxes	38,061	40,214	32,389	(12,627 )	14,732
Income from continuing operations	103,764	87,325	57,176	58,133	30,275
(Loss)/income from discontinued operations, net of tax	(1,314 )	(5,647 )	41	(830 )	(4,360 )
Net income	102,450	81,678	57,217	57,303	25,915
<b>EARNINGS PER SHARE DATA:</b>					
Earnings/(loss) per common share (basic):					
Income from continuing operations	\$3.18	\$2.72	\$1.82	\$1.89	\$1.00
(Loss)/income from discontinued operations, net of tax	\$(0.04 )	\$(0.17 )	\$0.00	\$(0.03 )	\$(0.14 )
Net income	\$3.14	\$2.55	\$1.82	\$1.86	\$0.86
Earnings/(loss) per common share (diluted):					
Income from continuing operations	\$3.10	\$2.65	\$1.76	\$1.84	\$0.98
(Loss)/income from discontinued operations, net of tax	\$(0.04 )	\$(0.17 )	\$0.00	\$(0.03 )	\$(0.14 )
Net income	\$3.06	\$2.48	\$1.76	\$1.81	\$0.84
Weighted average shares outstanding (in thousands):					
Basic	32,662	32,086	31,420	30,763	30,150
Diluted	33,486	32,969	32,555	31,643	30,901

**BALANCE SHEET DATA: (at end of period)**

Working capital	\$339,537	\$227,193	\$129,477	\$125,172	\$102,513
Total assets	740,565	611,865	505,539	486,587	458,037
Long-term debt	-	-	-	60,000	79,250
Total stockholders' equity	544,864	405,427	310,835	251,226	210,220

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(1) Income from continuing operations includes a tax benefit of \$5,236 as a result of applying Accounting Standards Update (“ASU”) 2016-09 and tax expense of \$117 as a result of the changes in enacted tax rates in the U.S. and the toll charge. Loss from discontinued operations includes pre-tax expense of \$2,020, reduced by a tax benefit of \$706, for environmental remediation related to sites of divested businesses.

(2) 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.

(3) 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.

(4) 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 expense of \$1,277, reduced by a tax benefit of \$447, for environmental remediation related to sites of divested businesses.

(5) 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 expense of \$6,708, reduced by a tax benefit of \$2,348, 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 2017:

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Net Revenue increased 8.9% to \$534,456 from \$490,644 in 2016. Foreign currency exchange favorable impacted revenue by 0.2%.

Operating profit increased 11.2% to \$142,718 from \$128,353 in 2016.

The 2017 net cash balance was \$183,284, an improvement of \$109,143, compared to \$74,141 in 2016.

As a result of applying ASU 2016-09, a tax benefit of \$5,236 was recorded, which lowered the effective tax rate by 3.7%.

Tax expense of \$117 was recorded due to the U.S. enactment of TCJA tax reform legislation.

Gross sales in 2017 of \$525,936 were \$34,398 or 7.0% higher than 2016. Foreign currency exchange favorably impacted gross sales by 0.3%. The increase is a result of higher volumes (8.5%) partially offset by lower pricing (1.8%). The volume increase was primarily due to higher sales of branded APIs and clinical phase products, controlled substances, and generic APIs. The price decline was due to a combination of contractual agreements and negotiated market based price adjustments for certain products. The acquisition of CHP contributed approximately \$18,000 to gross sales while the disposition of Zenara reduced gross sales by \$4,065.

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Gross margins increased to 43.1% in 2017 compared to 41.6% in 2016. Foreign currency unfavorably impacted margins by 0.2%. Margins were positively impacted by operating leverage from higher production volumes, manufacturing plant efficiencies, a take-or-pay payment of approximately \$6,200 and higher royalties partially offset by lower pricing.

The Company reported income from continuing operations of \$103,764, or \$3.10 per diluted share in 2017, compared to \$87,325 or \$2.65 per diluted share in 2016.

## **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.

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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 that 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.

TCJA tax reform legislation enacted on December 22, 2017 resulted in significant changes to the Company’s 2017 income tax provision, including recording a one-time toll charge on undistributed foreign earnings and revaluing domestic federal deferred tax balances, and will materially impact the Company’s tax provision in future years due to the reduction in the U.S. corporate income tax rate to 21%, a transition to a modified territorial tax system whereby

future repatriations of foreign earnings will generally be exempt from U.S. tax, and changes to the deductibility or tax treatment of certain items, among other things. The Company recorded the effect of the toll charge on a provisional basis as it does not have all the necessary information prepared and analyzed.

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### *Environmental and Litigation Contingencies*

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

### *Employee Benefit Plans*

The Company provides a range of benefits to certain employees and retired employees, including pension benefits 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**

### **2017 Compared to 2016**

Gross sales in 2017 of \$525,936 were \$34,398 or 7.0% higher than 2016. Foreign currency exchange favorably impacted gross sales by 0.3%. The increase is a result of higher volumes (8.5%) partially offset by lower pricing

(1.8%). The volume increase was primarily due to higher sales of branded APIs and clinical phase products, controlled substances, and generic APIs. The price decline was due to a combination of contractual agreements and negotiated market based price adjustments for certain products. The acquisition of CHP contributed approximately \$18,000 to gross sales while the disposition of Zenara reduced gross sales by \$4,065.

Net revenue in 2017 of \$534,456 was \$43,812 or 8.9% higher than 2016. Excluding a 0.2% favorable impact from foreign currency compared to 2016, net revenue increased 8.7%. The increase was a result of higher volumes as described above, a take-or-pay payment of approximately \$6,200 and royalties of \$1,000 recorded as "Other revenue, net" in the Company's income statement.

The Company's products and services are sold to a diverse group of several hundred customers, with one customer accounting for 35.1% and 36.9% of 2017 and 2016 consolidated sales, respectively. The Company's products are sold through a combination of direct sales and independent agents. One API, an antiviral product, represented 32.8% and 31.6% of 2017 and 2016 consolidated sales, respectively.

Gross profit in 2017 was \$230,087 compared to \$204,225 in 2016. Gross margins increased to 43.1% in 2017 compared to 41.6% in 2016. The 2017 gross margins included a 0.2% unfavorable impact from foreign currency versus 2016. Margins were positively impacted by higher production volumes that drove plant efficiencies, a take-or-pay payment and higher royalties partially offset by lower pricing.

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Selling, general and administrative (“SG&A”) expenses were \$70,468, or 13.2% of net revenue in 2017, compared to \$60,422, or 12.3%, in 2016. The increase in administrative expenses is mainly due to the addition of CHP (approximately \$2,200), higher medical costs (approximately \$2,000), consulting costs associated with an operational excellence initiative (approximately \$1,400), M&A costs (approximately \$1,000) and higher sales and marketing expenses (approximately \$1,000).

Research and development (“R&D”) expenses were \$16,901, or 3.2% of net revenue in 2017, compared to \$14,292, or 2.9%, of net revenue in 2016. The increase is primarily due to higher costs to develop generic drug products (approximately \$1,100) and higher personnel expenses (approximately \$1,000).

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, the majority of which are non-cash expenses. See Note 8 to the Company’s consolidated financial statements for an explanation of the sale of Zenara.

Operating profit was \$142,718 in 2017 compared to \$128,353 in 2016. The increase in operating profit is primarily due to higher gross profit and lower restructuring expenses partially offset by higher operating expenses.

Net interest expense was \$1,253 in 2017 compared to \$717 in 2016. Higher interest expense was the result of higher amortization of debt issuance costs, higher commitment fees related to the new credit facility entered into during the second quarter of 2016 and lower capitalized interest as a result of the completion of several large projects in 2016. These increases were partially offset by higher interest income generated from higher cash balances. The Company did not have any debt outstanding as of December 31, 2017 and 2016.

Tax expense was \$38,061 in 2017, resulting in an effective tax rate of 26.8%, compared to \$40,214 and 31.5% in 2016. Tax expense in 2017 was favorably impacted by \$5,236 as a result of applying ASU 2016-09, which requires recognition immediately in the tax provision of certain effects of share-based payments that were possibly deferred under the previous guidance. As a result of TCJA, tax expense in 2017 was also increased by \$2,105 for the toll charge on the deemed repatriation of foreign earnings, increased \$1,611 for the revaluation of domestic federal deferred tax balances, and decreased \$3,599 to write off the deferred tax liability that the Company had previously provided on certain undistributed foreign earnings. Excluding the effects of applying the new share-based payment standard and TCJA, the effective tax rate for 2017 was 30.5%.

Income from continuing operations in 2017 was \$103,764 or \$3.10 per diluted share, versus \$87,325, or \$2.65 per diluted share in 2016.

**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.

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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).

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 Note 8 to the Company’s consolidated financial statements for an explanation of the sale of Zenara.

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 operating 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.

Tax expense was \$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.

## Liquidity and Capital Resources

During 2017, cash flows from operations provided \$149,015, compared to \$133,556 in the same period a year ago. The increase in cash flows from operations in 2017 compared to 2016 was largely due to higher net income after adjusting for non-cash items as well as lower accounts receivable partially offset by increased accounts payable payments.

Cash flows used in investing activities in 2017 of \$49,307 reflects cash flows related to capital expenditures of \$52,143 offset by the proceeds from the sale of Zenara for \$2,836. Capital expenditures in 2017 and 2016 primarily expanded the Company's manufacturing capacity to support expected growth.

Cash flows provided by financing activities in 2017 of \$4,781 reflects proceeds from stock options exercised. Cash flows used in financing activities in 2016 represents the pay down of the Company's debt partially offset by proceeds from stock options exercised. Net cash increased \$109,143 during 2017 to a net cash balance of \$183,284.

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The Company has a \$500,000 Senior 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, 2017. The Credit Facility was undrawn in 2017 and at the end of 2016.

For 2018, capital expenditures are expected to be approximately \$70,000 to \$80,000.

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, increased environmental remediation, returns on assets within the Company’s domestic pension plans, as well as other factors. Our largest product (32.8% of 2017 sales), is used by our largest customer to produce an anti-viral drug. Our customer’s sales of this drug have been trending downwards and, accordingly, we expect our sales of this product to our customer to also trend downwards significantly over the next few years.

As discussed more fully in Note 20 to the Consolidated Financial Statements, the Company continually receives additional information to develop estimates to record reserves for remediation activities at Berry’s Creek and other environmental sites. 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 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.

**Contractual Obligations**

At December 31, 2017, the Company’s contractual obligations with initial or remaining terms in excess of one year were as follows:

	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023+</b>
Purchase obligations	\$19,787	\$19,240	\$359	\$188	\$-	\$-	\$-
Operating leases	2,014	833	383	262	233	214	89
Provisional TCJA toll charge	2,105	168	168	168	168	168	1,265
Contractual cash obligations	\$23,906	\$20,241	\$910	\$618	\$401	\$382	\$1,354

The purchase obligations above includes approximately \$10,250 for the scheduled purchase of land and building in North Carolina by a subsidiary in 2018. In addition to the contractual obligations listed above, the Company expects to contribute \$540 in cash to its U.S. defined-benefit pension plan in 2018. It is possible that higher pension contributions could be required in 2019 and beyond. For the unfunded SERP, the Company will make the final annual benefit payments of approximately \$609 in 2018. For the unfunded international pension plan, the Company expects to make annual benefit payments of approximately \$800 in 2018, approximately \$900 for 2019 through 2021, and approximately \$1,000 for 2022. See Note 17 to the Company's consolidated financial statements for details on the Company's unfunded balance related to its pension plans. Also not included in the table above is \$2,066 of uncertain tax positions due to uncertainties surrounding the timing of the obligation. See Note 10 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 20 to the Company's consolidated financial statements.

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

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The Company's forecasted cash flow from future operations may be adversely affected by various factors including, but not limited to, declines in customer demand, increased competition, the deterioration in general economic and business conditions, interest rates, returns on assets within the Company's domestic pension plan that are significantly below expected performance, tax 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, 2017 was \$32,781. The foreign exchange contracts have varying maturities with none exceeding twelve months.

With respect to the contracts outstanding at December 31, 2017, a 10% fluctuation of the local currency over a one-year period would cause approximately \$3,286 pre-tax earnings to be at risk. These calculations do not include the impact of exchange gains or losses on the underlying positions that would offset the gains and losses of the derivative instrument.

### *Interest Rate Management*

The Company 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 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.

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

In matters where the Company is able to reasonably estimate the probable and estimable costs associated with environmental proceedings, the Company accrues for the estimated costs associated with the study and remediation of applicable sites. At December 31, 2017, the reserves were \$17,511, of which \$16,976 is included in "Other non-current liabilities" on the Company's balance sheet. 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. The increase in the reserves includes adjustments to reserves of \$2,858, partially offset by payments of \$2,050. 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.

*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 completed an investigation and sampling plan at the property pursuant to the New Jersey Department of Environmental Protection's ("NJDEP") private oversight program. The results will be used to develop a proposed remedial plan for the site, an outline of which was presented to the new property owner in December 2017. Among other things, the remedial plan is anticipated to address removal of certain impacted soils and implementation of engineering controls and deed restrictions. Once prepared, the remedial plan will set forth further details of any cleanup. Estimates of the Company's future liability for remediation costs have been revised accordingly. As of December 31, 2017, the Company's reserve was \$717.

*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, 2017, the Company's reserve was \$1,845.

*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.

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(dollars in thousands, except per share data)

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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. In April 2017, USEPA approved the requested addendum to the RI/FS Work Plan, which included the description of the phased and adaptive management approach to the Berry's Creek remedy.

The scope of remedial activities in the initial interim remedy is currently being developed and based upon preliminary cost estimates, the Company's reserve was \$9,829 as of December 31, 2017. The estimated costs for the initial interim remedy may be further developed 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.

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. USEPA has advised that the site will be subject to its 5-year review process in or about June 2018. It is unclear if such review, together with an agreed proposed modification to the USEPA Consent Decree, will result in any additional site work. In May 2017, the Company made a payment to USEPA in the amount of \$363 for ongoing oversight costs. As of December 31, 2017, the Company's reserve was \$329, 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.

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(dollars in thousands, except per share data)

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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 engaged in further discussions with NYSDEC and have agreed to submit a revised version of the August 2016 feasibility study to address certain of NYSDEC's requests. In September 2017, the NYSDEC requested that Pfizer, the Company and the current owner of the Harriman Site, ELT Harriman LLC ("ELT"), conduct an investigation of additional constituents not addressed under the 1997 ROD based on the detection of those constituents at the Harriman Site and other properties in the area. The parties have requested more information from the State of New York to evaluate the request, while also responding to NYSDEC that no further investigation was warranted.

As it is too soon to determine whether the NYSDEC's requests or the 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 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, 2017, the Company's reserve was \$3,365. 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.

*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 has paid the funding requests. A final allocation of SCP Site costs (excluding Berry's Creek costs) is expected to be finalized in early 2018. As of December 31, 2017, the Company's reserve was \$762, of which approximately \$488 is expected to be covered by insurance.

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(dollars in thousands, except per share data)

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*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. The judgment was appealed to the United States Court of Appeals for the District of Columbia Circuit (the “D.C. Circuit”) in 2011, resulting in a remand to the District Court. On remand, the District Court dismissed certain self-funded customer plaintiffs due to their failure to satisfy the requirements of federal jurisdiction. Subsequently, the District Court entered an order remitting certain damages. Without fees, costs, or post-judgment interest, the current judgment against Mylan, Gyma, and Cambrex is \$67,260. Mylan, Gyma, and Cambrex have once again appealed to the D.C. Circuit and the appeal is currently pending.

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.

*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, 2017.

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.

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(dollars in thousands, except per share data)



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**Item 7A** *Quantitative and Qualitative Disclosures about Market Risk.*

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

**Item 8** *Financial Statements and Supplementary Data.*

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

	Page Number
	<u>(in this Report)</u>
Reports of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets as of December 31, 2017 and 2016	39
Consolidated Income Statements for the Years Ended December 31, 2017, 2016 and 2015	40
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015	41
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015	42
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	43
Notes to Consolidated Financial Statements	44
Selected Quarterly Financial and Supplementary Data (unaudited)	76

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

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors

Cambrex Corporation

East Rutherford, NJ

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Cambrex Corporation (the “Company”) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income and comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2017, 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 8, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of

material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

/s/ BDO USA, LLP

Woodbridge, NJ

February 8, 2018

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors

Cambrex Corporation

East Rutherford, NJ

**Opinion on Internal Control over Financial Reporting**

We have audited Cambrex Corporation's (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules and our report dated February 8, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. 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.

### **Definition and Limitations of Internal Control over Financial Reporting**

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.

/s/ BDO USA LLP

Woodbridge, NJ

February 8, 2018

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

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$183,284	\$74,141
Trade receivables, less allowances of \$1,061 and \$341 at respective dates	75,144	110,622
Other receivables	20,891	6,748
Inventories, net	138,542	123,184
Prepaid expenses and other current assets	4,217	7,960
Total current assets	422,078	322,655
Property, plant and equipment, net	254,299	217,092
Goodwill	43,626	40,323
Intangible assets, net	13,868	14,800
Deferred income taxes	3,198	13,061
Other non-current assets	3,496	3,934
Total assets	\$740,565	\$611,865
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$35,017	\$42,873
Deferred revenue and advance payments	4,707	7,506
Taxes payable	43	9,469
Accrued expenses and other current liabilities	42,774	35,614
Total current liabilities	82,541	95,462
Advance payments	39,000	39,000
Deferred income taxes	7,806	6,921
Accrued pension benefits	41,141	43,109
Other non-current liabilities	25,213	21,946
Total liabilities	195,701	206,438
Commitments and contingencies (see Notes 19 and 20)		
Stockholders' equity:		
Common Stock, \$.10 par value; authorized 100,000,000 issued 34,270,975 and 33,927,595 shares at respective dates	3,427	3,393
Additional paid-in capital	165,979	153,681
Retained earnings	429,826	327,376
Treasury stock, at cost, 1,424,153 and 1,583,909 shares at respective dates	(12,140)	(13,503)
Accumulated other comprehensive loss	(42,228)	(65,520)
Total stockholders' equity	544,864	405,427
Total liabilities and stockholders' equity	\$740,565	\$611,865

See accompanying notes to consolidated financial statements.

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**CAMBREX  
CORPORATION  
AND  
SUBSIDIARIES**

**CONSOLIDATED  
INCOME  
STATEMENTS  
(dollars in  
thousands, except  
per share data)**

	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Gross Sales	\$525,936	\$491,538	\$433,856
Commissions, allowances and rebates	1,995	2,369	1,949
Net sales	523,941	489,169	431,907
Other revenue, net	10,515	1,475	1,419
Net revenues	534,456	490,644	433,326
Cost of goods sold	304,369	286,419	256,361
Gross profit	230,087	204,225	176,965
Selling, general and administrative expenses	70,468	60,422	57,867
Research and development expenses	16,901	14,292	12,540
Restructuring expenses	-	1,158	15,573
Operating expenses	87,369	75,872	85,980
Operating profit	142,718	128,353	90,985
Other expenses/(income)			
Interest expense, net	1,253	717	1,699
Other (income)/expense, net	(360 )	97	(279 )
Income before income taxes	141,825	127,539	89,565
Provision for income taxes	38,061	40,214	32,389
Income from continuing operations	103,764	87,325	57,176
(Loss)/income from discontinued operations, net of tax	(1,314 )	(5,647 )	41
Net income	\$102,450	\$81,678	\$57,217
Basic earnings per share			
Income from continuing operations	\$3.18	\$2.72	\$1.82
(Loss)/income from discontinued operations, net of tax	\$(0.04 )	\$(0.17 )	\$0.00
Net income	\$3.14	\$2.55	\$1.82
Diluted earnings per share			

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Income from continuing operations	\$3.10	\$2.65	\$1.76
(Loss)/income from discontinued operations, net of tax	\$(0.04)	\$(0.17)	\$0.00
Net income	\$3.06	\$2.48	\$1.76

Weighted average shares outstanding:

Basic weighted average shares outstanding	32,662	32,086	31,420
Effect of dilutive stock based compensation	824	883	1,135
Diluted weighted average shares outstanding	33,486	32,969	32,555

See accompanying notes to consolidated financial statements.

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

	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net income	\$102,450	\$81,678	\$57,217
Foreign currency translation adjustments:			
Foreign currency translation adjustments during the period	22,250	(8,481 )	(16,424)
Reclassification adjustments for losses included in net income	-	71	1,954
Interest rate swap agreement:			
Unrealized net losses	-	-	(30 )
Reclassification adjustments for losses included in net income	-	-	333
Income taxes	-	-	(110 )
Pension plans:			
Actuarial gain/(loss)			
Actuarial gain/(loss) arising during the period	461	(3,192 )	3,970
Amortization to net income of net actuarial loss	1,400	1,152	1,295
Prior service cost			
Amortization to net income of net prior service cost	52	52	52
Income taxes	(871 )	327	(1,508 )
Comprehensive income	\$125,742	\$71,607	\$46,749

See accompanying notes to consolidated financial statements.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****(dollars in thousands, except per share data)**

	Common Stock					Accumulated		
	Shares Issued	Par Value (\$ .10)	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Other Comprehensive Loss	Total	Stockholders' Equity
<b>Balance at December 31, 2014</b>	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
<b>Balance at December 31, 2015</b>	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
Performance stock expense			3,461					3,461
Excess tax benefits			10,278					10,278
<b>Balance at December 31, 2016</b>	33,927,595	\$3,393	\$153,681	\$327,376	\$(13,503)	\$(65,520)	)	\$405,427
Net income				102,450				102,450
Other comprehensive income						23,292		23,292
Exercise of stock options	343,380	34	4,747					4,781
Vested restricted stock			(83)		83			-
Vested performance shares			(1,280)		1,280			-

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Stock option expense			4,368				4,368
Restricted stock expense			571				571
Performance stock expense			3,975				3,975
<b>Balance at December 31, 2017</b>	34,270,975	\$3,427	\$165,979	\$429,826	\$(12,140)	\$(42,228)	) \$544,864

See accompanying notes to consolidated financial statements.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
(dollars in thousands)**

	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>			
Net income	\$102,450	\$81,678	\$57,217
Adjustments to reconcile net income to cash flows:			
Depreciation and amortization	31,848	24,665	22,061
Non-cash deferred revenue	(4,887 )	(25,822 )	(12,372)
Restructuring expenses	-	1,138	15,573
Increase in inventory reserve	4,892	7,885	3,119
Stock based compensation	8,914	7,766	5,599
Deferred income tax provision	6,925	8,556	19,736
Toll tax	2,105	-	-
Other	581	160	(141 )
Changes in assets and liabilities:			
Trade receivables	40,651	(5,120 )	(14,378)
Inventories	(13,283 )	(23,679 )	(32,721)
Prepaid expenses and other current assets	(8,123 )	(729 )	4,268
Accounts payable and other current liabilities	(20,114 )	12,056	11,779
Deferred revenue and advance payments	985	41,962	12,178
Other non-current assets and liabilities	(5,347 )	(3,961 )	(5,331 )
Discontinued operations:			
Non-current liabilities	2,858	7,517	-
Net cash used in discontinued operations	(1,440 )	(516 )	(1,536 )
Net cash provided by operating activities	149,015	133,556	85,051
<b>Cash flows from investing activities:</b>			
Capital expenditures	(52,143 )	(49,714 )	(62,491)
Proceeds from sale of assets	-	13	2,308
Proceeds from sale of business	2,836	-	-
Acquisition of business and equity investment, net of cash acquired	-	(24,275 )	-
Other	-	-	(56 )
Net cash used in investing activities	(49,307 )	(73,976 )	(60,239)
<b>Cash flows from financing activities:</b>			
Long-term debt activity (including current portion):			
Repayments	-	(30,000 )	(30,000)
Proceeds from stock options exercised	4,781	4,941	5,816
Debt issuance costs	-	(2,515 )	-
Net cash provided by/(used in) financing activities	4,781	(27,574 )	(24,184)

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Effect of exchange rate changes on cash and cash equivalents	4,654	(1,839 )	(2,172 )
Net increase/(decrease) in cash and cash equivalents	109,143	30,167	(1,544 )
Cash and cash equivalents at beginning of year	74,141	43,974	45,518
Cash and cash equivalents at end of year	\$183,284	\$74,141	\$43,974
Supplemental disclosure:			
Interest paid, net of capitalized interest	\$1,270	\$425	\$1,340
Income taxes paid, net of refunds received	\$45,744	\$18,210	\$5,731

See accompanying notes to consolidated financial statements.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(1) The Company**

Cambrex Corporation and Subsidiaries (the “Company” or “Cambrex”) primarily provides products and services worldwide to pharmaceutical companies and generic drug companies. The Company is dedicated to accelerating its customers’ drug discovery, development and manufacturing processes for human therapeutics. The Company’s products consist of active pharmaceutical ingredients (“APIs”) and pharmaceutical intermediates produced under Food and Drug Administration current Good Manufacturing Practices for use in the production of prescription and over-the-counter drug products. Cambrex has *four* operating segments, which are manufacturing facilities that have been aggregated as *one* reportable segment.

**(2) Summary of Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All other significant intercompany balances and transactions have been eliminated in consolidation.

*Cash Equivalents*

Temporary cash investments with an original maturity of less than *three* months are considered cash equivalents. The carrying amounts approximate fair value.

*Allowance for Doubtful Accounts*

The Company maintains allowances for doubtful accounts relating to estimated losses resulting from customers being unable to make required payments. Allowances for doubtful accounts are based on historical experience and known factors regarding specific customers and the industries in which those customers operate. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make payments, additional allowances would be required.

#### *Concentrations of credit risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. In the normal course of business, the Company maintains cash balances with European Union banks up to the equivalent of \$10,000 and significantly larger balances in U.S. banks. The Company routinely monitors the risks associated with these institutions and diversifies its exposure by maintaining balances with multiple financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion throughout the world. At *December 31, 2017* and *2016*, the Company had receivables with *one* customer totaling nearly *12%* and *43%*, respectively, of overall accounts receivables. The Company does *not* consider this customer to pose any significant credit risk.

#### *Derivative Instruments*

Derivative financial instruments are periodically used by the Company primarily to mitigate a variety of working capital, investment and borrowing risks. The Company primarily uses foreign currency forward contracts to minimize foreign currency exchange rate risk associated with foreign currency transactions. Changes in the fair value on these forward contracts are recognized in earnings. In the past, the Company has only used interest rate swap instruments as hedges. As such, the differential to be paid or received in connection with these instruments is accrued and recognized in income as an adjustment to interest expense.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(2) Summary of Significant Accounting Policies (continued)**

*None* of the foreign currency forward contracts entered into during *2017* and *2016* were designated for hedge accounting treatment.

*Inventories*

Inventories are stated at the lower of cost, determined on a *first-in, first-out* basis and net realizable value. The determination of net realizable value involves an assessment of numerous factors, including estimated selling prices. Reserves are recorded to reduce the carrying value for inventory determined to be damaged, obsolete or otherwise unsaleable.

*Property, Plant and Equipment*

Property, plant and equipment is stated at cost, net of accumulated depreciation. Plant and equipment are depreciated on a straight-line basis over the estimated useful lives for each applicable asset group as follows:

Buildings and improvements (in years)	<i>20 to 30 or term of lease if applicable</i>
Machinery and equipment (in years)	<i>7 to 15</i>
Furniture and fixtures (in years)	<i>5 to 7</i>
Computer hardware and software (in years)	<i>3 to 7</i>

Expenditures for additions, major renewals or betterments are capitalized and expenditures for maintenance and repairs are charged to income as incurred.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in cost of goods sold or operating expenses. Interest is capitalized in connection with the construction and acquisition of assets that are capitalized over longer periods of time for larger amounts. The capitalized interest is recorded as part of the cost of the asset to which it relates and is amortized over the asset's estimated useful life. Total interest capitalized in connection with ongoing construction activities was immaterial in 2017, \$575 in 2016, and \$534 in 2015.

#### *Impairment of Goodwill*

The Company reviews the carrying value of goodwill to determine whether impairment *may* exist on an annual basis or whenever it has reason to believe goodwill *may not* be recoverable. The annual impairment test of goodwill is performed during the *fourth* quarter of each fiscal year. The Company recorded a non-cash impairment charge at its Zenara facility for the year ended *December 31, 2015*. Refer to Note 8 to the Company's consolidated financial statements for additional information on this impairment. For the years ended *December 31, 2017* and *2016*, the Company did *not* have an impairment.

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. The *first* step of the goodwill impairment test is to identify potential impairment by comparing the fair value of each reporting unit, determined using various valuation techniques, with the primary technique being a discounted cash flow analysis, to its carrying value. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered *not* impaired and the *second* step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the *second* step of the goodwill impairment test is performed to measure the amount of the impairment loss, if any. The *second* step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(2) Summary of Significant Accounting Policies (continued)**

Based upon the Company's most recent analysis the fair value of the reporting units substantially exceeded their carrying values.

*Impairment of Long-Lived Assets*

The Company assesses the impairment of its long-lived assets, including amortizable intangible assets, and property, plant and equipment, whenever economic events or changes in circumstances indicate that the carrying amounts of the assets *may not* be recoverable. Long lived assets are considered to be impaired when the sum of the undiscounted expected future operating cash flows is less than the carrying amounts of the related assets. If impaired, the assets are written down to fair market value.

The Company recorded a non-cash impairment charge on long-lived assets at Zenara for the year ended *December 31, 2015*. Refer to Note 8 to the Company's consolidated financial statements for additional information on this impairment.

*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 and 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.

### *Income Taxes*

The Company and its eligible subsidiaries file a consolidated U.S. income tax return. Foreign subsidiaries are consolidated for financial reporting but are *not* eligible to be included in the consolidated U.S. income tax return. However, in periods prior to the enactment of TCJA, the earnings of foreign subsidiaries were generally taxed by the U.S. when repatriated and such U.S. tax *may* have been reduced or eliminated by federal foreign tax credits based on the foreign income and withholding taxes paid or accrued by the foreign subsidiaries. Due in part to a continuing desire to limit credit and currency exposure for cash held in foreign currencies or in non-U.S. banks, the Company determined that it is likely that a portion of the undistributed earnings of its foreign subsidiaries will be repatriated to the U.S. in the future. In prior periods, the Company provided deferred taxes on certain undistributed foreign earnings. Under TCJA's transition to a modified territorial tax system whereby all previously untaxed undistributed foreign earnings are subject to a toll charge at reduced rates and future repatriations of foreign earnings will generally be exempt from U.S. tax, the Company wrote off the existing deferred tax liability on undistributed foreign earnings and recorded the impact of the new toll charge on foreign earnings. The Company will continue to monitor available evidence and its plans for foreign earnings and expects to continue to provide any applicable deferred taxes based on the tax liability or withholding taxes that would be due upon repatriation of amounts *not* considered permanently reinvested.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(2) Summary of Significant Accounting Policies (continued)**

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of inventory, accounts receivable, asset impairments, stock based compensation and deferred tax assets. Actual results could differ from those estimates.

*Environmental Costs*

The Company is subject to extensive and changing federal, state, local and foreign environmental laws and regulations, and has made provisions for the estimated financial impact of environmental activities. The Company's policy is to accrue environmental related costs of a non-capital nature, including estimated litigation costs, when those costs are believed to be probable and can be reasonably estimated. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, advancements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Such accruals are adjusted as further information develops or circumstances change. For certain matters, the Company expects to share costs with other parties. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed certain.

*Foreign Currency*

The functional currency of the Company's foreign subsidiaries is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in

effect at the balance sheet date and for revenue and expense accounts and cash flows using average rates of exchange prevailing during the year. Adjustments resulting from the translation of foreign currency financial statements are accumulated in stockholders' equity until the entity is sold or substantially liquidated. Gains or losses relating to transactions of a long-term investment nature are also accumulated in stockholders' equity. Gains or losses resulting from *third*-party foreign currency transactions are included in the income statement as a component of other revenues, net in the consolidated income statement. Foreign currency net (losses)/gains were (\$550), \$306, and (\$605) in 2017, 2016 and 2015, respectively.

#### *Earnings per Common Share*

All diluted earnings per share are computed on the basis of the weighted average shares of common stock outstanding plus common equivalent shares arising from the effect of dilutive stock options, equity-settled performance shares and restricted stock units, using the treasury stock method.

For the years ended *December 31, 2017, 2016 and 2015*, shares of 521,096, 558,499, and 342,961, respectively, were *not* included in the calculation of diluted shares outstanding because the effect would be anti-dilutive.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(2) Summary of Significant Accounting Policies (continued)**

*Comprehensive Income*

Included within accumulated other comprehensive income (“AOCI”) for the Company are foreign currency translation adjustments and changes in the pensions, net of tax. Total comprehensive income/loss for the years ended *December 31, 2017* and *2016* are included in the Statements of Comprehensive Income.

*Reclassification*

Certain reclassifications have been made to prior year amounts to conform with current year presentation and recent accounting pronouncements.

**(3) Impact of Recently Issued Accounting Pronouncements**

The following accounting pronouncements became effective for the Company during *2017*:

*Simplification of Employee Share-Based Payment Accounting*

In *March 2016*, the FASB issued ASU *2016-09* which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and classification in the statement of cash flows. This standard became effective for the Company on *January 1, 2017*. The new standard requires recognition immediately in the tax provision of certain effects of share-based payments that were possibly

deferred under the previous guidance. The Company had *no* remaining unrecognized excess tax benefits as of *December 31, 2016*. All excess tax benefits and deficiencies in future periods will be recorded as part of the current period tax provision within the Income Statement. This will result in increased volatility in the Company's effective tax rate. During *2017*, the Company recognized a tax benefit of \$5,236 which lowered the effective tax rate by 3.7%. *No* other provisions in this new standard had a significant impact on the consolidated financial statements including the Company's accounting policy election to account for forfeitures when they occur.

To conform to the current year presentation, the Company reclassified \$10,278 and \$1,445 of excess tax benefits under financing activities to operating activities for the years ended *December 31, 2016* and *2015*, respectively, on the consolidated statement of cash flows.

#### *Simplifying the Measurement of Inventory*

In *July 2015*, the FASB issued ASU 2015-11 which requires that inventory be measured at the lower of cost and net realizable value, and eliminates the other *two* options that currently exist for market, replacement cost and net realizable value less an approximately normal profit margin. This update became effective on *January 1, 2017* and did *not* have a material impact on the Company's consolidated financial statements.

The following recently issued accounting pronouncements will become effective for the Company in the future:

#### *Business Combinations – Clarifying the Definition of a Business*

In *January 2017*, the FASB issued ASU 2017-01 which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are *not* a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period. The Company does *not* expect this new guidance to have a material impact on its consolidated financial statements.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(3) Impact of Recently Issued Accounting Pronouncements (continued)**

*Statement of Cash Flows – Restricted Cash*

In *November 2016*, the FASB issued ASU 2016-18 which clarifies the presentation requirements of restricted cash within the statement of cash flows. The changes in restricted cash and restricted cash equivalents during the period should be included in the beginning and ending cash and cash equivalents balance reconciliation on the statement of cash flows. When cash, cash equivalents, restricted cash or restricted cash equivalents are presented in more than *one* line item within the statement of financial position, an entity shall calculate a total cash amount in a narrative or tabular format that agrees to the amount shown on the statement of cash flows. Details on the nature and amounts of restricted cash should also be disclosed. This standard is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period. The Company does *not* expect this new guidance to have a material impact on its consolidated financial statements.

*Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*

In *August 2016*, the FASB issued ASU 2016-15 which provides guidance on the presentation and classification in the statement of cash flows for specific cash receipt and payment transactions, including debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, and distributions received from equity method investees. This standard is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period. The Company does *not* expect this new guidance to have a material impact on its consolidated financial statements.

*Leases*

In *February 2016*, the FASB issued ASU 2016-02 which requires lessees to recognize right of use assets and lease liabilities on the balance sheet for all leases except short-term leases. On the income statement, leases will be classified as operating or finance leases. This standard is effective for fiscal years beginning after *December 15, 2018*, including interim periods within that reporting period. At this time, the Company has *no* financing leases and only a limited number of operating leases. The result of adoption will be an increase to assets and liabilities by the same amount for the identified operating leases. This adjustment will *not* be material to the Company, assuming there is *not* an increase in lease activity.

#### *Revenue from Contracts with Customers*

In *May 2014*, the FASB issued ASU 2014-09 that introduces a new *five-step* revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Numerous updates were issued in *2016* that provide clarification on a number of specific issues as well as requiring additional disclosures. The new standard is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(3) Impact of Recently Issued Accounting Pronouncements (continued)**

On *January 1, 2018*, the Company adopted the new accounting standard for all contracts *not* completed as of the adoption date using the modified retrospective method. The Company has identified and implemented appropriate changes to the business policies, processes, and controls to support the adoption, recognition and disclosures under the new standard. As part of this evaluation, the Company has identified *three* revenue streams; single-use products, multi-use products and service revenue. Additionally, the Company reviewed the related critical customer contract terms and provisions. The Company has concluded that the most significant impact of the standard relates to the timing of the recognition of revenue for products to specific customers with *no* alternative use, that were previously recognized upon delivery, will be recognized over time utilizing an input method which compares the cost of cumulative work in process to date to the most current estimates for the entire cost of the performance obligations. Under these customer agreements, the Company is entitled to compensation for progress to date that includes an element of profit margin. Gross sales of approximately \$45,000 to \$55,000, that would have otherwise been reflected in the income statement in *2018*, will be recorded in equity as part of a cumulative effect adjustment. The cumulative impact of adopting the new accounting standard and recognizing revenue over time will result in an increase in stockholders' equity of approximately \$12,000 to \$15,000. Additionally, a portion of certain products that will be in process at *December 31, 2018* will be eligible for revenue recognition in *2018* as opposed to when they would ship in *2019* under previous guidance. The Company will record contract balances on the balance sheet and present all related disclosures in the notes to financial statements.

The estimated impact of adopting ASC 606 is based on the Company's best estimates at the time of the preparation of this Annual Report. The actual impact is subject to change prior to the *first* quarter *2018* filing.

*Presentation of Net Periodic Benefit Cost Related to Defined Benefit Plans*

In *March 2017*, the FASB issued ASU 2017-07 which amends the requirements in ASC 715 related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined pension and other postretirement plans. The ASU requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from

operations if such subtotal is presented. The ASU also requires entities to disclose the income statement lines that contain the other components if they are *not* presented separately. The ASU's amendment is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period. The Company does *not* expect this new guidance to have an impact on its consolidated financial statements.

*Simplifying the Test for Goodwill Impairment*

In *January 2017*, the FASB issued ASU 2017-04 which simplifies the goodwill impairment test by eliminating Step 2 in the determination on whether goodwill should be considered impaired. Instead, an impairment charge should equal the amount by which a reporting unit's carrying amount exceeds its fair value, *not* to exceed the amount of goodwill allocated to the reporting unit. The new standard is effective for fiscal years beginning after *December 15, 2019*, including interim periods within that reporting period. The Company is currently evaluating the new guidance and does *not* expect it to have an impact on its consolidated financial statements.

*Scope of Modification Accounting, Stock Based Compensation*

In *May 2017*, the FASB issued ASU 2017-09 which provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This ASU does *not* change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions, or award classification and would *not* be required if the changes are considered non-substantive. The amendment is effective for fiscal years beginning after *December 15, 2017*, including interim periods within that reporting period. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(3) Impact of Recently Issued Accounting Pronouncements (continued)**

*Targeted Improvements to Accounting for Hedging Activities*

In *August 2017*, the FASB issued ASU 2017-12 which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The standard also makes certain targeted improvements to simplify the application of the hedge accounting guidance. The amendment is effective for fiscal years beginning after *December 15, 2018*, including interim periods within that reporting period. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

**(4) Acquisitions**

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.

The allocation of the purchase price of the acquired assets and liabilities was performed on the basis of their respective fair values. The Company utilized a *third* party to assist in establishing the fair values of the assets acquired and liabilities assumed. This process resulted in goodwill of \$9,046, fixed assets of \$8,422 and identifiable intangible assets of \$6,900 as well as smaller adjustments to certain working capital accounts. The Company also recorded deferred tax assets primarily related to NOLs for approximately \$4,000 and deferred tax liabilities for approximately \$4,400.

All acquisition costs have been expensed and totaled approximately \$640 as well as approximately \$200 of severance cost, all of which has been recorded to “Selling, general and administrative expenses” on the Company’s 2016 income statement. For the year ended *December 31, 2016*, the Company recorded gross sales of \$4,648 and after purchase price adjustments and severance, operating profit was *not* material. Proforma disclosures have *not* been provided due to the immateriality of this acquisition.

**(5) Net Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a *first-in, first-out* basis.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(5) Net Inventories (continued)**

Net inventories consist of the following:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Finished goods	\$41,521	\$29,117
Work in process	47,386	54,463
Raw materials	42,491	33,841
Supplies	7,144	5,763
Total	\$138,542	\$123,184

The components of inventory stated above are net of reserves of \$14,052 and \$12,423 as of *December 31, 2017* and *2016*, respectively.

**(6) Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Land	\$6,911	\$4,268
Buildings and improvements	129,065	131,794
Machinery and equipment	451,882	377,990
Furniture and fixtures	2,850	1,995
Construction in progress	34,400	24,102

Total	625,108	540,149
Accumulated depreciation	(370,809)	(323,057)
Net	\$254,299	\$217,092

Depreciation expense was \$29,970, \$23,654, and \$21,196 for the years ended *December 31, 2017, 2016* and *2015*, respectively. Total capital expenditures in *2017* and *2016* were \$53,900 and \$51,604, respectively.

#### **(7) Goodwill and Intangible Assets**

The changes in the carrying amount of goodwill for the years ended *December 31, 2017* and *2016* are as follows:

Balance as of December 31, 2015	\$32,063
Acquisition of business (see Note 4)	9,046
Translation effect	(786 )
Balance as of December 31, 2016	\$40,323
Translation effect	3,303
Balance as of December 31, 2017	\$43,626

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

**(7) Goodwill and Intangible Assets (continued)**

Acquired intangible assets, which are amortized, consist of the following:

	Amortization Period (in years)			As of December 31, 2017		
				Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software	3	-	7	\$7,074	\$ (1,810)	) \$ 5,264
Technology-based intangibles	20			3,646	(1,413)	) 2,233
Customer-related intangibles	10	-	15	7,608	(1,237)	) 6,371
				\$18,328	\$ (4,460)	) \$ 13,868

	Amortization Period (in years)			As of December 31, 2016		
				Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software	3	-	7	\$6,444	\$ (829)	) \$ 5,615
Technology-based intangibles	20			3,204	(1,082)	) 2,122
Customer-related intangibles	10	-	15	7,522	(459)	) 7,063
				\$17,170	\$ (2,370)	) \$ 14,800

The change in the gross carrying amount in 2017 and 2016 is mainly due to the implementation of a new enterprise resource planning (“ERP”) system and the impact of foreign currency translation. Additionally, the change in the gross carrying amount in 2016 is due to the recognition of customer-related intangibles of \$6,900 due to the acquisition of CHP in the *fourth* quarter of 2016,

Beginning in 2014, the Company began implementing a new ERP system, as such, \$630 and \$2,297 has been capitalized and classified as internal-use software during the years ended *December 31, 2017* and *2016*, respectively.

Amortization expense amounted to \$1,878, \$1,011, and \$865 for the years ended *December 31, 2017, 2016* and *2015*, respectively.

Amortization expense related to current intangible assets is expected to be approximately \$2,035 for *2018* and *2019*, \$2,019 for *2020*, \$2,015 for *2021*, and \$1,593 for *2022*.

#### **(8) Restructuring Charges**

In late 2015, the Board of Directors of the Company recommended that management evaluate strategic alternatives for Zenara Pharma due to a change in focus on higher growth initiatives as well as to reduce attention required by senior management to operate Zenara. The Company determined that the sale of Zenara was the best option for its shareholders. As such, Cambrex management, with Board authority, committed to a plan to sell Zenara. On *January 30, 2017*, the Company transferred the assets and liabilities of Zenara to the buyer for consideration of approximately \$2,800, which was held in escrow until approval by Indian regulatory authorities was obtained several months later. Accordingly, as of *January 30, 2017*, the Company *no* longer includes Zenara in its reported results. 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*.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(8) Restructuring Charges (continued)**

A long-lived asset classified as held for sale must be measured at the lower of its carrying amount or fair value less cost to sell. Prior to this measurement the Company assessed Zenara's assets and liabilities as well as performed a goodwill and long-lived asset impairment assessment. These assessments were based on level 3 inputs and resulted in writing off all of Zenara's goodwill of \$8,542 and an amortizable intangible asset of \$3,625 which are included in restructuring expenses on the 2015 income statement. The Company then compared the carrying amounts of the assets held for sale to their fair values. Accordingly, the Company recorded a charge of \$1,269 in 2015 for the difference between the net carrying value of these assets and the estimated fair value less cost to sell. Fair value less cost to sell was determined using the most current sales information available.

All the charges mentioned above, as well as a portion of certain retention bonuses, resulted in restructuring expenses of \$15,573, which are included in "Restructuring expenses" on the Company's consolidated income statement for the year ended *December 31, 2015*. For the year ended *December 31, 2016*, the Company recorded \$1,158 as "Restructuring expenses" on the Company's consolidated income statement related to the write down of Zenara to reflect a reduction in the sale price.

**(9) Accrued Expenses and Other Current Liabilities**

The components of accrued expenses and other current liabilities are as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Salaries and employee benefits payable	\$27,451	\$26,313
Other	15,323	9,301
Total	\$42,774	\$35,614

**(10) Income Taxes**

Income before income taxes consists of the following:

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Domestic	\$117,273	\$91,597	\$71,323
International	24,552	35,942	18,242
Total	\$141,825	\$127,539	\$89,565

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(10) Income Taxes (continued)**

The provision for income taxes consist of the following provisions/(benefits):

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current:			
Federal	\$25,201	\$21,167	\$2,577
International	5,674	10,491	10,076
Total current	30,875	31,658	12,653
Deferred:			
Federal	\$7,615	\$8,350	\$22,005
International	(429 )	206	(2,269 )
Total deferred	7,186	8,556	19,736
Total income tax expense	\$38,061	\$40,214	\$32,389

The provision for income taxes differs from the statutory federal income tax rate of 35% for 2017, 2016 and 2015 as follows:

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income tax provision at U.S federal statutory rate	\$49,639	\$44,638	\$31,347
State and local taxes, net of federal income tax benefit	(207 )	(2,310 )	(2,450 )
Effect of foreign income taxed at rates other than the U.S. federal statutory rate	(1,989 )	(1,154 )	989
Foreign income inclusions	-	-	5,017
Tax credits	(100 )	(200 )	(4,685 )
Net change in valuation allowance	(315 )	1,673	3,134
Domestic production deduction	(3,347 )	(2,327 )	(1,958 )
Share-based payment compensation	(5,236 )	-	-

Changes in tax laws	117	-	-
Permanent items and other	(501 )	(106 )	995
Total	\$38,061	\$40,214	\$32,389

Foreign income inclusions in 2015 represent distributions from foreign subsidiaries which gave rise to federal foreign tax credits. Share-based payment compensation represents the impact of applying ASU 2016-09, which requires recognition immediately in the tax provision of certain effects of share-based payments that were possibly deferred under the previous guidance. Changes in tax laws represents the impact of TCJA.

TCJA tax reform legislation enacted on *December 22, 2017* makes major changes to the U.S. corporate income tax system, including lowering the U.S. federal corporate income tax rate to 21% from 35%, transitioning the U.S. from a worldwide tax system to a modified territorial system whereby accumulated foreign earnings are subject to a *one-time* toll charge at reduced rates in 2017 but future repatriations of foreign earnings will generally be exempt from U.S. tax, limiting or eliminating many existing tax deductions, credits and incentives, and allowing immediate expensing of capital expenditures through 2022, among other items.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(10) Income Taxes (continued)**

ASC 740 requires companies to recognize the effects of tax law changes in the period of enactment, which for Cambrex is the *fourth* quarter of 2017, even though the effective date of most provisions of TCJA is *January 1, 2018*. Staff Accounting Bulletin 118 (“SAB 118”) allows a company to recognize provisional amounts when it does *not* have the necessary information available, prepared or analyzed, including computations, in reasonable detail to complete its accounting for the change in tax law. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond *one* year. During the measurement period, adjustments for the effects of the law will be recorded to the extent a reasonable estimate for all or a portion of the effects of the law can be made. Companies will adjust their provisional amounts when they obtain, prepare or analyze additional information about facts and circumstances that existed at the enactment date that, if known, would have affected the amounts that were initially reported as provisional amounts.

SAB 118 summarizes a *three*-step process that companies should apply each reporting period. First, a company should record the effects of the change in tax law for which the accounting is complete. Those completed amounts are *not* provisional amounts. Second, a company should report provisional amounts, or adjustments to provisional amounts in future periods, for the effects of the tax law change for which the accounting is *not* complete, but for which a reasonable estimate can be determined. Companies should record the provisional amounts and adjustments to those amounts in income tax expense or benefit from continuing operations in the period they are identified. Third, if a reasonable estimate cannot be made for a specific effect of the tax law change, a company should *not* record a provisional amount and should continue to apply ASC 740 based on the tax law in effect just before the enactment of TCJA.

Certain of TCJA’s provisions require interpretation, which *may* be clarified through issuances of guidance by the U.S. Treasury Department, regulations, or future technical corrections. The Treasury recently issued Notice 2018-07 and Notice 2018-13 which provide preliminary guidance related to the toll charge and indicate plans to issue future regulations, and additional guidance on several aspects of the toll charge.

TCJA resulted in significant changes to the Company’s *fourth* quarter 2017 income tax provision, including recording a provisional toll charge on accumulated foreign earnings at 15.5% for cash and cash equivalents and 8% for illiquid

assets and revaluing domestic federal deferred tax balances, and will materially impact the Company's current and deferred tax provision in future years due to the reduction in the U.S. corporate income tax rate, the transition to a modified territorial tax system, and changes to the deductibility or tax treatment of certain items.

The Company recorded a provisional toll charge which is payable over *eight* years of \$2,105 on the deemed repatriation of accumulated foreign earnings, offset by a benefit of \$3,599 to remove the deferred tax liability that the Company had previously provided on certain undistributed foreign earnings. Additionally, TCJA's reduction in the U.S. federal corporate income tax rate to 21% from 35% effective *January 1, 2018* resulted in the Company recording a non-cash charge of \$1,611 to revalue its domestic federal deferred tax balances.

The Company's toll charge on accumulated foreign earnings is *not* complete and those amounts are provisional. The Company has *not* obtained, prepared and analyzed the information necessary to finalize its computations and accounting for the toll charge. Taxes payable of \$2,105 as a result of the toll charge is *not* complete because guidance needed to interpret and apply the complex toll charge rules, including guidance in determining the application of the 15.5% and 8% tax rates to cash and illiquid assets, respectively, has *not* yet been issued by the Treasury Department. This additional information needs to be obtained and analyzed to complete the computations of the toll charge. In future periods within the *one* year measurement period, the Company will disclose when the accounting for the income tax effects of TCJA has been completed.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(10) Income Taxes (continued)**

The Company's revaluation of domestic federal deferred tax balances to reflect the 21% tax rate, resulting in a \$1,611 reduction in deferred tax balances, is complete and those amounts are *not* provisional.

In *January 2018* the FASB indicated that they plan to issue a proposed ASU addressing a limited scope exception to accounting for residual tax effects lodged in other comprehensive income ("OCI"). The Board expects to propose requiring companies to reclassify from OCI to retained earnings the residual tax effects arising from TCJA. The proposal is expected to be effective for all entities for annual and interim periods in fiscal years beginning after *December 15, 2018*, with early adoption permitted. Cambrex expects to follow this guidance once issued and will make the necessary reclassification in each period in which the effects of TCJA are recognized.

The components of deferred tax assets and liabilities as of *December 31, 2017* and *2016* relate to temporary differences and carryforwards as follows:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Deferred tax assets:		
Inventory	\$1,522	\$2,769
Environmental	3,635	5,776
Net operating loss carryforwards	11,447	13,272
Employee benefits	11,245	16,155
Property, plant and equipment	5,007	4,448
Other	3,712	7,352
Total gross deferred tax assets	36,568	49,772
Valuation allowance	(11,824)	(11,459)
Total deferred tax assets	\$24,744	\$38,313
Deferred tax liabilities:		
Property, plant and equipment	(15,275)	(17,709)

Intangibles and other	(8,537 )	(10,583)
Unremitted foreign earnings	-	(635 )
Foreign tax allocation reserve	(2,710 )	(2,471 )
Other	(2,830 )	(775 )
Total deferred tax liabilities	\$(29,352)	\$(32,173)
Net deferred tax assets	\$(4,608 )	\$6,140

**Classified as follows in the consolidated balance sheet:**

Non-current deferred tax asset	3,198	13,061
Non-current deferred tax liability	(7,806 )	(6,921 )
Total	\$(4,608 )	\$6,140

The Company expects to maintain a domestic valuation allowance against state NOLs, state tax credits and state deferred tax assets due to restrictive rules regarding realization and recent history of state losses. The Company expects to maintain a valuation allowance against certain foreign deferred tax assets, primarily NOL carryforwards, until such time as the Company attains an appropriate level of future profitability in the appropriate jurisdictions and is able to conclude that it is more likely than *not* that its foreign deferred tax assets are realizable.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(10) Income Taxes (continued)**

The domestic valuation allowance for the years ended *December 31, 2017, 2016* and *2015* increased \$264, \$2,294 and 2,450, respectively. The *2017, 2016* and *2015* increases in the domestic valuation allowance are due to domestic state items.

The foreign valuation allowance for the years ended *December 31, 2017, 2016* and *2015* increased \$101, decreased \$698, and decreased \$1,531, respectively. The *2017* increase in the foreign valuation allowance was allocated as follows: the valuation allowance increased \$51 for foreign losses and increased \$50 for currency translation adjustments included in OCI. The *2016* decrease in the foreign valuation allowance was allocated as follows: the valuation allowance decreased \$621 for foreign income and decreased \$77 for currency translation adjustments included in other OCI. The *2015* decrease in the foreign valuation allowance was allocated as follows: the valuation allowance increased \$684 for foreign loss and decreased \$2,215 for deferred tax amounts, the reclass of Zenara valuation allowance for assets held for sale into other current liabilities, and currency translation adjustments included in OCI.

Under the tax laws of the various jurisdictions in which the Company operates, NOLs *may* be carried forward or back, subject to statutory limitations, to reduce taxable income in future or prior years. Domestic federal and state NOLs acquired in the CHP stock acquisition are \$7,439 and \$6,092, respectively, and will expire in 2023 through 2035. The federal NOLs can be utilized against U.S. consolidated taxable income, subject to annual limitations. A full valuation allowance has been recorded against domestic state NOLs totaling approximately \$108,292 as of *December 31, 2017* which will expire in 2029 through 2037. A full valuation allowance has been recorded against foreign NOLs totaling approximately \$2,507 which in most foreign jurisdictions will carry forward indefinitely.

In *2015*, the Company repatriated \$9,850 of cash from its foreign subsidiaries in order to reduce its credit and currency exposure for cash held in foreign currencies or in non-U.S. banks and utilized the excess cash for debt reduction. Due in part to a continuing desire to limit credit and currency exposure related to cash held in foreign currencies or in non-U.S. banks, the Company determined that it is likely that a portion of the undistributed earnings of its foreign subsidiaries will be repatriated to the U.S. in the future. In prior periods, the Company provided deferred taxes on certain undistributed foreign earnings. Under TCJA's transition to a modified territorial tax system whereby

all previously untaxed undistributed foreign earnings are subject to a *one*-time toll charge at reduced rates and future repatriations of foreign earnings will generally be exempt from U.S. tax, the Company wrote off the existing deferred tax liability on undistributed foreign earnings and recorded the impact of the new toll charge on foreign earnings. The Company will continue to monitor available evidence and its plans for foreign earnings and expects to continue to provide any applicable deferred taxes based on the tax liability or withholding taxes that would be due upon repatriation of amounts *not* considered permanently reinvested.

The following table summarizes the activity related to the Company's unrecognized tax benefits as of *December 31, 2017, 2016 and 2015*:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Balance at January 1	\$1,778	\$1,492	\$1,643
Gross increases related to current period tax positions	215	687	281
Gross decreases related to prior period tax positions	(52 )	(84 )	(52 )
Expirations of statute of limitations for the assessment of taxes	(353 )	(257 )	(241 )
Settlements	(134 )	-	-
Foreign currency translation	200	(60 )	(139 )
Balance at December 31	\$1,654	\$1,778	\$1,492

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(10) Income Taxes (continued)**

Of the total balance of unrecognized tax benefits at *December 31, 2017*, \$1,654, if recognized, would affect the effective tax rate.

Gross interest and penalties at *December 31, 2017, 2016, and 2015*, of \$412, \$455, and \$475, respectively, related to the above unrecognized tax benefits are *not* reflected in the table above. In *2017, 2016, and 2015*, the Company accrued \$153, \$63, and \$58, respectively, of interest and penalties in the income statement. Consistent with prior periods, the Company recognizes interest and penalties within its income tax provision.

Tax years *2012* and forward in the U.S. are open to examination by the IRS. The Company is also subject to examinations in its material non-U.S. jurisdictions for *2011* and later years.

The Company is also subject to audits in various states for various years in which it has filed income tax returns. Previous state audits have resulted in immaterial adjustments. In the majority of states where the Company files, the Company is subject to examination for tax years *2012* and forward.

During the *fourth* quarter of *2017*, the Company entered into a final agreement with a tax authority, without any admission of fault or breach of laws, to settle an examination of its *2014* tax return. The settlement required the Company to pay \$38 in tax and interest during the *fourth* quarter of *2017* in full satisfaction of all liabilities for this matter. The settlement did *not* impose any penalties on the Company. Therefore, in the *fourth* quarter of *2017* the Company decreased its remaining reserve for unrecognized tax benefits for this matter by \$270.

**(11) Long-term Debt**

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, 2017* and *2016*. In *2017* the facility was undrawn. The *2016* weighted average interest rate for long-term bank debt was *1.9%*.

## **(12) Derivatives and Hedging Activities**

The Company operates internationally and is exposed to fluctuations in foreign exchange rates and interest rates in the normal course of business. The Company, from time to time, uses derivatives to reduce exposure to market risks resulting from fluctuations in interest rates and foreign exchange rates.

All financial instruments involve market and credit risks. The Company is exposed to credit losses in the event of non-performance by the counterparties to the contracts. While there can be *no* assurance, the Company does *not* anticipate non-performance by these counterparties.

### *Foreign Currency Forward Contracts*

The Company periodically enters into foreign currency forward contracts to protect against currency fluctuations of forecasted cash flows and existing balance sheet exposures at its foreign operations, as deemed appropriate. The Company *may* or *may not* elect to designate certain forward contracts for hedge accounting treatment.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

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**(dollars in thousands, except share and per share data)**

**(12) Derivatives and Hedging Activities (continued)**

For derivatives that are *not* designated for hedge accounting treatment, changes in the fair value are immediately recognized in earnings. This treatment has the potential to increase volatility of the Company's earnings.

*None* of the foreign currency forward contracts entered into during 2017 or 2016 were designated for hedge accounting treatment. The notional amounts of the Company's outstanding foreign exchange forward contracts were \$32,781, \$20,896, and \$9,322 at *December 31, 2017, 2016, and 2015*, respectively. The Company does *not* hold or purchase any foreign currency forward contracts for trading or speculative purposes and *no* contractual term is greater than *twelve* months.

The fair value of the Company's foreign exchange forward contracts outstanding was a gain of \$83 and \$125 at *December 31, 2017 and 2016*, respectively. This gain is reflected in the Company's balance sheet under the caption "Prepaid expenses and other current assets."

**(13) Fair Value Measurements**

U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into *three* broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are *not* active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation; Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of *December 31, 2017* and *2016*.

<b>Fair Value - Level 2</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
Foreign currency forwards, assets	\$ 83	\$ 125
Total	\$ 83	\$ 125

The Company's foreign currency forward contracts are measured at fair value using observable market inputs such as forward rates, the Company's credit risk and its counterparties' credit risks. Based on the Company's continued ability to enter into forward contracts, the Company considers the markets for its fair value instruments to be active.

Based on these inputs, the Company's foreign currency forward contracts are classified within Level 2 of the valuation hierarchy.

The Company's financial instruments also include cash and cash equivalents, accounts receivables and accounts payables. The carrying amount of these instruments approximates fair value because of their short-term nature.

Refer to Note 12 to the Company's consolidated financial statements for further disclosures on the Company's financial instruments.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(14) Stockholders' Equity**

The Company has *two* classes of common shares, Common Stock and Nonvoting Common Stock. Authorized shares of Common Stock were *100,000,000* at *December 31, 2017* and *2016*. Authorized shares of Nonvoting Common Stock were *730,746* at *December 31, 2017* and *2016*. Nonvoting Common Stock with a par value of *\$0.10* has equal rights with Common Stock, with the exception of voting power. Nonvoting Common Stock is convertible, share for share, into Common Stock, subject to any legal requirements applicable to holders restricting the extent to which they *may* own voting stock. As of *December 31, 2017* and *2016*, *no* shares of Nonvoting Common Stock were outstanding. The Company has authorized *5,000,000* shares of Series Preferred Stock, par value *\$0.10*, issuable in series and with rights, powers and preferences as *may* be fixed by the Board of Directors. At *December 31, 2017* and *2016*, there was *no* preferred stock outstanding.

The Company held treasury shares of *1,424,153* and *1,583,909* at *December 31, 2017* and *2016*, respectively, which are primarily used for issuance to employee compensation plans.

At *December 31, 2017*, there were *920,308* authorized shares of Common Stock reserved for issuance through equity compensation plans.

**(15) Accumulated Other Comprehensive Loss**

The following tables provide the changes in AOCI by component, net of tax, for the years ended *December 31, 2017* and *2016*:

<b>Foreign</b>		
<b>Currency</b>	<b>Pension</b>	<b>Total</b>

	<b>Translation</b>	<b>Plans</b>	
	<b>Adjustments</b>		
Balance as of December 31, 2016	\$ (34,290	) \$(31,230)	\$(65,520)
Other comprehensive income before reclassifications	22,250	121	22,371
Amounts reclassified from accumulated other comprehensive loss	-	921	921
Net current-period other comprehensive income	22,250	1,042	23,292
Balance as of December 31, 2017	\$ (12,040	) \$(30,188)	\$(42,228)

	<b>Currency</b>	<b>Pension</b>	<b>Total</b>
	<b>Translation</b>	<b>Plans</b>	
	<b>Adjustments</b>		
Balance as of December 31, 2015	\$ (25,880	) \$(29,569)	\$(55,449)
Other comprehensive loss before reclassifications	(8,481	) (2,468 )	(10,949)
Amounts reclassified from accumulated other comprehensive loss	71	807	878
Net current-period other comprehensive loss	(8,410	) (1,661 )	(10,071)
Balance as of December 31, 2016	\$ (34,290	) \$(31,230)	\$(65,520)

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(15) Accumulated Other Comprehensive Loss (continued)**

The following tables provide the reclassifications out of AOCI by component for the years ended *December 31, 2017* and *2016*:

<b>Details about AOCI Components</b>	<b>Amount</b>	<b>Amount</b>
	<b>Reclassified</b>	<b>Reclassified</b>
	<b>from AOCI</b>	<b>from AOCI</b>
	<b>for</b>	<b>for</b>
	<b>the year</b>	<b>the year</b>
	<b>ended</b>	<b>ended</b>
	<b>December</b>	<b>December</b>
	<b>31,</b>	<b>31,</b>
	<b>2017</b>	<b>2016</b>
Amortization of defined benefit pension items:		
Actuarial losses	\$ (1,400 )	\$ (1,152 )
Prior service costs	(52 )	(52 )
Total before tax	(1,452 )	(1,204 )
Tax benefit	531	397
Net of tax	\$ (921 )	\$ (807 )
Foreign currency translation adjustment:		
Release of currency translation adjustment	\$ -	\$ (71 )
Net of tax	\$ -	\$ (71 )
Total reclassification for the period	\$ (921 )	\$ (878 )

The Company recognizes net periodic pension cost, which includes amortization of actuarial losses and gains, and prior service costs in both selling, general and administrative expenses and cost of goods sold in its income statement depending on the functional area of the underlying employees included in the plan. The release of currency translation adjustments generated from Zenara's balance sheet are reflected in the Company's income statement as restructuring expenses.

**(16) Stock Based Compensation**

The Company recognizes compensation cost for stock options awarded to employees based on their grant-date fair value. The value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value per share for the stock options granted to employees for the years ended *December 31, 2017, 2016 and 2015* were *\$17.71, \$15.17, and \$15.29*, respectively.

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The following assumptions were used in determining the fair value of stock options for grants issued in 2017, 2016 and 2015:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Expected volatility	37.73% -45.91%	42.09% -46.49%	41.84% -58.25%
Expected term (in years)	0.97 -6.80	0.99 -6.80	1.25 -6.83
Risk-free interest rate	1.06% -2.22%	0.54% -1.63%	0.24% -1.93%

The Company does *not* have any publicly traded stock options; therefore, expected volatilities are based on historical volatility of the Company's stock. The risk-free interest rate is based on the yield of a *zero-coupon* U.S. Treasury bond whose maturity period approximates the option's expected term. The expected life assumption represents the weighted-average period of time that newly granted stock-based awards are expected to remain outstanding. The expected life is estimated by analyzing *three* components of historical grants with the same vesting schedules: (i) observed post-vesting forfeiture, (ii) observed exercise behavior, and (iii) expected exercise behavior. The expected time to early exercise is calculated by assuming that the options outstanding as of the valuation date will be exercised at the midpoint between the final vest date and the expiration date. If a grant is already fully vested, it is assumed the outstanding options exercise at the midpoint between the valuation date and the expiration date. The *three* components are then option-weighted to estimate expected life. The Company stratifies its employees as Board of Directors, Named Executives and all other employees, each group with its own exercise behavior and thus, expected life.

For 2017, 2016, and 2015, the Company recorded \$4,368, \$3,816 and \$2,975, respectively, in selling, general and administrative expenses for stock options. As of *December 31, 2017*, the total compensation cost related to unvested stock option awards granted to employees but *not* yet recognized was \$10,486. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.7 years.

The following table is a summary of the Company's stock option activity issued to employees and related information:

	Number of Shares	Weighted Average Exercise Options	
		Price	Exercisable
Outstanding at December 31, 2016	1,519,338	\$25.22	701,797
Granted	317,331	47.53	
Exercised	(343,380 )	13.92	
Forfeited or expired	(8,375 )	38.13	
Outstanding at December 31, 2017	1,484,914	32.53	
Exercisable at December 31, 2017	727,645	\$ 24.91	

The aggregate intrinsic value for all stock options exercised for the years ended *December 31, 2017, 2016* and *2015* was *\$13,775, \$14,832* and *\$24,432*, respectively. The aggregate intrinsic values for all stock options outstanding and exercisable as of *December 31, 2017* were *\$23,436* and *\$17,018*, respectively.

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A summary of the Company's nonvested stock options, restricted stock and performance shares activity is presented below:

	<b>Nonvested Stock Options</b>		<b>Nonvested Restricted Stock</b>		<b>Nonvested Performance Shares</b>	
	<b>Number of Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>	<b>Number of Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>	<b>Number of Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Nonvested at December 31, 2016	817,540	\$ 12.50	260	\$ 41.05	316,750	\$ 30.08
Granted	317,331	17.71	9,761	58.57	115,250	43.43
Vested during period	(371,102)	11.40	(9,756)	58.50	(150,000)	17.81
Forfeited	(6,500 )	14.64	-	-	(5,750 )	41.36
Nonvested at December 31, 2017	757,269	\$ 15.20	265	\$ 44.23	276,250	\$ 42.08

Members of the Cambrex Board of Directors currently participate in an incentive plan which rewards service with restricted stock units. Awards are made annually and vest over *six* months. On the *six* month anniversary of the grant, restrictions on sale or transfer are removed and shares are issued to the Directors. These awards are classified as equity awards.

For 2017, 2016 and 2015, the Company recorded \$571, \$489 and \$353, respectively, in selling, general and administrative expenses for restricted stock units. As of *December 31, 2017*, total compensation cost related to unvested restricted stock *not* yet recognized was \$8. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 0.3 years.

The Company granted equity-settled performance shares (“PSs”) to certain executives. PS awards provide the recipient the right to receive a certain number of shares of the Company’s common stock in the future, which depends on the Company’s level of achievement of net revenue and EBITDA growth as compared to the net revenue and EBITDA growth of the members of a specified peer group of companies over a *three* year period. The peer group consists of publicly-traded life sciences companies competing in the same industry as the Company. For *2017*, *2016* and *2015*, the Company recorded \$3,975, \$3,461 and \$2,271, respectively, in selling, general and administrative expenses related to these PS awards. As of *December 31, 2017*, total compensation cost related to unvested performance shares *not* yet recognized was \$6,232. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of *1.6* years.

## **(17) Retirement Plans**

### *Domestic Pension Plan*

The Company maintains a defined-benefit pension plan (“Domestic Pension Plan”) for certain salaried and certain hourly employees. It is the Company’s policy to contribute to the domestic pension plan to ensure adequate funds are available in the plan to make benefit payments to plan participants and beneficiaries when required. The Company also has a Supplemental Executive Retirement Plan (“SERP”) for key executives. This plan is non-qualified and unfunded. Benefits accruing under both plans were frozen in *2007*. In *July 2008*, the Board of Directors of the Company amended the SERP to allow for lump sum payments effective *January 1, 2009*. The lump sum value as of *January 1, 2009* will be paid in *10* equal actuarial equivalent installments through *2018*.

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A foreign subsidiary of the Company maintains a pension plan (“International Pension Plan”) for its employees that conforms to the common practice in that country. Based on local laws and customs, this plan is unfunded.

The benefit obligations as of *December 31, 2017* and *2016* are as follows:

	<b>Pension Plans</b>		<b>SERP</b>		<b>International</b>	
	<b>Domestic</b>					
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Change in benefit obligation</b>						
Benefit obligation, beginning of year	\$57,718	\$58,556	\$1,209	\$1,800	\$25,002	\$22,748
Service cost	-	-	-	-	941	742
Interest cost	2,214	2,390	9	18	732	740
Actuarial loss	2,676	427	-	-	798	3,255
Benefits paid	(3,422)	(3,655)	(609)	(609)	(725)	(700)
Currency translation effect	-	-	-	-	2,675	(1,783)
Benefit obligation, end of year	\$59,186	\$57,718	\$609	\$1,209	\$29,423	\$25,002

The plan assets and funded status of the Domestic Pension Plan as of *December 31, 2017* and *2016* are as follows:

	<b>2017</b>	<b>2016</b>
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of period	\$39,524	\$39,135
Actual return on plan assets	6,663	2,910
Contributions	3,885	1,134

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Benefits paid	(3,422 )	(3,655 )
Fair value of plan assets, end of period	\$46,650	\$39,524
Unfunded status	(12,536)	(18,194)
Accrued benefit cost, end of period	\$(12,536)	\$(18,194)

The unfunded status of the SERP was \$609 and \$1,209 as of *December 31, 2017* and *2016*, respectively. The unfunded status of the International Pension Plan was \$29,423 and \$25,002 as of *December 31, 2017* and *2016*, respectively.

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

**(17) Retirement Plans (continued)**The amounts recognized in AOCI as of *December 31, 2017* and *2016* consist of the following:

	<b>Pension Plans</b>					
	<b>Domestic</b>		<b>SERP</b>		<b>International</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Actuarial loss	\$20,956	\$23,034	\$121	\$362	\$10,183	\$9,720
Prior service cost/(benefit)	-	-	-	57	(1 )	(7 )
Total	\$20,956	\$23,034	\$121	\$419	\$10,182	\$9,713

The components of net periodic benefit cost are as follows:

	<b>Pension Plans</b>			<b>SERP</b>			<b>International</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Components of net periodic benefit cost</b>									
Service cost	\$-	\$-	\$-	\$-	\$-	\$-	\$941	\$742	\$778
Interest cost	2,214	2,390	2,430	9	18	24	732	740	589
Expected return on plan assets	(2,707)	(2,649)	(2,870)	-	-	-	-	-	-
Amortization of prior service cost/(benefit)	-	-	-	57	57	57	(5 )	(5 )	(5 )
Recognized actuarial loss	798	776	811	241	182	154	361	194	330
Net periodic benefit cost	\$305	\$517	\$371	\$307	\$257	\$235	\$2,029	\$1,671	\$1,692

The estimated amounts that will be amortized from AOCI into net periodic benefit cost in *2018* are as follows:

**Pension Plans**  
**Domestic SERP International**

Actuarial loss	\$ 719	\$ 121	\$ 407
Prior service cost/(benefit)	-	-	(5 )
Total	\$ 719	\$ 121	\$ 402

Major assumptions used in determining the benefit obligations are presented in the following table:

**2017    2016**

Discount rate:		
Domestic Pension Plan	3.55%	3.95%
SERP	-	1.55%
International Pension Plan	2.65%	2.80%
Rate of compensation increase:		
International Pension Plan	2.70%	2.65%

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(17) Retirement Plans (continued)**

Major assumptions used in determining the net benefit cost are presented in the following table:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Discount rate:			
Domestic Pension Plan	3.95%	4.20%	3.85%
SERP	1.55%	1.55%	1.35%
International Pension Plan	2.80%	3.35%	2.40%
Expected return on plan assets:			
Domestic Pension Plan	7.00%	7.00%	7.00%
Rate of compensation increase:			
International Pension Plan	2.65%	2.55%	2.20%

In making its assumption for the long-term rate of return on plan assets, the Company has utilized historical rates earned on securities allocated consistently with its investments. The discount rate was selected by projecting cash flows associated with plan obligations, which were matched to a yield curve of high quality corporate bonds. The Company then selected the single rate that produced the same present value as if each cash flow were discounted by the corresponding spot rate on the yield curve.

The aggregate Accumulated Benefit Obligation (“ABO”) of \$59,186 exceeds plan assets by \$12,536 as of *December 31, 2017* for the Domestic Pension Plan. The aggregate ABO is \$28,023 for the International Pension Plan as of *December 31, 2017*. The International Pension Plan is unfunded.

The Company expects to contribute approximately \$540 in cash to the Domestic Pension Plan in 2018. The Company does *not* expect to contribute cash to its International Pension Plan in 2018.

The following benefit payments are expected to be paid out of the plans:

	<b>Pension Plans</b>		
	<b>Domestic SERP</b>	<b>International</b>	
2018	\$3,321	\$ 609	\$ 817
2019	\$3,397	\$ -	\$ 867
2020	\$3,463	\$ -	\$ 861
2021	\$3,504	\$ -	\$ 848
2022	\$3,534	\$ -	\$ 954
2023-2027	\$17,350	\$ -	\$ 5,344

The investment objective for the Domestic Pension Plan's assets is to achieve long-term growth with exposure to risk at an appropriate level. The Company invests in a diversified asset mix consisting of equities (domestic and international) and taxable fixed income securities. Assets are managed to obtain the highest total rate of return in keeping with a moderate level of risk. The target allocations for plan assets are 30% - 80% equity securities, 25% - 45% U.S. fixed income and 5% - 15% all other investments. Equity securities primarily include investments in large cap and small-cap companies, U.S. fixed income securities including high quality corporate bonds, and U.S. government securities.

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

**(17) Retirement Plans (continued)**

The fair values of the Company's pension plan assets by asset category are as follows:

Asset Category	Total	Fair Value Measurements at December 31, 2017 using:		
		(Level 1)	(Level 2)	(Level 3)
Equity securities:				
U.S. companies	\$18,581	\$-	\$18,581	\$-
International companies	10,280	-	10,280	-
U.S. fixed income	15,543	-	13,329	2,214
Commodities	2,246	-	2,246	-
	\$46,650	\$-	\$44,436	\$2,214

Asset Category	Total	Fair Value Measurements at December 31, 2016 using:		
		(Level 1)	(Level 2)	(Level 3)
Equity securities:				
U.S. companies	\$15,567	\$-	\$15,567	\$-
International companies	8,647	-	8,647	-
U.S. fixed income	13,432	-	11,234	2,198
Commodities	1,878	-	1,878	-
	\$39,524	\$-	\$37,326	\$2,198

The following table sets forth a summary of the changes in the fair value of the Domestic Plan's Level 3 assets, which are annuity contracts with an insurance company, for the year ended *December 31, 2017*:

**Group**

**Annuity**

**Contract**

Balance at December 31, 2016	\$ 2,198
Net investment gain	16
Balance at December 31, 2017	\$ 2,214

*Savings Plan*

Cambrex makes available to all domestic employees a savings plan. Employee contributions are matched in part by Cambrex. The cost of this plan amounted to \$1,491, \$1,294 and \$1,081 in 2017, 2016 and 2015, respectively.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(18) Foreign Operations and Sales**

The following summarized data represents the gross sales and long lived assets for the Company's domestic and foreign entities for 2017, 2016 and 2015:

	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
<i>2017</i>			
Gross sales	\$312,895	\$213,041	\$525,936
Long-lived assets	143,540	168,253	311,793
<i>2016</i>			
Gross sales	\$270,773	\$220,765	\$491,538
Long-lived assets	136,692	135,523	272,215
<i>2015</i>			
Gross sales	\$237,146	\$196,710	\$433,856
Long-lived assets	93,142	132,099	225,241

Export sales, included in domestic gross sales, in 2017, 2016 and 2015 amounted to \$195,193, \$182,215 and \$159,048, respectively.

The following table shows the destination of gross sales by geographic area:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Europe	\$327,309	\$321,525	\$280,593
North America	170,490	138,328	127,024
Asia	17,625	17,996	14,024
Other	10,512	13,689	12,215

Total            \$525,936   \$491,538   \$433,856

One customer accounted for 35.1%, 36.9% and 34.5% of 2017, 2016 and 2015 consolidated gross sales, respectively.

**(19) Commitments**

The Company has operating leases expiring on various dates through the year 2025. The leases are primarily for the rental of office space. At *December 31, 2017*, future minimum commitments under non-cancelable operating lease arrangements were as follows:

**Year ended December 31:**

2018	\$833
2019	383
2020	262
2021	233
2022	214
2023 and thereafter	89
Total commitments	\$2,014

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(19) Commitments (continued)**

Total operating lease expense was \$2,334, \$2,044 and \$1,048, for the years ended *December 31, 2017, 2016 and 2015*, respectively.

The Company is party to several unconditional purchase obligations resulting from contracts that contain legally binding provisions with respect to quantities, pricing and timing of purchases. The Company's purchase obligations includes approximately \$10,250 for the scheduled purchase of land and building in North Carolina by a subsidiary in 2018 and commitments to purchase utilities. At *December 31, 2017*, future commitments under these obligations were as follows:

**Year ended December 31:**

2018	\$19,240
2019	359
2020	188
2021	-
2022	-
Total commitments	\$19,787

**(20) 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.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(20) Contingencies (continued)**

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, 2017*, the reserves were *\$17,511*, of which *\$16,976* is included in “Other non-current liabilities” on the Company’s balance sheet. 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. The increase in the reserves includes adjustments to reserves of *\$2,858*, partially offset by payments of *\$2,050*. 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.

*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 completed an investigation and sampling plan at the property pursuant to the New Jersey Department of Environmental Protection’s (“NJDEP”) private oversight program. The results will be used to develop a proposed remedial plan for the site, an outline of which was presented to the new property owner in *December 2017*. Among other things, the remedial plan is anticipated to address removal of certain impacted soils and implementation of engineering controls and deed restrictions. Once prepared, the remedial plan will set forth further details of any cleanup. Estimates of the Company’s future liability for remediation costs have been revised accordingly. As of *December 31, 2017*, the Company’s reserve was *\$717*.

*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, 2017*, the Company's reserve was \$1,845.

#### *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. In *April 2017*, USEPA approved the requested addendum to the RI/FS Work Plan, which included the description of the phased and adaptive management approach to the Berry's Creek remedy.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(20) Contingencies (continued)**

The scope of remedial activities in the initial interim remedy is currently being developed and based upon preliminary cost estimates, the Company's reserve was \$9,829 as of *December 31, 2017*. The estimated costs for the initial interim remedy *may* be further developed 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.

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. USEPA has advised that the site will be subject to its 5-year review process in or about *June 2018*. It is unclear if such review, together with an agreed proposed modification to the USEPA Consent Decree, will result in any additional site work. In *May 2017*, the Company made a payment to

USEPA in the amount of \$363 for ongoing oversight costs. As of *December 31, 2017*, the Company's reserve was \$329, 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.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(20) Contingencies (continued)**

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 engaged in further discussions with NYSDEC and have agreed to submit a revised version of the August 2016 feasibility study to address certain of NYSDEC's requests. In September 2017, the NYSDEC requested that Pfizer, the Company and the current owner of the Harriman Site, ELT Harriman LLC ("ELT"), conduct an investigation of additional constituents *not* addressed under the 1997 ROD based on the detection of those constituents at the Harriman Site and other properties in the area. The parties have requested more information from the State of New York to evaluate the request, while also responding to NYSDEC that *no* further investigation was warranted.

As it is too soon to determine whether the NYSDEC's requests or the 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 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, 2017, the Company's reserve was \$3,365. 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.

*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 has paid the funding requests. A final allocation of SCP Site costs (excluding Berry’s Creek costs) is expected to be finalized in early 2018. As of *December 31, 2017*, the Company’s reserve was \$762, of which approximately \$488 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.

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**CAMBREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except share and per share data)**

**(20) Contingencies (continued)**

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. The judgment was appealed to the United States Court of Appeals for the District of Columbia Circuit (the “D.C. Circuit”) in 2011, resulting in a remand to the District Court. On remand, the District Court dismissed certain self-funded customer plaintiffs due to their failure to satisfy the requirements of federal jurisdiction. Subsequently, the District Court entered an order remitting certain damages. Without fees, costs, or post-judgment interest, the current judgment against Mylan, Gyma, and Cambrex is \$67,260. Mylan, Gyma, and Cambrex have once again appealed to the D.C. Circuit and the appeal is currently pending.

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.

*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, 2017*.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(dollars in thousands, except share and per share data)****(20) Contingencies (continued)**

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

**(21) Discontinued Operations**

For all periods presented, financial results for discontinued operations relate to environmental investigation and remediation expenses for divested sites. The following table is a reconciliation of the pre-tax (loss)/income from discontinued operations to the net (loss)/income from discontinued operations, as presented on the income statement:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Pre-tax (loss)/income from discontinued operations	\$(2,020)	\$(8,777)	\$63
Income tax benefit/(expense)	706	3,130	(22)
(Loss)/income from discontinued operations, net of tax	\$(1,314)	\$(5,647)	\$41

As of *December 31, 2017* and *2016*, liabilities recorded on the Company's balance sheet related to discontinued operations were *\$17,511* and *\$16,703*, respectively. At this time, we cannot reasonably estimate the period of time during which the involvement is expected to continue. Net cash used in discontinued operations was *\$1,440*, *\$516*, and *\$1,536* for *2017*, *2016*, and *2015*, respectively. Refer to Note 20 to the Company's consolidated financial statements for further disclosures on the Company's environmental contingencies.

Table of Contents**CAMBREX CORPORATION AND SUBSIDIARIES****SELECTED QUARTERLY FINANCIAL AND SUPPLEMENTARY DATA - UNAUDITED****(in thousands, except per share data)**

	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<i>2017</i>				
Gross sales	\$103,711	\$134,487	\$112,233	\$175,505
Net revenues	105,006	134,554	112,619	182,277
Gross profit	46,825	57,502	46,889	78,871
Income from continuing operations (1)	21,115	25,124	17,276	40,249
(Loss)/income from discontinued operations (3)	(1,250 )	(94 )	20	10
Net income	19,865	25,030	17,296	40,259
Earnings per share of common stock: (4)				
Basic	0.61	0.77	0.53	1.23
Diluted	0.60	0.75	0.52	1.20
Average shares:				
Basic	32,454	32,629	32,749	32,810
Diluted	33,365	33,469	33,512	33,532

	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<i>2016</i>				
Gross sales	\$93,935	\$119,054	\$99,867	\$178,682
Net revenues	94,741	118,638	99,399	177,866
Gross profit	38,899	48,557	37,602	79,167
Income from continuing operations (2)	14,845	20,810	13,721	37,949
Loss from discontinued operations (3)	(263 )	(316 )	(4,503 )	(565 )
Net income	14,582	20,494	9,218	37,384
Earnings per share of common stock: (4)				
Basic	0.46	0.64	0.29	1.16
Diluted	0.44	0.62	0.28	1.13
Average shares:				
Basic	31,886	32,063	32,149	32,240
Diluted	32,771	32,926	32,999	33,107

Income from continuing operations for the first, second, third, and *fourth* quarters includes a favorable impact to (1) tax expense of \$2,654, \$1,725, \$735, and \$122, respectively, from the adoption of ASU 2016-09, and expense of \$117 in the *fourth* quarter as a result of the change in enacted tax rates in the U.S. and the toll tax.

Income from continuing operations for the first, second, third, and *fourth* quarters includes \$290 of expense, \$154 (2) of expense, a \$47 benefit and \$761 of expense, respectively, for restructuring related to the decision to sell our finished dosage form facility in Hyderabad, India.

(3) Discontinued operations include charges and reimbursements for environmental remediation related to sites of divested businesses.

Earnings per share calculations for each of the quarters are based on the weighted average number of shares (4) outstanding for each period. As such, the sum of the quarters *may not* necessarily equal the earnings per share amount for the year.

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**Item 9 *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 9A *Controls and Procedures.***

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2017, the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act are (i) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). 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 accounting principles generally accepted in the United States, and include those

policies and procedures that:

Pertain to the maintenance of records, that in reasonable detail, accurately and fairly represent the transactions and dispositions of the assets of the Company,

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 are being made only in accordance with authorizations of management and the Board of Directors of the Company, and

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.

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Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our management, including the Chief Executive Officer and Chief Financial Officer, concluded that based on its assessment, the Company's internal control over financial reporting was effective as of December 31, 2017. Effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which appears elsewhere herein.

**Changes in Internal Control over Financial Reporting**

During the period covered by this report, other than as listed below, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the quarter ended December 31, 2017, we implemented new controls to mitigate the risk associated with our efforts to adopt the new revenue recognition standard. In particular, we implemented new controls related to: Identifying single-use and multi-use products, including changes to our contract review controls; new processes to measure satisfaction of performance obligations, processes for calculating the cumulative effect adjustment as well as related disclosure requirements under the new guidance.

**Item 9B Other Information.**

None.

Table of Contents**PART III****Item 10 Directors, Executive Officers and Corporate Governance.*****Executive Officers of the Registrant***

The following table lists the officers of the Company:

<u>Name</u>	<u>Age</u>	<u>Office</u>
Steven M. Klosk (i) (ii)	60	President, Chief Executive Officer
Shawn P. Cavanagh (i) (ii)	51	Executive Vice President and Chief Operating Officer
James G. Farrell (ii)	51	Vice President and Corporate Controller
Samantha M. Hanley (i) (ii)	40	Vice President, General Counsel, and Secretary
Gregory P. Sargen (i) (ii)	52	Executive Vice President, Corporate Development and Strategy
Tom G. Vadaketh (i) (ii)	55	Executive Vice President and Chief Financial Officer
(i) Executive Officer	(ii) Corporate Officer	

The Company's corporate officers are appointed by the Board of Directors and serve at the Board's discretion.

Mr. Klosk joined Cambrex in October 1992 and has served as President and Chief Executive Officer since May 2008. He also became a member of the Board of Directors in May 2008. Mr. Klosk joined the Company as Vice President, Administration. He was appointed Executive Vice President, Administration in October 1996 and was promoted to the position of Executive Vice President, Administration and Chief Operating Officer for the Cambrex Pharma and Biopharmaceutical Business Unit in October 2003. In January 2005, Mr. Klosk assumed direct responsibility for the leadership of the Biopharmaceutical Business Unit as Chief Operating Officer. In August 2006, Mr. Klosk assumed the responsibility of the Pharma business as Executive Vice President and Chief Operating Officer – Biopharma & Pharma and in February 2007 was appointed to Executive Vice President, Chief Operating Officer and President, Pharmaceutical Products and Services. From 1988 until he joined Cambrex, Mr. Klosk was Vice President, Administration and Corporate Secretary for The Genlyte Group, Inc. From 1985 to 1988, he was Vice President, Administration for Lightolier, Inc., a subsidiary of The Genlyte Group, Inc. Mr. Klosk currently serves on the Board of Directors of Caladrius Biosciences, Inc., a publicly traded cell therapy company.

Mr. Cavanagh joined Cambrex in January 2011 and has served as Executive Vice President and Chief Operating Officer since he joined Cambrex. From 2007 to 2009 Mr. Cavanagh was employed with Lonza, which purchased Cambrex Bioproducts, most recently as President of Lonza Bioscience. From 1999 to 2007, Mr. Cavanagh worked for Cambrex Bioproducts. While at Cambrex Bioproducts, Mr. Cavanaugh held several positions of increasing responsibility including President of Cambrex Bioproducts. Prior to joining Cambrex Bioproducts, Mr. Cavanagh held various management and engineering positions with FMC Corporation.

Mr. Farrell joined Cambrex in September 2005 as Corporate Controller. He has served as Vice President and Corporate Controller since July 2007, except for a portion of 2008 when Mr. Farrell was employed by PDI, Inc. as Vice President and Corporate Controller/Interim Chief Financial Officer. From 1994 until 2005, he was with Ingersoll-Rand Company, most recently as Director, Accounting Policy, Procedures and External Reporting. Mr. Farrell was with Ernst & Young from 1988 to 1994, most recently as Audit Manager.

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Ms. Hanley joined Cambrex in April 2009 and has served as Vice President, General Counsel and Corporate Secretary since February 2015. She previously served as Assistant General Counsel and Assistant Corporate Secretary, from January 2013 until February 2015. Ms. Hanley previously held the position of Senior Intellectual Property/Corporate Counsel and Assistant Secretary. Prior to joining Cambrex, Ms. Hanley worked at Alpharma Pharmaceuticals as Director of Intellectual Property and was an Associate with Lerner, David, Littenberg, Krumholtz & Mentlik, LLP, an intellectual property law firm.

Mr. Sargen joined Cambrex in February 2003 and currently serves as Executive Vice President, Corporate Development and Strategy since January 2017. He previously served as Executive Vice President and Chief Financial Officer from January 2011 to January 2017, and Vice President and Chief Financial Officer since February 2007. Mr. Sargen previously held the position of Vice President, Finance. Previously, he was with Exp@nets, Inc. from 1999 through 2002, serving in the roles of Executive Vice President, Finance/Chief Financial Officer and Vice President/Corporate Controller. From 1996 to 1998, he was with Fisher Scientific International's Chemical Manufacturing Division, serving in the roles of Vice President, Finance and Controller. Mr. Sargen has also held various positions in finance, accounting and audit with Merck & Company, Inc., Heat and Control, Inc., and Deloitte & Touche. Mr. Sargen currently serves on the Board of Directors of Avid Bioservices, Inc., a publicly traded clinical-stage biopharmaceutical company.

Mr. Vadaketh joined Cambrex in January 2017 as Executive Vice President and Chief Financial Officer. Most recently Mr. Vadaketh was the Chief Financial Officer of the Crosby Group, and prior to that, he spent nine years in a variety of increasingly senior financial positions at Tyco International. In his last role at Tyco, he served as Vice President, Finance, Corporate Financial Planning & Analysis and Chief Financial Officer of Global Products. Prior to his time at Tyco, Mr. Vadaketh spent 15 years in a variety of senior financial roles at Procter & Gamble.

The remaining information required by this item will be included in the 2018 Proxy Statement and is incorporated herein by reference.

**Item 11 *Executive Compensation.***

The remaining information required by this item will be included in the 2018 Proxy Statement and is incorporated herein by reference.

**Item 12 *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The remaining information required by this item will be included in the 2018 Proxy Statement and is incorporated herein by reference.

**Item 13 *Certain Relationships and Related Transactions and Director Independence.***

The remaining information required by this item will be included in the 2018 Proxy Statement and is incorporated herein by reference.

**Item 14 *Principal Accountant Fees and Services.***

The remaining information required by this item will be included in the 2018 Proxy Statement and is incorporated herein by reference.

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**PART IV**

**Item 15 Exhibits and Financial Statement Schedules.**

(a) 1. The following consolidated financial statements of the Company are filed as part of this report:

	<b>Page Number</b>
Financial Statements:	<b><u>(in this Report)</u></b>
Reports of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets as of December 31, 2017 and 2016	39
Consolidated Income Statements for the Years Ended December 31, 2017, 2016 and 2015	40
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015	41
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015	42
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015	43
Notes to Consolidated Financial Statements	44
Selected Quarterly Financial and Supplementary Data (unaudited)	76

2. (i) The following schedule to the consolidated financial statements of the Company as filed herein and the Report of Independent Registered Public Accounting Firm are filed as part of this report.

	<b>Page Number</b>
	<b><u>(in this report)</u></b>
Schedule II – Valuation and Qualifying Accounts	82

All other schedules are omitted because they are not applicable or not required or because the required information is included in the consolidated financial statements of the Company or the notes thereto.

3. The exhibits filed in this report are listed in the Exhibit Index on pages 84-85.

**Item 16** *Form 10-K Summary.*

None.

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## SCHEDULE II

## CAMBREX CORPORATION

## VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED *DECEMBER 31, 2017, 2016 and 2015*

(dollars in thousands)

Column A	Column B	Column C		Column D	Column E
<u>Description</u>	Balance	Additions Charged/Charged/ (Credited)(Credited) to to Cost and Other ExpensesAccounts		Deductions	Balance
	Beginning				End of
	of Year				Year
Year ended December 31, 2017:					
Doubtful trade receivables and returns and allowances	\$ 341	\$674	\$ 69	\$ 23	\$1,061
Deferred tax valuation allowance	11,459	315	50	-	11,824
Year ended December 31, 2016:					
Doubtful trade receivables and returns and allowances	\$ 304	\$61	\$ (24 )	\$ -	\$341
Deferred tax valuation allowance	9,863	1,673	(77 )	-	11,459
Year ended December 31, 2015:					
Doubtful trade receivables and returns and allowances	\$ 346	\$(11 )	\$ (31 )	\$ -	\$304
Deferred tax valuation allowance	8,944	3,134	(2,215 )	-	9,863

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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/ Tom G. Vadaketh*  
 Tom G. Vadaketh  
*Executive Vice President and Chief Financial Officer*

Date: February 8, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	<b><u>Signature</u></b>	<b><u>Title</u></b>	<b><u>Date</u></b>
<i>/s/</i>	STEVEN M. KLOSK  Steven M. Klosk	President and Chief Executive Officer, and Director	February 8, 2018
<i>/s/</i>	TOM G. VADAKETH  Tom G. Vadaketh	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Accounting Officer)	February 8, 2018
<i>/s/</i>	SHLOMO YANAI  Shlomo Yanai	Chairman of the Board of Directors	February 8, 2018
<i>/s/</i>	GREGORY B. BROWN Gregory B. Brown, M.D.	Director	February 8, 2018
<i>/s/</i>	ROSINA B. DIXON Rosina B. Dixon, M.D.	Director	February 8, 2018

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/s/	CLAES GLASSELL Claes Glassell	Director	February 8, 2018
/s/	LOUIS J. GRABOWSKY Louis J. Grabowsky	Director	February 8, 2018
/s/	BERNHARD HAMPL Bernhard Hampl, PhD	Director	February 8, 2018
/s/	KATHRYN RUDIE HARRIGAN Kathryn Rudie Harrigan, PhD	Director	February 8, 2018
/s/	ILAN KAUFTHAL Ilan Kaufthal	Director	February 8, 2018
/s/	PETER G. TOMBROS Peter G. Tombros	Director	February 8, 2018

Table of Contents**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
3.1	-- <u>Amended and Restated Certificate of Incorporation of Cambrex Corporation (C)</u>
3.2	-- <u>Amended and Restated By Laws of Cambrex Corporation (D)</u>
4.1	-- Form of Certificate for shares of Common Stock of Cambrex Corporation (E)
10.1	-- <u>Credit Agreement, dated November 2, 2011, among Cambrex Corporation, the subsidiary borrowers party thereto, the subsidiary guarantors party thereto, the lenders party thereto and JP Morgan Chase Bank, N.A., as Administrative Agent (F)</u>
10.2	-- <u>Administrative Consent Order of the New Jersey Department of Environmental Protection to Cosan Chemical Corporation, dated September 16, 1985 (G)</u>
10.3	-- <u>Settlement Agreement and Release and Environmental Escrow Agreement, dated July 30, 2007, between Rutherford Chemicals LLC, Vertellus Specialties Holdings UK Ltd. (formerly Rutherford Chemicals UK Ltd.), Vertellus Specialties UK Ltd. (formerly Seal Sands Chemicals Ltd.), and Vertellus Specialties Holdings Corp. (formerly Rutherford Chemicals Holdings Corp.) and Cambrex Corporation, Nepara, Inc., CasChem Inc., Zeeland Chemicals, Inc., Nepcam, Inc. and Cambrex Ltd. (H)</u>
10.4	-- <u>Gregory P. Sargen Offer of Employment Letter (I)</u>
10.5	-- <u>Employment Agreement, dated February 6, 2007, between Cambrex Corporation and Gregory P. Sargen (J)</u>
10.6	-- <u>Shawn P. Cavanagh Offer of Employment Letter (K)</u>
10.7	-- <u>Employment Agreement, dated January 17, 2011, between Cambrex Corporation and Shawn P. Cavanagh (L)</u>
10.8	-- <u>Tom Vadaketh Offer of Employment Letter (M)</u>
10.9	-- <u>Employment Agreement, dated January 20, 2017, between Cambrex Corporation and Tom Vadaketh (N)</u>
10.10	-- Cambrex Corporation Savings Plan (O)
10.11	-- <u>Cambrex Corporation Supplemental Retirement Plan (P)</u>
10.12	-- <u>Cambrex Corporation Executive Cash Incentive Plan (Q)</u>
10.13	-- <u>Cambrex Corporation 2004 Incentive Plan (R)</u>
10.14	-- <u>Cambrex Corporation 2009 Long-Term Incentive Plan (as amended and restated, effective April 29, 2015) (S)</u>
10.15	-- <u>Form of Performance Share Agreement under 2009 Long-Term Incentive Plan (T)</u>
10.16	-- <u>Form of Stock Option Agreement under 2009 Long-Term Incentive Plan (U)</u>
10.17	-- <u>Cambrex Corporation 2012 Equity Incentive Plan for Non-Employee Directors (V)</u>
10.18	-- <u>Form of Stock Option Agreement under 2012 Equity Incentive Plan for Non-Employee Directors (W)</u>
21.1	-- <u>Subsidiaries of the Registrant (A)</u>
23.1	-- <u>Consent of BDO USA, LLP, independent registered public accounting firm (A)</u>
31.1	-- <u>Chief Executive Officer Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (A)</u>
31.2	-- <u>Chief Financial Officer Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (A)</u>
32.1	-- <u>Chief Executive officer and Chief Financial Officer Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (B)</u>
101.INS	--XBRL Instance Document (A)
101.SCH	--XBRL Taxonomy Extension Schema (A)

101.CAL --XBRL Taxonomy Extension Calculation Linkbase (A)  
101.DEF --XBRL Taxonomy Extension Definition Linkbase (A)  
101.LAB --XBRL Taxonomy Extension Label Linkbase (A)  
101.PRE --XBRL Taxonomy Extension Presentation Linkbase (A)

*See legend on following page*

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**EXHIBIT INDEX**

(A) Filed herewith.

(B) Furnished herewith.

(C) Incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K, filed April 30, 2012.

(D) Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed November 3, 2017.

(E) Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-1, Registration No. 03-316419.

(F) Incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011, filed November 4, 2011.

(G) Incorporated by reference to Exhibit 10(Q) to the Registrant's Registration Statement on Form S-1, Registration No. 03-316419.

(H) Incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed August 7, 2007.

(I) Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 9, 2016.

(J) Incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006, filed March 15, 2007.

(K) Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed January 13, 2011.

(L) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed January 13, 2011.

(M) Incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, filed February 3, 2017.

- (N) Incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016, filed February 3, 2017.
- (O) Incorporated by reference to the Registrant's Registration Statement on Form S-8, Registration No. 03-381782, filed July 20, 1994.
- (P) Incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, filed March 24, 1995.
- (Q) Incorporated by reference to Exhibit 10.33 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, filed May 4, 2012.
- (R) Incorporated by reference to Exhibit 2 to the Registrant's Definitive Proxy Statement for the 2004 Annual Meeting of Stockholders, filed March 22, 2004.
- (S) Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, Registration No. 333-206045, filed August 3, 2015.
- (T) Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 7, 2013.
- (U) Incorporated by reference to Exhibit 10.30 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed August 1, 2013.
- (V) Incorporated by reference to Exhibit 10.34 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, filed May 4, 2012.
- (W) Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed May 3, 2013.