CAMBREX CORP
Form 10-Q
November 04, 2010

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

FORM 10-Q

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

for the quarterly period ended September 30, 2010

OR

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 T. No o.

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer T Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

As of October 31, 2010, there were 29,426,645 shares outstanding of the registrant’s Common Stock, $.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

Table of Contents

Table of Contents

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,996	$ 52,365
Trade receivables, net	30,989	32,025
Inventories, net	66,288	58,369
Prepaid expenses and other current assets	8,497	6,654
Total current assets	148,770	149,413
Property, plant and equipment, net	153,614	161,149
Goodwill and intangible assets, net	43,199	36,360
Other non-current assets	4,095	4,593
Total assets	$ 349,678	$ 351,515
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 18,123	$ 17,038
Accrued expenses and other current liabilities	36,910	38,013
Total current liabilities	55,033	55,051
Long-term debt	114,400	120,800
Deferred income tax	18,388	17,305
Accrued pension and postretirement benefits	41,506	40,963
Other non-current liabilities	13,102	14,126
Total liabilities	242,429	248,245
Stockholders' equity:		
Common stock, $.10 par value; authorized 100,000,000, issued 31,408,778 shares at respective dates	3,140	3,140
Additional paid-in capital	101,228	100,497
Retained earnings	27,345	22,345
Treasury stock, at cost, 2,024,190 and 2,121,372 shares at respective dates	(17,265)	(18,109)
Accumulated other comprehensive loss	(7,199)	(4,603)
Total stockholders' equity	107,249	103,270
Total liabilities and stockholders' equity	$ 349,678	$ 351,515

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)
(in thousands, except per-share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gross sales	$49,356	$57,802	$162,914	$177,568
Allowances and rebates	492	285	1,204	623
Net sales	48,864	57,517	161,710	176,945
Other	(1,090)	(1,147)	374	(262)
Net revenues	47,774	56,370	162,084	176,683
Cost of goods sold	33,664	39,422	115,548	120,919
Gross profit	14,110	16,948	46,536	55,764
Operating expenses:				
Selling, general and administrative expenses	7,879	9,295	24,784	26,889
Research and development expenses	3,080	2,026	7,906	5,924
Restructuring expenses	1,187	-	1,187	-
Merger and acquisition expenses	711	-	786	-
Total operating expenses	12,857	11,321	34,663	32,813
Operating profit	1,253	5,627	11,873	22,951
Other expenses/(income):				
Interest expense, net	1,233	1,111	3,602	3,410
Other expenses/(income), net	52	(31)	69	(139)
(Loss)/income before income taxes	(32)	4,547	8,202	19,680
Provision for income taxes	1,252	1,584	4,137	6,520
(Loss)/income from continuing operations	$(1,284)	$2,963	$4,065	$13,160
(Loss)/income from discontinued operations	(170)	-	935	-
Net (loss)/income	$(1,454)	$2,963	$5,000	$13,160
Basic (loss)/earnings per share of common stock:				
(Loss)/income from continuing operations	$(0.04)	$0.10	$0.14	$0.45
(Loss)/income from discontinued operations	$(0.01)	$-	$0.03	$-
Net (loss)/income	$(0.05)	$0.10	$0.17	$0.45

Diluted (loss)/earnings per share of common stock:				
(Loss)/income from continuing operations	$(0.04)	$0.10	$0.14	$0.45
(Loss)/income from discontinued operations	$(0.01)	$-	$0.03	$-
Net (loss)/income	$(0.05)	$0.10	$0.17	$0.45
Weighted average shares outstanding:				
Basic	29,373	29,253	29,341	29,225
Effect of dilutive stock based compensation*	-	50	102	24
Diluted	29,373	29,303	29,443	29,249

* For the three months ended September 30, 2010, the effect of stock options and restricted stock would be anti-dilutive and is therefore excluded.

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Nine months ended September 30, 2010	2009
Cash flows from operating activities:		
Net income	$5,000	$13,160
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	15,997	14,774
Increase in inventory reserve	86	2,514
Stock based compensation included in net income	1,493	988
Deferred income tax provision	(1,007)	24
Restructuring charges	1,071	-
Other	219	66
Changes in assets and liabilities:		
Trade receivables	1,836	833
Inventories	(7,612)	135
Prepaid expenses and other current assets	(1,137)	(518)
Accounts payable and other current liabilities	614	(12,450)
Other non-current assets and liabilities	(94)	30
Discontinued operations:		
Other non-current assets and liabilities	(22)	-
Adjustments to reconcile discontinued operations to cash flows	(935)	-
Net cash provided by operating activities	15,509	19,556
Cash flows from investing activities:		
Capital expenditures	(8,572)	(9,651)
Acquisition of business, net of cash	(6,897)	-
Other investing activities	(36)	57
Net cash used in investing activities	(15,505)	(9,594)
Cash flows from financing activities:		
Long-term debt activity (including current portion):		
Borrowings	29,700	19,700
Repayments	(36,100)	(19,500)
Other financing activities	(50)	(44)
Net cash (used in)/provided by financing activities	(6,450)	156
Effect of exchange rate changes on cash and cash equivalents	(2,923)	2,687
Net (decrease)/increase in cash and cash equivalents	(9,369)	12,805
Cash and cash equivalents at beginning of period	52,365	32,540
Cash and cash equivalents at end of period	$42,996	$45,345

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

(1) Basis of Presentation

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

The accompanying unaudited consolidated financial statements have been prepared from the records of the Company. In the opinion of management, the financial statements include all adjustments, which are of a normal and recurring nature, except as otherwise described herein, and are necessary for a fair statement of financial position and results of operations in conformity with generally accepted accounting principles ("GAAP"). These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2009.

The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results expected for the full year.

For the three and nine months ended September 30, 2010 the Company recorded expense of $170, as discontinued operations, for a workers' compensation claim related to an employee of a divested business. For the nine months ended September 30, 2010 the Company recorded a benefit of $1,652 as a result of the expiration of a contingent liability and charges of $547 for environmental remediation related to sites of divested businesses as discontinued operations.

(2) Impact of Recently Issued Accounting Pronouncements

Fair Value Measurements

In January 2010, the Financial Accounting Standards Board issued "Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements." This statement requires new disclosures and clarifies existing disclosure requirements about fair value measurement. The amendments are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The effect of adopting this pronouncement will not have an impact on the Company's financial position or results of operations.

Revenue Arrangements with Multiple Deliverables

In September 2009, the Emerging Issues Task Force ("EITF") issued "Revenue Arrangements with Multiple Deliverables." This issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, and how to allocate the consideration to each unit of accounting. This issue eliminates the use of the residual value method for determining allocation of arrangement consideration and allows the use of an entity's best estimate to determine the selling price if vendor specific objective evidence and third-party evidence can not be determined. This issue also requires additional disclosure to provide both qualitative and quantitative information regarding the significant judgments made in applying this issue. In addition, for each reporting period in the initial year of adoption, this issue requires disclosure of the amount of revenue recognized subject to the measurement requirements of this issue and the amount of revenue that would have been recognized if the related transactions were subject to the measurement requirements of Issue 00-21. The Company has elected to early adopt the provisions of this standard, on a prospective basis, for revenue arrangements entered into or materially modified beginning January 1, 2010. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(2) Impact of Recently Issued Accounting Pronouncements (continued)

Revenue Recognition – Milestone Method

In April 2010, the EITF issued "Revenue Recognition – Milestone Method." This issue provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This issue is effective on a prospective basis for milestones achieved in fiscal years beginning after June 15, 2010. Early adoption is permitted. The Company is currently evaluating the potential impact of this issue.

(3) Stock Based Compensation

The Company recognizes compensation costs for stock option awards 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 stock options granted to employees during the nine months ended September 30, 2010 and 2009 was $2.45 and $1.48, respectively.

For the three months ended September 30, 2010 and 2009, the Company recorded $268 and $104, respectively, in selling, general and administrative expenses for stock options. For the nine months ended September 30, 2010 and 2009, the Company recorded $821 and $416, respectively, in selling, general and administrative expenses for stock options. As of September 30, 2010, the total compensation cost related to unvested stock options not yet recognized was $2,442. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.7 years.

For the three months ended September 30, 2010 and 2009, the Company recorded $147 and $135, respectively, in selling, general and administrative expenses for restricted stock awards. For the nine months ended September 30, 2010 and 2009, the Company recorded $540 and $520, respectively, in selling, general and administrative expenses for restricted stock awards. As of September 30, 2010 the total compensation cost related to unvested restricted stock not yet recognized was $461. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 1.5 years.

The following table is a summary of the Company's stock options:

Options	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2010	2,020,369	$ 11.27
Forfeited or expired	(14,975)	$ 6.41
Outstanding at March 31, 2010	2,005,394	$ 11.31
Granted	220,000	$ 4.38
Forfeited or expired	(297,750)	$ 25.96
Outstanding at June 30, 2010	1,927,644	$ 8.25
Forfeited or expired	(48,824)	$ 28.10

Outstanding at September 30, 2010	1,878,820	$	7.74
Exercisable at September 30, 2010	657,775	$	12.13

6

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(3) Stock Based Compensation (continued)

The aggregate intrinsic value for all stock options outstanding and exercisable as of September 30, 2010 was negligible.

The following table is a summary of the Company's nonvested stock options and restricted stock:

	Nonvested Stock Options		Nonvested Restricted Stock	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2010	1,133,790	$ 2.67	90,686	$ 11.43
Granted	-	$ -	88,348	$ 5.54
Vested during period	(5,375)	$ 2.27	(26,956)	$ 10.65
Forfeited	(11,275)	$ 2.92	(400)	$ 13.75
Nonvested at March 31, 2010	1,117,140	$ 2.66	151,678	$ 8.13
Granted	220,000	$ 2.45	37,080	$ 4.32
Vested during period	(66,250)	$ 1.88	(6,390)	$ 5.64
Forfeited	(17,500)	$ 2.64	-	$ -
Nonvested at June 30, 2010	1,253,390	$ 2.67	182,368	$ 7.44
Vested during period	(31,421)	$ 6.36	(38,704)	$ 13.75
Forfeited	(924)	$ 5.65	(400)	$ 13.75
Nonvested at September 30, 2010	1,221,045	$ 2.57	143,264	$ 5.72

(4) Goodwill and Intangible Assets

In March 2010 the Company acquired IEP GmbH ("IEP") for approximately $6,900 in cash. The allocation of the fair value of the acquisition resulted in goodwill of $3,469 and acquired intangible assets of $4,454. The acquired intangible assets consist mostly of patented technology and customer contracts with amortization periods ranging from 10 years to 20 years.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2010, are as follows:

Balance as of January 1, 2010	$36,360
Acquisition of IEP	3,469
Translation effect	(1,485)
Balance as of September 30, 2010	$38,344

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(4) Goodwill and Intangible Assets (continued)

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

	As of September 30, 2010			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology-based intangibles	20 years	$ 4,149	$ (104)	$ 4,045
Customer-related intangibles	10 - 15 years	805	(27)	778
License agreement	5 years	40	(8)	32
		$ 4,994	$ (139)	$ 4,855

Amortization expense was $69 and $128 for the three and nine months ended September 30, 2010, respectively.

Amortization expense related to current intangible assets is expected to be approximately $204 for 2010 and $259 in each of the next four years.

(5) Income Taxes

The Company recorded tax expense of $1,252 and $4,137 in the three and nine months ended September 30, 2010, respectively, compared to $1,584 and $6,520 in the three and nine months ended September 30, 2009, respectively. The decrease is due primarily to lower pre-tax earnings.

The Company maintains a full valuation allowance against its domestic, and certain foreign, deferred tax assets and will continue to do so until an appropriate level of profitability is sustained or tax strategies can be developed that would enable the Company to conclude that it is more likely than not that a portion of these deferred tax assets would be realized. As such, improvements in pre-tax income in the future, within these jurisdictions where the Company maintains a valuation allowance, may result in these tax benefits ultimately being realized. However, there is no assurance that such improvements will be achieved.

As of January 1, 2010 the Company had approximately $4,598 of unrecognized tax benefits, excluding gross interest and penalties. During the three and nine months ended September 30, 2010, the Company increased its unrecognized tax benefits by $820 and decreased its unrecognized tax benefits by $138, respectively, primarily for foreign currency translation. Of the total balance of unrecognized tax benefits at September 30, 2010 approximately $3,730, if recognized, would impact the effective tax rate.

In the next twelve months, the Company may decrease the reserve for unrecognized tax benefits for intercompany transactions by approximately $250 mainly due to the expiration of a statute of limitation period. This item would impact the income tax provision.

In September 2008, the Company was selected for a random IRS examination for tax year 2006. The examination is in process. Tax years 2007 and forward remain open to examination within the U.S. The Company is also subject to examinations in its significant non-U.S. jurisdictions for 2005 and 2007 forward.

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(5) Income Taxes (continued)

The Company is also subject to audits in various states for various years in which it has filed income tax returns. In June 2010, New York notified the Company that it would commence an examination of the Company's open tax years. Previous state audits have resulted in immaterial adjustments. Open years for the majority of states where the Company files are 2006 and forward.

In 2009, the Company's Italian subsidiary was examined by the Italian tax authorities, who challenged the business purpose of the deductibility of certain intercompany transactions from 2003. In the fourth quarter of 2009, the tax authorities notified the Company that they disagreed with the Company's responses to their formal assessments. In the first quarter of 2010, the Company filed an appeal to litigate the matter. The Company has analyzed these issues in accordance with guidance on uncertain tax positions and believes its reserves are adequate, and intends to defend itself.

(6) Net Inventories

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

Net inventories at September 30, 2010 and December 31, 2009 consist of the following:

	September 30, 2010	December 31, 2009
Finished goods	$ 29,728	$ 26,549
Work in process	19,698	18,361
Raw materials	13,544	9,887
Supplies	3,318	3,572
Total	$ 66,288	$ 58,369

(7) Restructuring Expenses

Consolidation of Domestic Research and Development Activities

In December 2007, the Company consolidated its United States research and development ("R&D") activities and small scale active pharmaceutical ingredient ("API") production with its facility in Charles City, Iowa. The restructuring reserve at September 30, 2010 consists of the remaining lease payments and related costs under the Company's current operating lease at the New Jersey R&D facility. The operating lease expires in December 2010.

Restructuring of a Manufacturing Site

During the third quarter 2010 the Company finalized a plan to restructure its operations at a manufacturing site, which resulted in a reduction in workforce of 32 employees. The plan included certain one-time benefits for terminated employees, all of which will be paid in cash. Costs related to this transaction are recorded on the Company's income statement under the caption "Restructuring expenses" and totaled $1,187 for the three months ended September 30,

2010. The elimination of these positions will save the Company approximately $2,000 annually.

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(7) Restructuring Expenses (continued)

The following table reflects the activity related to the restructuring reserves through September 30, 2010:

	12/31/2009 Reserve Balance	2010 Activity Expense	Cash Payments	Translation Effect	9/30/2010 Reserve Balance
Consolidation of Domestic R&D Activities:					
Lease payments and related costs	$1,473	$-	$(1,108)	$-	$365
Restructuring of a Manufacturing Facility:					
One-time employee benefits	-	1,187	(116)	64	1,135
	$1,473	$1,187	$(1,224)	$64	$1,500

(8) 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. These fluctuations can increase the costs of financing, investing and operating the business. The Company uses derivative financial instruments to reduce these exposures to market risks resulting from fluctuations in interest rates and foreign exchange rates.

The Company is exposed to credit losses in the event of nonperformance 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's policy is to enter into forward exchange contracts to hedge forecasted cash flows associated with foreign currency transaction exposures as deemed appropriate. This hedging strategy mitigates the impact of short-term foreign exchange rate movements on the Company's operating results. The Company's primary exposures to foreign currency exchange rate fluctuations are in U.S. dollars, Swedish krona, and euros.

Changes in the fair value of forward contracts designated as cash flow hedges are included in accumulated other comprehensive (loss)/income ("AOCI"). Changes in the fair value of the derivative instruments reported in AOCI will be reclassified into earnings as a component of product revenue when the forecasted transaction occurs. The ineffective portion of all hedges will be recognized in current-period earnings and has been immaterial to the Company's financial results.

The notional amounts of foreign exchange forward contracts were $11,998 and $15,781 at September 30, 2010 and December 31, 2009, respectively.

Included in AOCI is the fair value of the Company's forward exchange contracts which are in net gain positions of $579 and $310 as of September 30, 2010 and December 31, 2009, respectively. Unrealized gains are recorded in the

Company's balance sheet under the caption "Prepaid expenses and other current assets" and unrealized losses are recorded under the caption "Accrued expenses and other current liabilities."

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(8) Derivatives and Hedging Activities (continued)

The Company recognized a pre-tax gain in comprehensive income from foreign exchange contracts of $756 and $269 for the three and nine months ended September 30, 2010, respectively. The Company reclassified a pre-tax loss of $29 and a pre-tax gain of $1,061 from AOCI into “Other revenue” related to foreign exchange forward contracts for the three and nine months ended September 30, 2010, respectively. Assuming current market conditions continue, the entire amount recorded in AOCI related to foreign exchange forward contracts is expected to be recorded into “Other revenue” within the next 12 months.

Interest Rate Swap Agreements

The Company entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate debt. The swap agreements are contracts to exchange floating rate for fixed interest payments periodically over the life of the agreements without the exchange of the underlying notional debt amounts.

All swap contracts outstanding at September 30, 2010 have been designated as cash flow hedges and, accordingly, changes in the fair value of these derivatives are not recorded in earnings but are recorded each period in AOCI. Changes in the fair value of the derivative instruments reported in AOCI will be recorded into earnings as interest expense over the remaining life of the swap agreement. The ineffective portion of all hedges will be recognized in current-period earnings and has been immaterial to the Company's financial results.

As of September 30, 2010, the Company had three interest rate swaps in place with an aggregate notional value of $60,000, at an average fixed rate of 4.48%, all with maturity dates of October 2010. At September 30, 2010 the Company had variable debt of $114,400, of which $60,000 is fixed by interest rate swaps. Interest expense under these agreements, and the respective debt instruments that they hedge, are recorded at the net effective interest rate of the hedged transactions. The fair value of these agreements was based on quoted market prices and was in a loss position of $218 and $2,038 at September 30, 2010 and December 31, 2009, respectively. This loss is reflected in the Company’s balance sheet under the caption “Accrued expenses and other current liabilities.”

The Company increased comprehensive income by $616 and $1,820, respectively, related to interest rate swaps for the three and nine months ended September 30, 2010. The Company reclassified a pre-tax loss of $639 and $1,911 from AOCI into interest expense related to interest rate swaps for the three and nine months ended September 30, 2010, respectively. Assuming current market conditions continue, $218 is expected to be reclassed out of AOCI during the fourth quarter 2010.

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(9) Fair Value Measurements

The following tables provide the fair value measured on a recurring basis for the assets and liabilities as of September 30, 2010 and December 31, 2009:

		Fair Value Measurements at September 30, 2010 using:		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signifcant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forwards, liabilities	$ 579	$ -	$ 579	$ -
Interest rate swaps	(218)	-	(218)	-
Total	$ 361	$ -	$ 361	$ -

		Fair Value Measurements at December 31, 2009 using:		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signifcant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forwards, assets	$ 310	$ -	$ 310	$ -
Interest rate swaps	(2,038)	-	(2,038)	-
Total	$ (1,728)	$ -	$ (1,728)	$ -

The Company’s derivative assets and liabilities include foreign exchange forward contracts and interest rate swap contracts that are measured at fair value using observable market inputs such as forward rates, interest rates, the Company’s credit risk and its counterparties’ credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. Based on the Company’s continued ability to enter into forward contracts and interest rate swaps, the Company considers the markets for its fair value instruments to be active.

As of September 30, 2010, there has not been any significant impact to the fair value of the Company’s derivative liabilities due to its own credit risk. Similarly, there has not been any significant adverse impact to the Company’s derivative assets based on the Company’s evaluation of its counterparties’ credit risks.

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

12

Table of Contents

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(10) Comprehensive Income

The following table shows the components of comprehensive income for the three and nine months ended September 30, 2010 and 2009:

Three months ended September 30,		Nine months ended September 30,	
2010	2009	2010	2009