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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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  
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CAMBREX CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

22-2476135  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

ONE MEADOWLANDS PLAZA,  
EAST RUTHERFORD, NEW JERSEY  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

07073  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (201)-804-3000  
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| TITLE OF EACH CLASS<br>-----  | NAME OF EACH EXCHANGE<br>ON WHICH REGISTERED<br>----- |
|-------------------------------|---|
| Common Stock, \$.10 par value | American Stock Exchange                               |

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT: NONE

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$551,406,933 as of February 28, 1998.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of February 28, 1998, there were 11,947,239 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 1998 Annual Meeting are incorporated by reference into Part III of this report.

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PART I

ITEM 1 -- BUSINESS.

GENERAL

Cambrex Corporation (the "Company" or "Cambrex"), a Delaware corporation, began business in December 1981 through its predecessor, and now wholly-owned subsidiary, CasChem, Inc.

The Company manufactures and markets a broad line of specialty and fine chemicals, as well as products and services to the biotechnology industry. The Company operates in two segments, biotechnology and pharmaceutical specialty and fine chemicals. The pharmaceutical specialty and fine chemicals segment includes five product categories: active pharmaceutical ingredients, pharmaceutical intermediates, organic intermediates, performance enhancers and polymer systems. Currently the Company's overall strategy for these categories is to focus on niche markets that have global opportunities, build on strong customer relations to fill our new products' pipeline, and support the capital and state-of-the-art technology, while being leaders in environmental, health and safety performance.

Within each of the product categories, the Company uses a consistent business approach:

1. Focus on niche products requiring high technical expertise.
2. Be a leading supplier of core products, for which price competition is not the primary market determinant.
3. Review products and product lines continually and eliminate those not meeting operating profit goals and replace with new products with higher returns.

In order to manage a business with a large number of products and a dynamic business mix, the Company runs a decentralized organization. The business is conducted by nine subsidiary organizations headed by an experienced business manager. Each subsidiary controls all the resources required for the success of its business and is responsible for its financial performance. Cambrex provides oversight of the subsidiaries and, where performance is considered unsatisfactory, becomes directly involved to help correct any deficiencies. It also provides support services that are not directly related to getting the products to market; such services include finances, risk management, and pension and benefits management.

Important objectives of the Company are to expand its operations through internal growth and to make strategic acquisitions of product lines, technology and companies that have substantial positions in niche markets.

On October 3, 1997, the Company completed the acquisition of all of the outstanding common stock of BioWhittaker, Inc. ("BioWhittaker") for approximately \$133,500. BioWhittaker, which is located on 116 acres in

Walkersville, Maryland, develops, produces and sells cell culture and endotoxin detection products to the biotechnology and pharmaceutical industries for research and for the commercial manufacture of biopharmaceutical products.

On January 5, 1998, the Company completed the acquisition of all of the assets of the chiral intermediates business of Celgene Corporation for \$7,500 plus future royalties of up to \$7,500 based upon sales. The product line, which has been re-named Chiragene, will produce optically active, complex, organic compounds that are critical to the production of modern active pharmaceutical ingredients.

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(dollars in thousands, except share data)

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PRODUCTS

The following table sets forth for the periods indicated information concerning gross sales from the Company's six product categories:

|  | YEARS ENDED DECEMBER 31, |           |           |
|--|--------------------------|-----------|-----------|
|  | 1997(1)                  | 1996      | 1995      |
| Biotechnology.....                     | \$ 13,577                | \$ --     | \$ --     |
| Active Pharmaceutical Ingredients..... | 103,962                  | 97,582    | 96,827    |
| Pharmaceutical Intermediates.....      | 74,694                   | 71,202    | 69,097    |
| Organic Intermediates.....             | 70,771                   | 73,049    | 77,792    |
| Performance Enhancers.....             | 70,549                   | 75,632    | 69,973    |
| Polymer Systems.....                   | 46,530                   | 52,014    | 54,381    |
| Gross Sales.....                       | \$380,083                | \$369,479 | \$368,070 |

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(1) Sales from BioWhittaker, acquired in October 1997, are included from the date of acquisition.

The Company uses its technical expertise in a wide range of chemical and biological processes to meet the needs of its customers for high quality products for specialized applications. These applications include: biotechnology, consisting of cell culture and endotoxin detection products; active pharmaceutical ingredients produced under Food and Drug Administration (FDA) regulation for use in prescription and over-the-counter drug products; pharmaceutical intermediates produced in current Good Manufacturing Practices (cGMP) facilities for use in the production of pharmaceuticals, cosmetics, food additives and other healthcare products; organic intermediates used in the production of herbicides, insecticides, feed additives, pigments, and other complex organic molecules; performance enhancers which are complex chemicals designed to impart special properties when small quantities are included in the formulation of specific products; and polymer systems which are monomers or two component polymer systems for use in small volume, high performance applications.

Biotechnology: This category consists of cell culture products, including living cell cultures, cell culture media and cell culture media supplements, and endotoxin detection products supplied to the biotechnology and pharmaceutical industries. The Company manufactures more than 1,100 products which are sold to more than approximately 12,000 customers worldwide with no one customer

accounting for more than 10% of sales in this category.

This table summarizes the gross sales for this product category from the date of acquisition:

|                          |          |
|--------------------------|----------|
|                          | 1997     |
|                          | -----    |
| Cell culture.....        | \$ 9,126 |
| Endotoxin detection..... | 3,539    |
| Other.....               | 912      |
|                          | -----    |
|                          | \$13,577 |
|                          | =====    |

Active Pharmaceutical Ingredients: Pharmaceutical products are classified into nine therapeutic product groups. Cambrex sells products in six of these principal product groups: (1) gastrointestinal preparations, (2) cardiovascular, (3) central nervous system, (4) endocrine products, (5) respiratory products, and (6) other actives, including anti-infective, anti-inflammatory products, immunology, diuretics and other preparations. These products are sold to a diverse group of more than 400 customers with two customers accounting for 32% of 1997 sales in this category. Many of these products are also sold through agents.

Products in this category are manufactured under FDA regulation for use as the active ingredients in prescription and over-the-counter drugs.

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(dollars in thousands, except share data)

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This table summarizes the gross sales for this product category:

|                             | 1997      | 1996     | CHANGE   | %     |
|-----------------------------|-----------|----------|----------|-------|
|                             | -----     | -----    | -----    | ----- |
| Gastrointestinal.....       | \$ 34,732 | \$31,503 | \$ 3,229 | 10%   |
| Cardiovascular.....         | 23,791    | 21,806   | 1,985    | 9     |
| Central Nervous System..... | 10,634    | 8,809    | 1,825    | 21    |
| Endocrine.....              | 10,014    | 7,438    | 2,576    | 35    |
| Respiratory.....            | 7,661     | 9,409    | (1,748)  | (19)  |
| Other Actives.....          | 17,130    | 18,617   | (1,487)  | (8)   |
|                             | -----     | -----    | -----    | ---   |
|                             | \$103,962 | \$97,582 | \$ 6,380 | 7%    |
|                             | =====     | =====    | =====    | ===   |

Gastrointestinal products increased 10% mostly due to the introduction of a new generic product used in the Japanese market as an anti-ulcerative. Cardiovascular active ingredients increased mainly due to growth in current markets, and sales of central nervous system products were up 21% due to increases in several of the products in this category. Endocrine active ingredients increased 35% as the result of a favorable mix of products and customers. Respiratory active ingredients decreased by 19% due to one product which decreased after very high 1996 levels. Other actives were affected by lower sales of anti-inflammatory active ingredients.

Pharmaceutical Intermediates: This category consists of four product groups: (1) intermediates used in the manufacture of vitamins and other health care products, (2) x-ray contrast media intermediates, (3) intermediates for the cosmetic industry, and (4) other pharmaceutical intermediates. These products are sold to approximately 650 customers, with one customer accounting for 13% of 1997 sales in this category. These products are mainly produced in cGMP facilities.

This table summarizes the gross sales for this product category:

|                                       | 1997     | 1996     | CHANGE   | %<br>CHANGE |
|---------------------------------------|----------|----------|----------|-------------|
|                                       | -----    | -----    | -----    | -----       |
| Health.....                           | \$20,814 | \$19,548 | \$ 1,266 | 6%          |
| X-Ray Media.....                      | 16,876   | 21,552   | (4,676)  | (22)        |
| Cosmetics.....                        | 8,816    | 6,609    | 2,207    | 33          |
| Other Pharmaceutical Intermediates... | 28,188   | 23,493   | 4,695    | 20          |
|                                       | -----    | -----    | -----    | ---         |
|                                       | \$74,694 | \$71,202 | \$ 3,492 | 5%          |
|                                       | =====    | =====    | =====    | ===         |

Other pharmaceutical intermediates were positively impacted by the sales of an advanced intermediate of a new protease inhibitor for AIDS treatment, and the manufacture of aminopyridine used in a variety of pharmaceutical products. Health products increased 6% mainly due to increased sales of a modifier for food starch and another intermediate for a new molecular compound in cooperation with a major ethical pharmaceutical company. X-ray media products were adversely affected due to a major customer changing their formulation and, thus, reducing inventory. The customer has switched to another x-ray media product that the Company also manufactures. Cosmetic products increased 33% due to higher sales of several smaller products manufactured in and sold to the European market.

Organic Intermediates: This category consists of three product groups: (1) intermediates used for crop protection chemicals, (2) feed additives and (3) pigment intermediates. These products are sold to approximately 200 customers. Two customers accounted for 25% and 18% of 1997 sales in this category.

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(dollars in thousands, except share data)

This table summarizes the gross sales for this product category:

|                            | 1997     | 1996     | CHANGE    | %<br>CHANGE |
|----------------------------|----------|----------|-----------|-------------|
|                            | -----    | -----    | -----     | -----       |
| Crop Protection.....       | \$30,170 | \$31,671 | \$(1,501) | (5)%        |
| Feed Additives.....        | 29,634   | 29,889   | (255)     | (1)         |
| Pigment Intermediates..... | 10,967   | 11,489   | (522)     | (5)         |
|                            | -----    | -----    | -----     | ---         |
|                            | \$70,771 | \$73,049 | \$(2,278) | (3)%        |
|                            | =====    | =====    | =====     | ===         |

Crop protection was affected by the unusual amount of a pyridine derivative used in the manufacture of herbicides shipped in 1996 under a renegotiated contract. Shipments in 1997 have returned to normal levels. Pyridine, the

largest product in crop protection, was at 1996 levels. Feed additives saw a minor decrease in Niacinamide Feed Grade B3 due to reduced pricing in the beginning of 1997, although the prices increased during the second half of the year. Pigment intermediates were down 5% due to the loss of its major customer for this product in the Far East.

Performance Enhancers: These products are complex chemicals designed to impart special properties, such as flame retardancy or rapid curing, when small quantities are included in the formulation of specific products. This category consists of five product groups: (1) specialty additives, (2) polymers, (3) catalysts (4) photographic chemicals, and (5) additives for the fuel/oil industry. These products are sold to approximately 750 customers with no one customer accounting for over 10% of 1997 sales in this category.

This table summarizes the gross sales for this product category:

|                          | 1997     | 1996     | CHANGE     | %<br>CHANGE |
|--------------------------|----------|----------|------------|-------------|
|                          | -----    | -----    | -----      | -----       |
| Specialty Additives..... | \$18,158 | \$22,870 | \$ (4,712) | (21)%       |
| Polymers.....            | 16,664   | 16,084   | 580        | 4           |
| Catalysts.....           | 15,990   | 15,833   | 157        | 1           |
| Photographic.....        | 10,164   | 12,326   | (2,162)    | (18)        |
| Fuel/Oil.....            | 9,573    | 8,519    | 1,054      | 12          |
|                          | -----    | -----    | -----      | -----       |
|                          | \$70,549 | \$75,632 | \$ (5,083) | (7)%        |
|                          | =====    | =====    | =====      | =====       |

Specialty additives decreased 21% due to lower pyridine derivatives, which returned to pre-1996 volume levels. Photographic products decreased 18% due to a major customer reducing volume by one-half of normal levels. Fuel/oil products were up 12% from 1996 because of increases in castor based products used in various lubricating applications and increases of a product used as a hardener for epoxy resins and an additive to lubricating oils.

Polymer Systems: The products in this category are monomers or two component polymer systems for use in small volume, high performance applications. This category consists of four product groups: (1) telecommunications and electronics industries, (2) coatings, (3) high performance engineering plastics, and (4) biomedical. Polymer systems are sold to an estimated 400 customers with no one customer accounting for over 10% of 1997 sales in this category.

This table summarizes the gross sales for this product category:

|                           | 1997     | 1996     | CHANGE     | %<br>CHANGE |
|---------------------------|----------|----------|------------|-------------|
|                           | -----    | -----    | -----      | -----       |
| Telecommunications.....   | \$18,144 | \$18,809 | \$ (665)   | (4)%        |
| Coatings.....             | 17,921   | 19,138   | (1,217)    | (6)         |
| Engineering Plastics..... | 6,179    | 8,179    | (2,000)    | (24)        |
| Biomedical.....           | 4,286    | 5,888    | (1,602)    | (27)        |
|                           | -----    | -----    | -----      | -----       |
|                           | \$46,530 | \$52,014 | \$ (5,484) | (11)%       |
|                           | =====    | =====    | =====      | =====       |

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(dollars in thousands, except share data)

Polymers were all at lower levels than 1996. Telecommunication products were down slightly due to a major customer changing its specification of an encapsulant product, however, the new product is also made by the Company. Engineering plastics decreased 24% due to a major customer losing to a competitor their largest business in producing high performance plastics mainly for the electronics industry. Biomedicals decreased 27% due to management's decision to eliminate products not meeting gross margin goals.

#### MARKETING AND DISTRIBUTION

The Company's active pharmaceutical ingredients and pharmaceutical intermediates are generally high value, low volume products requiring significant technical expertise for their development and manufacture. Marketing generally requires significant cooperative effort between a small highly trained marketing staff, a technical staff who can assess the technical fit and estimate manufacturing economics, and the business management to determine the strategic and business fit. Such a process may take from two to five years before a commercial product is fully established. Because of this long lead time and the complexity of the technical efforts there are usually long-term relationships with major corporations who become significant customers. Sales of established products may be handled by agents in those areas where direct sales efforts are uneconomic.

For the biotechnology category, the Company markets and sells its products in the United States, principally through its own direct sales force, and internationally, principally through an extensive network of independent distributors. The Company directly serves the British and Irish markets through a wholly owned subsidiary, BioWhittaker UK LTD, located outside London.

For other product categories, marketing and distribution is more typical of chemical companies, with products being sold to customers from inventory in volumes ranging from rail cars to five gallon pails. Sales may be handled by Company sales people, distributors or agents as appropriate.

#### RAW MATERIALS

The Company uses a wide array of raw materials in the conduct of its businesses. The Company uses significant amounts of castor oil and compounds derived from petroleum feedstocks in manufacturing a limited number of its products.

The Company believes it is one of the largest purchasers of castor oil in the United States, and has the ability to take delivery and store a large quantity of castor oil on site. Castor oil is used primarily in the manufacture of the Company's polymer systems for coatings and telecommunication applications. Under advantageous market conditions, the Company sells this commodity in bulk quantities as simple castor oil derivatives.

Castor oil, which is not produced in the United States, is an agricultural product, the market price of which is affected by natural factors relating to the castor bean crop from which the oil is produced. Castor oil is produced commercially in a few foreign countries, with India currently being the largest exporter. The Company has been able to obtain adequate supplies of castor oil generally at acceptable prices in the past and expects to be able to continue to do so in the future.

Pyridine, which accounted for 7%, 8% and 8% of gross revenues in 1997, 1996 and 1995, respectively, is produced by the Company by a process involving the high temperature reaction of acetaldehyde, formalin and ammonia. Acetaldehyde is available from two suppliers in North America. The price of acetaldehyde increased approximately 13% during 1997 after decreasing 11% in 1996. Formalin's feedstock is methanol, which experienced increased prices in 1997 over 1996 due in part to market growth for methanol and its derivatives. The continued unscheduled global methanol plant outages also helped feed the price growth in

1997. Ammonia is widely available, and the cost of ammonia decreased by 15% in 1997.

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(dollars in thousands, except share data)

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The Company obtains acetaldehyde and formalin pursuant to long-term supply contracts under which the price for the raw material adjusts to market conditions, with a time lag. The Company sometimes has difficulty passing on price increases to its customers, particularly if the increases are precipitous rather than general.

For the biotechnology products, the Company buys materials from many suppliers and is generally not dependent on any one supplier or group of suppliers. Nonetheless, although there is a well-established market for certain cell culture products, its price is unstable and supplies, at times, could be limited since the availability of these raw materials tend to be cyclical. The Company's supply of these raw materials is generally adequate to meet current demand.

The other key raw materials used by the Company are advanced organic intermediates and generally have been in adequate supply from multiple suppliers.

#### RESEARCH AND DEVELOPMENT

The Company's research and development program is designed to increase the Company's competitiveness through improving its technology and developing processes for the manufacture of new products to meet customer requirements. The goals are to improve the Company's manufacturing processes so as to reduce costs, improve quality and increase capacity; and to identify market opportunities which warrant a significant technical effort, and offer the prospects of a long-term, profitable business relationship. Research and development activities are performed at most of the Company's manufacturing facilities in both the United States and Europe. Nearly 110 employees are involved directly in research and development activities worldwide.

In November, 1995, the Company formed a strategic alliance with Oxford Asymmetry, Ltd. (located near Oxford in the United Kingdom). The Company will commercialize technologies and products developed by Oxford Asymmetry, and provides financial support for their research and development group. The Company will be required to pay royalties to Oxford Asymmetry for any technology licensed.

The Company entered into several research and development agreements in 1997. In February, 1997, the Company signed a cooperative agreement with Albany Molecular Research, Inc. of Albany, New York. The Company will provide Albany Molecular Research financial support to develop processes specifically designed to fit into the Company's cGMP manufacturing facilities. In April, 1997, the Company formed two separate agreements with the Science Applications International Corporation (a.k.a. Zelinsky Institute) to secure the special knowledge and talents of Russian scientists. In May, 1997, the Company formed an alliance with Fine Tech Ltd., of Technicon City, Israel, in which the Company will provide Fine Tech funding over the next three years for process improvement on existing and newly-developed generic drugs to be manufactured in the Company's cGMP facilities.

Although there have been no products brought to market as a result of these alliances and agreements, the company is evaluating several products for possible commercialization. The estimated commitments for the research & development agreements over the next three years is approximately \$3,000.

The Company spent approximately \$10,600, \$9,200 and \$7,500 in 1997, 1996 and 1995, respectively, on research and development efforts. The Company also



incurred a one-time non-cash expense of \$14,000 in 1997 related to the value of in-process research and development efforts underway at the time of the acquisition of BioWhittaker.

#### PATENTS AND TRADEMARKS

The Company has patent protection in some of its product areas. However, the Company relies primarily on know-how in many of its manufacturing processes and techniques not generally known to other chemical companies, for developing and maintaining its market position.

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(dollars in thousands, except share data)

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The Company currently owns approximately 105 United States patents which have various expiration dates beginning in 1998 through 2015 and which cover selected items in each of the Company's major product areas. The Company also owns the foreign equivalent of many of its United States patents. In addition, the Company has applied for patents for various concepts and is in the process of preparing patent applications for other concepts. In conjunction with the acquisition of BioWhittaker, the Company acquired patent and other proprietary rights, which are material to the endotoxin detection products, allergy tests kits and the ELVIS(TM) cell culture products.

The Company has trademarks registered in the United States and a number of foreign countries for use in connection with the Company's products and business. The Company believes that many of its trademarks are generally recognized in its industry. Such trademarks include Naturechem(R), Bufferite(R) and Vitride(R).

The Company requires employees to sign confidentiality and non-compete agreements where appropriate.

#### COMPETITION

In Biotechnology, no one company is known to compete with the Company in all of its product groups, but in each group competition is offered by a number of companies, including, in some cases, firms substantially larger and with greater financial resources than the Company. The markets in which the Company competes are generally concentrated and are highly competitive, with competition centering on product specifications, quality, depth of product line, price, technical support, timely product development and speed of delivery.

Because of the nature of the Company's products in its active pharmaceutical ingredients and pharmaceutical intermediates categories and its strategic approach, it is not possible to identify a group of direct competitors. Where competition exists, it is typically specific to a certain product, or is focused early in the process, when an initial market position is being established. If the Company perceives significant competitive risk and a need for large technical or financial commitment, it generally negotiates long-term contracts or capital guarantees from its targeted customer before proceeding.

Competition for the Company's products other than active pharmaceutical ingredients and pharmaceutical intermediates is more typical of chemical markets. Competition exists from other producers of the Company's products and from other products that may offer equivalent properties. Competition in these areas are generally based on customer service, product quality and pricing.

#### ENVIRONMENTAL AND SAFETY REGULATIONS AND PROCEEDINGS

General: Production of certain of the Company's chemicals involves the use, storage and transportation of toxic and hazardous materials. The Company's operations are subject to extensive international and domestic federal, state

and local laws and regulations relating to the storage, handling, emission, transportation and discharge of materials into the environment and the maintenance of safe conditions in the work place. The Company maintains environmental and industrial safety and health compliance programs at its plants, and believes that its manufacturing operations are in general compliance with all applicable safety, health and environmental laws.

The Company's acquisitions were made subject to known environmental conditions. Also, risks of substantial costs and liabilities are inherent in certain plant operations and certain products produced at the Company's plants because as with other companies engaged in the chemical business, there can be no assurance that significant costs and liabilities will not be incurred. Additionally, prevailing legislation tends to hold chemical companies primarily responsible for the proper disposal of their chemical wastes even after transferal to third party waste disposal facilities. Moreover, other future developments, such as increasingly strict environmental, safety and health laws and regulations, and enforcement policies thereunder, 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.

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(dollars in thousands, except share data)

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Although the Company has no direct operations and conducts its business through subsidiaries, certain legal principles that provide the basis for the assertion against a parent company of liability for the actions of its subsidiaries may support the direct assertion against the Company of environmental liabilities of its subsidiaries.

During January 1997, an opinion was rendered against Cosan Chemical Corporation (a subsidiary of Cambrex) by the United States District Court of New Jersey in a matter that has been pending since 1991. The opinion addressed Cosan's liability for contamination at a site in Clifton, New Jersey which was previously owned and operated by Cosan. In the opinion, Cosan was found liable for past remediation costs in the amount of approximately \$800 plus prejudgment interest on such costs. Additionally, Cosan was found primarily responsible for the future remediation costs for the site. The judge also awarded treble damages on the past costs, prejudgment interest and future costs. To avoid treble damages for future costs, Cosan entered into an Administrative Consent Order with the State to perform a major portion of the future remediation at the site. During 1997, the judge reversed the decision regarding prejudgment interest. Also, during 1997, both Cosan and the plaintiffs appealed various aspects of the decision. In January 1998, the appeals were heard before the United States Court of Appeals for the Third Circuit. A decision has not been rendered. The estimated range of costs for this case have been considered in the Company's reserve assessment.

During November 1997, a settlement was reached between Nepera, Inc. (a subsidiary of the Company), a former owner of the Nepera facility and the original owner of the facility pertaining to past and future costs of remediating two sites. Under the terms of the settlement, the original site owner has placed in escrow approximately \$13,000 to provide for past and future remediation costs at the two sites in exchange for a release from the requirement to clean up the two sites. After certain administrative proceedings, the funds will be placed in a Trust for the benefit of remediating the two sites on behalf of Nepera and the other former site owner. As permitted under the terms of the agreement, Nepera is eligible to recover and has sought to recover \$2,400 of past costs from this settlement which was recognized in the results of operations and a receivable for this amount in the 1997 financial statements. The remaining funds available from this settlement should be sufficient to provide for the future remediation costs for these two sites based upon current estimates of such costs.

Known environmental matters which may result in liabilities to the Company and the related estimates and accruals are summarized in Note #21 to the Cambrex Corporation and Subsidiaries Consolidated Financial Statements.

Present and Future Environmental Expenditures: 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 general 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 approximately \$2,800 in 1997, \$4,800 in 1996, and \$4,000 in 1995 for environmental projects. The Company anticipates that capital requirements will increase in subsequent years as a result of the Clean Air Act Amendments and other pending environmental laws. Additionally, 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 expenditures will most likely 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, 1997 the Company had 1,790 employees worldwide (567 of whom were from our international operations) compared with 1,292 employees at December 31, 1996 and 1,336 at December 31, 1995.

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(dollars in thousands, except share data)

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All hourly plant employees at the Bayonne, New Jersey facility are represented by Local 8-406 of the Oil, Chemical and Atomic Workers International Union under a contract expiring September 17, 2001; the hourly plant employees at the Carlstadt, New Jersey plant are represented by the Amalgamated Industrial Union of East Orange, New Jersey under a contract expiring November 30, 2000; and the hourly plant employees at the Harriman, New York facility are represented by Local 810 of the International Brotherhood of Teamsters under a contract expiring June 30, 1998. Nordic and Profarmaco production, administration, scientific and technical employees are represented by various local and national unions. The contracts with these unions expire at various times through December 31, 1998. The Company believes its labor relations are satisfactory, and will begin negotiations for the renewal of contracts expiring in 1998.

#### SEASONALITY

Like many other businesses in the specialty chemicals industry, the Company experiences some seasonality. Operating results for any quarter, however, are not necessarily indicative of results for any future period. In particular, as a result of various factors such as acquisitions and plant shutdowns, the Company believes that period-to-period comparisons of its operating results should not be relied upon as an indication of future performance.

#### EXPORT AND INTERNATIONAL SALES

The Company exports numerous products to various areas, principally Western Europe, Asia and Latin America. Export sales from the Company's domestic operations in 1997, 1996 and 1995 amounted to \$48,852, \$50,243, and \$50,608, respectively. Sales from international operations were \$152,079 in 1997, \$151,466 in 1996 and \$144,883 in 1995. Refer to Note #19 to the Cambrex Corporation and Subsidiaries Consolidated Financial Statements.

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(dollars in thousands, except share data)

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## ITEM 2 -- PROPERTIES.

Set forth below is information relating to the Company's manufacturing facilities:

| LOCATION               | ACREAGE   | OPERATING<br>SUBSIDIARY | PRODUCT LINES MANUFACTURED  |
|------------------------|-----------|-------------------------|---|
| -----                  | -----     | -----                   | -----   |
| Bayonne, NJ            | 8 acres   | CasChem                 | Pharmaceutical intermediates; Performance enhancers; Polymer systems  |
| Carlstadt, NJ          | 3 acres   | Cosan                   | Performance enhancers; Polymer systems  |
| Harriman, NY           | 29 acres  | Nepera                  | Pharmaceutical intermediates; Organic intermediates; Performance enhancers                                    |
| Delaware Water Gap, PA | 12 acres  | Heico                   | Active pharmaceutical ingredients; Pharmaceutical intermediates; Performance enhancers; Polymer systems       |
| North Haven, CT        | 4 acres   | Humphrey                | Pharmaceutical intermediates; Performance enhancers   |
| Charles City, IA       | 57 acres  | Salsbury                | Active pharmaceutical ingredients; Pharmaceutical intermediates; Organic intermediates; Performance enhancers |
| Zeeland, MI            | 14 acres  | Zeeland                 | Pharmaceutical intermediates; Performance enhancers   |
| Walkersville, MD       | 116 acres | BioWhittaker            | Biotechnology   |
| Middlesbrough, England | 12 acres  | Seal Sands              | Pharmaceutical intermediates; Organic intermediates; Performance enhancers; Polymer systems                   |
| Karlskoga, Sweden      | 42 acres  | Nordic                  | Active pharmaceutical ingredients; Pharmaceutical intermediates; Organic intermediates; Performance enhancers |
| Paullo (Milan), Italy  | 13 acres  | Profarmaco              | Active pharmaceutical ingredients   |

The Company owns all the above facilities and properties, with the exception of the twelve acre tract it leases in Middlesbrough, England. In addition, the Company owns thirty-one acres of undeveloped land adjacent to the North Haven facility, one hundred and three acres of undeveloped land adjacent to the Harriman facility, sixty-six acres of undeveloped land adjacent to the Zeeland facility and eighty-one acres used as grazing fields for the Company's animals in Walkersville, Maryland. The Company believes its facilities to be in good condition, well maintained and adequate for its current needs.

Most of the Company's products are manufactured in multi-purpose facilities. Each product has a unique requirement for equipment, and occupies such equipment for varying amounts of time. This, combined with the variations in demand for individual products, makes it difficult to estimate actual overall capacity subject to regulatory approval. It is generally possible to transfer the manufacturing of a particular product to another facility should capacity constraints dictate. However, the Company's pyridine and arsenical feed additive product groups are each manufactured at a single facility, and production of such products would not be transferable to another site.

The Company plans to continue to expand capacity to meet growing needs by process improvements and construction of new facilities where needed.

## ITEM 3 -- LEGAL PROCEEDINGS.

See "Environmental and Safety Regulations and Proceedings" under Item 1 hereof with respect to various proceedings involving the Company in connection with environmental matters. The Company is party to a number of other proceedings. Management is of the opinion that while the ultimate liability resulting from those proceedings, as well as environmental matters, may have a material effect upon the results of operations

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(dollars in thousands, except share data)

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in any given year, they will not have a material adverse effect upon the Company's liquidity nor its financial position.

ITEM 4 -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 10 -- EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table lists the executive officers of the Company and the chief operating officers of the Company's operating subsidiaries:

| NAME<br>----               | AGE<br>--- | OFFICE(1)<br>-----  |
|----------------------------|------------|---|
| James A. Mack.....         | 60         | President and Chief Executive Officer   |
| Peter Tracey.....          | 56         | Executive Vice President-Corporate Development  |
| Douglas H. MacMillan.....  | 51         | Vice President, Chief Financial Officer   |
| Peter E. Thauer.....       | 58         | Vice President-Law & Environment, General Counsel & Corporate Secretary                               |
| Steven M. Klosk.....       | 40         | Executive Vice President-Administration   |
| Claes Glassell.....        | 46         | Vice President-Cambrex, President, International  |
| Salvatore J. Guccione..... | 35         | Vice President-Corporate Development  |
| Ronnie D. Carroll.....     | 57         | Vice President-Technology   |
| Rudi E. Moerck.....        | 51         | President of Salsbury Chemicals, Inc., President of Fine Chemicals Group                              |
| John J. Stanulonis.....    | 51         | Vice President and General Manager of Heico Chemicals, Inc. and The Humphrey Chemical Company, Inc.   |
| Thomas N. Bird.....        | 53         | President of Nepera, Inc.   |
| Robert M. Parlman.....     | 47         | Vice President and General Manager of Zeeland Chemicals, Inc.   |
| John V. Van Hulle.....     | 40         | President of CasChem, Inc. and Cosan Chemical Corporation, President of the Specialty Chemicals Group |
| Noel L. Buterbaugh.....    | 65         | President of BioWhittaker, Inc.   |
| Cyril C. Baldwin, Jr.....  | 70         | Chairman of the Board   |

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(1) Unless otherwise indicated, positions shown are with the Company.

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

Mr. Mack has been Chief Executive Officer since Mr. Baldwin's retirement on April 1, 1995. Mr. Mack was appointed President and Chief Operating Officer and a director of the Company in February 1990. For five years prior thereto he was Vice President in charge of the worldwide Performance Chemicals businesses of Olin Corporation, a manufacturer of chemical products, metal products, and ammunition and defense-related products. Mr. Mack was Executive Vice President of Oakite Products, Inc. from 1982 to 1984. Prior to joining Oakite, he held various positions with The Sherwin-Williams Company, most recently as President and General Manager of the Chemicals Division from 1977 to 1981. Mr. Mack is a past Chairman of the Board of Governors of the Synthetic Organic Chemical Manufacturing Association and is a member of the Board of Trustees of the Michigan Tech Alumni Fund.

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Mr. Tracey announced his retirement effective December 31, 1997, and now serves as an advisor to the CEO. Mr. Tracey was appointed Executive Vice President-Corporate Development in April 1997. Mr. Tracey was appointed Executive Vice President and Chief Financial Officer in November 1994. Mr. Tracey joined the Company in November 1990 as Vice President and Chief Financial Officer. For three years prior to joining Cambrex, he was Vice President-Finance and Chief Financial Officer for Joyce International Inc., a manufacturer of office products. From 1986 to 1987, he was Vice President-Finance and Chief Financial Officer for Robotic Vision Systems, Inc., a manufacturer of industrial automation systems. Prior to 1986, Mr. Tracey was a principal in the firm of Sirius Management Consultants.

Mr. MacMillan was appointed Vice President and Chief Financial Officer in April 1997. He was most recently Vice President, Chief Financial Officer for Morgan Products, Ltd., a manufacturer and distributor of building products traded on the New York Stock Exchange. Prior to his work with Morgan Products, he was Chief Financial Officer of Varlen Corporation, a manufacturer of petroleum analysis and automotive and scientific instruments.

Mr. Thauer was appointed Vice President-Law & Environment in December 1992, and General Counsel and Corporate Secretary in August 1989. From 1987 until he joined Cambrex, he was Counsel to the business and finance group of the firm of Crummy, Del Deo, Dolan, Griffinger and Vecchione. From 1971 to 1987, Mr. Thauer had held various positions with Avon Products, Inc., including U. S. Legal Department Head and Corporate Assistant Secretary.

Mr. Klosk was appointed Executive Vice President-Administration in October 1996. Mr. Klosk joined the Company in October 1992 as Vice President, Administration. From February 1988 until he joined Cambrex, he was Vice President, Administration and Corporate Secretary for The Genlyte Group, Inc., a lighting fixture manufacturer. From 1985 to January 1988, he was Vice President, Administration for Lightolier, Inc., a subsidiary of The Genlyte Group, Inc.

Mr. Glassell was appointed President, International in November 1997. Mr. Glassell was appointed Vice President of Cambrex in November 1994. As Managing Director and President of Cambrex Limited, he is responsible for Cambrex's European operations. After extensive management experience at Nordic and Profarmaco, he joined Cambrex as a result of the 1994 acquisition of Nordic and Profarmaco. In 1989, he joined Nordic as President and CEO for Nordic's Chemistry Business. From 1986 to 1989, he worked for the agricultural division of Berol Europe Ltd.

Mr. Guccione joined the Company in December 1995 as Vice President-Corporate Development. Prior to joining the Company, from 1993 to 1995, he held the position of Vice President and General Manager of the International Specialty Products (ISP) Personal Care Division. He also served as Director of Corporate Development for ISP.

Dr. Carroll joined the Company in September 1997 as Vice President-Technology. Mr. Carroll had been with Bristol-Myers Squibb for 14 years, most recently as Vice President, Chemical Development for Bristol-Myers Squibb Technical Operations. Prior to working for Bristol-Myers Squibb, Dr. Carroll was with Pfizer, Inc. in Groton, CT.

Dr. Moerck was appointed President of the Fine Chemicals Group in November 1997. Mr. Moerck joined the Company in September 1996 as President of Salsbury Chemicals, Inc. From 1994 to 1996 he held executive positions with Harris Specialty Chemicals. From 1990 to 1994 he was Vice President, Marketing, Sales and Applied Research with Troy Corporation. From 1979 to 1990 he held various managerial positions with Degussa Corporation.

Dr. Stanulonis joined the Company in April 1996 as Vice President and General Manager of Heico Chemicals, Inc. and The Humphrey Chemical Company. From

1995 until he joined Cambrex, he was Vice President, Marketing for Novan International, Inc. From 1988 to 1994 he was General Manager of CWM

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(dollars in thousands, except share data)

Chemicals Services, Inc., and from 1980 to 1987 he held various management positions with Harshaw/Filtrol Partnership.

Mr. Bird joined the Company in June 1997, as President of Nepera, Inc. Mr. Bird was previously President of the consulting firm of Bavier, Bulgar and Goodyear since 1994. Prior to that, Mr. Bird maintained various vice presidential positions with Commercial Intertech Corporation in their Fluid Purification Group.

Dr. Parlman joined the Company as Vice President and General Manager of Zeeland Chemicals, Inc. in March 1994. Prior to such time, he was Vice President and General Manager of the Tretolite Division of Petrolite. Dr. Parlman has extensive experience in market development and research and development.

Mr. Van Hulle was appointed President of the Specialty Chemicals Group in November 1997. Mr. Van Hulle was appointed President of CasChem, Inc. and Cosan Chemical Corporation in December 1994. He joined CasChem in July 1994 as Executive Vice President. For more than five years prior thereto he was General Manager of the Fine Chemicals Group for General Chemical Corporation, and had extensive experience with Air Products & Chemicals, Inc.

Mr. Buterbaugh has been with the Company since October 1997 and has been President of BioWhittaker since 1979 and CEO since 1992. Mr. Buterbaugh has had extensive experience in the biotechnology industry, as well as managing at a New York Stock Exchange company and overseeing several acquisitions and divestitures.

Mr. Baldwin has been Chairman of the Board since July 1991, and a director of the Company since it began business in December 1981. On January 26, 1995, Mr. Baldwin announced his retirement, effective April 1, 1995, as Chief Executive Officer of the Company, a position he also held since December 1981. Mr. Baldwin retired as an employee of the Company effective April 30, 1995. He is a member of the Environmental and Governance Committees of the Company's Board of Directors, and he is a director of Church & Dwight Co., Inc. and Congoleum Corporation.

PART II

ITEM 5 -- MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Since November 15, 1990, the Company's Common Stock, \$.10 par value, has been traded on the American Stock Exchange (AMEX) under the symbol CBM. The Common Stock previously had been quoted on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System. Effective March 5, 1998 the Company will be listed on the New York Stock Exchange (NYSE), continuing under the symbol CBM. The following table sets forth the closing high and low sales prices of the Common Stock as reported on AMEX:

|                     | HIGH     | LOW    |
|---------------------|----------|--------|
|                     | ----     | ----   |
| 1997                |          |        |
| First Quarter.....  | \$38 1/8 | \$32   |
| Second Quarter..... | 39 3/4   | 32 7/8 |
| Third Quarter.....  | 52 7/16  | 39 5/8 |

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(dollars in thousands, except share data)

|                     | HIGH<br>---- | LOW<br>---- |
|---------------------|--------------|-------------|
| 1996*               |              |             |
| First Quarter.....  | \$31 3/4     | \$25 7/8    |
| Second Quarter..... | 34 1/8       | 28 1/4      |
| Third Quarter.....  | 34 1/8       | 29 7/8      |
| Fourth Quarter..... | 34 1/2       | 29 3/4      |

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\* Share and per share data reflect adjustments for a three-for-two stock split in the form of a 50% stock dividend paid in July, 1996.

As of March 13, 1998, the Company estimates that there were approximately 2,410 beneficial holders of the outstanding Common Stock of the Company.

The quarterly dividend on common stock was \$.05 per share for 1997 and 1996.

ITEM 6 -- SELECTED FINANCIAL DATA.

The following selected consolidated financial data of the Company for each of the years in the five year period ended December 31, 1997 are derived from the audited financial statements. The consolidated financial statements of the Company as of December 31, 1997 and December 31, 1996 and for each of the years in the three year period ended December 31, 1997 and the accountants' reports thereon are included elsewhere in this annual report. The data presented below should be read in conjunction with the financial statements of the Company and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

|   | YEARS ENDED DECEMBER 31,                       |           |           |           |           |
|---|--|-----------|-----------|-----------|-----------|
|   | 1997 (1) (2)                                   | 1996      | 1995      | 1994 (3)  | 1993 (4)  |
|   | -----<br>(IN THOUSANDS, EXCEPT PER-SHARE DATA) |           |           |           |           |
| <b>INCOME DATA:</b>                                     |  |           |           |           |           |
| Gross sales.....  | \$380,083                                      | \$369,479 | \$368,070 | \$249,683 | \$203,308 |
| Net revenues.....                                       | 374,215  | 359,385   | 357,176   | 241,634   | 197,203   |
| Gross profit.....                                       | 113,962  | 101,336   | 99,780    | 57,881    | 51,778    |
| Selling, general and administrative.....                | 52,688   | 45,879    | 47,751    | 31,216    | 29,286    |
| Research and development.....                           | 10,600   | 9,183     | 7,526     | 5,689     | 5,843     |
| Non-recurring in-process R&D charge.....                | 14,000   | --        | --        | --        | --        |
| Operating profit.....                                   | 36,674   | 46,274    | 44,503    | 20,976    | 16,649    |
| Interest expense, net.....                              | 5,330  | 5,799     | 10,508    | 4,581     | 2,771     |
| Other (income) expense, net.....                        | (1,263)  | (194)     | 2,779     | (497)     | 446       |
| Income before taxes.....                                | 32,607   | 40,669    | 31,216    | 16,892    | 13,412    |
| Net income.....   | 17,776   | 28,225    | 19,670    | 11,126    | 8,641     |
| <b>EARNINGS PER SHARE DATA*:</b>                        |  |           |           |           |           |
| Earnings per common share and common share equivalents: |  |           |           |           |           |
| Basic.....  | \$ 1.50  | \$ 2.43   | \$ 2.06   | \$ 1.41   | \$ 1.16   |
| Diluted.....  | \$ 1.46  | \$ 2.37   | \$ 1.96   | \$ 1.31   | \$ 1.11   |
| Weighted average shares                                 |  |           |           |           |           |



|                                  |         |         |         |         |         |
|----------------------------------|---------|---------|---------|---------|---------|
| outstanding:                     |         |         |         |         |         |
| Basic.....                       | 11,814  | 11,608  | 9,539   | 7,875   | 7,442   |
| Diluted.....                     | 12,210  | 11,896  | 10,053  | 8,511   | 7,923   |
| DIVIDENDS PER COMMON SHARE*..... | \$ 0.20 | \$ 0.17 | \$ 0.13 | \$ 0.13 | \$ 0.13 |

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(dollars in thousands, except share data)  
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|  | YEARS ENDED DECEMBER 31, |      |      |          |          |
|--|--------------------------|------|------|----------|----------|
|  | 1997 (1) (2)             | 1996 | 1995 | 1994 (3) | 1993 (4) |

(IN THOUSANDS, EXCEPT PER-SHARE DATA)

|                                 |           |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| BALANCE SHEET DATA:             |           |           |           |           |           |
| (at end of period)              |           |           |           |           |           |
| Working capital.....            | \$116,743 | \$ 62,912 | \$ 69,865 | \$ 19,925 | \$ 38,497 |
| Total assets.....               | 552,426   | 404,444   | 402,553   | 360,477   | 166,845   |
| Long-term obligations.....      | 194,325   | 60,152    | 99,643    | 115,975   | 36,261    |
| Total stockholders' equity..... | 225,954   | 229,045   | 189,484   | 101,966   | 87,569    |

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- (1) Includes the results of BioWhittaker, Inc. from the date of acquisition effective October, 1997.
- (2) Includes the non-recurring charge for in-process research and development associated with the acquisition of BioWhittaker.
- (3) Includes the results of Seal Sands, Nordic and Profarmaco from their respective dates of acquisition, January 31, 1994 and October 12, 1994, through December 31, 1994.
- (4) Includes the results of Viscosity Oil's fiber optic gel business from March 12, 1993, the date of acquisition, through December 31, 1993.

\* Share and per share data reflect adjustments for a three-for-two stock split in the form of a 50% stock dividend paid in July, 1996. All earnings per share calculations reflect the adoption of SFAS No. 128, "Earnings per Share."

ITEM 7 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from the selected consolidated financial information as a percentage of gross sales.

|  | YEARS ENDED DECEMBER 31, |        |        |
|--|--------------------------|--------|--------|
|  | 1997                     | 1996   | 1995   |
| Gross sales.....                         | 100.0%                   | 100.0% | 100.0% |
| Net revenues.....                        | 98.5                     | 97.3   | 97.0   |
| Gross profit.....                        | 30.0                     | 27.4   | 27.1   |
| Selling, general and administrative..... | 13.9                     | 12.4   | 13.0   |
| Research and development.....            | 2.8                      | 2.5    | 2.0    |
| Non-recurring in-process R&D charge..... | 3.6                      | --     | --     |

|                                  |       |       |      |
|----------------------------------|-------|-------|------|
| Operating profit.....            | 9.6   | 12.5  | 12.1 |
| Interest expense.....            | 1.4   | 1.6   | 2.9  |
| Other (income) expense, net..... | (0.3) | (0.1) | 0.8  |
| Net income.....                  | 4.7   | 7.6   | 5.3  |

The Company's product mix has changed over the periods indicated, principally due to the BioWhittaker acquisition and management's continued focus on higher value pharmaceutical products. The following tables show the gross sales of the Company's six product categories, in dollars and as a percentage of the Company's total gross sales for the years ended December 31, 1997, 1996 and 1995, as well as the gross profit by product category for 1997, 1996 and 1995.

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(dollars in thousands, except share data)

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|  | YEARS ENDED DECEMBER 31, |           |           |
|--|--------------------------|-----------|-----------|
|  | 1997                     | 1996      | 1995      |
| GROSS SALES                            |                          |           |           |
| Biotechnology.....                     | \$ 13,577                | \$ --     | \$ --     |
| Active Pharmaceutical Ingredients..... | 103,962                  | 97,582    | 96,827    |
| Pharmaceutical Intermediates.....      | 74,694                   | 71,202    | 69,097    |
| Organic Intermediates.....             | 70,771                   | 73,049    | 77,792    |
| Performance Enhancers.....             | 70,549                   | 75,632    | 69,973    |
| Polymer Systems.....                   | 46,530                   | 52,014    | 54,381    |
| Total Gross Sales.....                 | \$380,083                | \$369,479 | \$368,070 |
| Total Net Revenues.....                | \$374,215                | \$359,385 | \$357,176 |
| Total Gross Profit.....                | \$113,962                | \$101,336 | \$ 99,780 |

|  | YEARS ENDED DECEMBER 31, |        |        |
|--|--------------------------|--------|--------|
|  | 1997                     | 1996   | 1995   |
| GROSS SALES DISTRIBUTION               |                          |        |        |
| Biotechnology.....                     | 3.5%                     | --%    | --%    |
| Active Pharmaceutical Ingredients..... | 27.3                     | 26.4   | 26.3   |
| Pharmaceutical Intermediates.....      | 19.7                     | 19.3   | 18.8   |
| Organic Intermediates.....             | 18.6                     | 19.8   | 21.1   |
| Performance Enhancers.....             | 18.7                     | 20.5   | 19.0   |
| Polymer Systems.....                   | 12.2                     | 14.0   | 14.8   |
|  | 100.0%                   | 100.0% | 100.0% |

1997-1996 GROSS SALES & GROSS PROFIT BY PRODUCT CATEGORY

|  | 1997           |                    |                   |
|--|----------------|--------------------|-------------------|
|  | GROSS<br>SALES | GROSS<br>PROFIT \$ | GROSS<br>PROFIT % |
| Biotechnology.....                     | \$ 13,577      | \$ 6,696           | 49.3%             |
| Active Pharmaceutical Ingredients..... | 103,962        | 42,794             | 41.2%             |
| Pharmaceutical Intermediates.....      | 74,694         | 18,761             | 25.1%             |
| Organic Intermediates.....             | 70,771         | 10,362             | 14.6%             |
| Performance Enhancers.....             | 70,549         | 20,238             | 28.7%             |
| Polymer Systems.....                   | 46,530         | 15,111             | 32.5%             |
|  | -----          | -----              | -----             |
|  | \$380,083      | \$113,962          | 30.0%             |
|  | =====          | =====              | =====             |

|  | 1996           |                    |                   |
|--|----------------|--------------------|-------------------|
|  | GROSS<br>SALES | GROSS<br>PROFIT \$ | GROSS<br>PROFIT % |
| Biotechnology.....                     | \$ --          | \$ --              | --%               |
| Active Pharmaceutical Ingredients..... | 97,582         | 32,063             | 32.9%             |
| Pharmaceutical Intermediates.....      | 71,202         | 15,824             | 22.2%             |
| Organic Intermediates.....             | 73,049         | 15,046             | 20.6%             |
| Performance Enhancers.....             | 75,632         | 24,066             | 31.8%             |
| Polymer Systems.....                   | 52,014         | 14,337             | 27.6%             |
|  | -----          | -----              | -----             |
|  | \$369,479      | \$101,336          | 27.4%             |
|  | =====          | =====              | =====             |

(dollars in thousands, except share data)

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#### 1997 COMPARED TO 1996

Gross sales in 1997 were \$10,604 above 1996. Increases in active pharmaceutical ingredients and pharmaceutical intermediates were offset by lower sales in our organic intermediates, performance enhancers, and polymer systems product categories. Biotechnology sales (from the acquisition of BioWhittaker in the fourth quarter 1997) were \$13,577.

The effect of foreign currency exchange rates on gross sales for the year resulted in a reduction in sales of \$8,551 compared to 1996. Gross sales for 1997 would have been \$388,634 using 1996 exchange rates compared to 1996 sales of \$369,479.

BIOTECHNOLOGY sales of \$13,577 are from BioWhittaker since the date of acquisition. Their products include cell culture and endotoxin detection products.

ACTIVE PHARMACEUTICAL INGREDIENTS of \$103,962 were \$6,380 (7%) above 1996. Increases in the gastrointestinal products of \$3,229, endocrine of \$2,576, cardiovascular product group of \$1,985 and central nervous system of \$1,825 more than offset decreases in respiratory of \$1,748 and the other active ingredients of \$1,487.

Gastrointestinal active ingredients were \$34,732, an increase of \$3,229 (10%) from 1996. This increase is mainly attributable to the introduction of a

new generic product in the Japanese market used as an anti-ulcerative, which resulted in new product sales of \$6,264 in 1997.

Cardiovascular active ingredients were \$23,791, an increase of \$1,985 (9%) from 1996. The key products in this total included Diltiazem Hcl, Amiodarone Hcl, Isosorbide-5-mononitrate, Sotalol Hcl and Acebutolol Hcl. The increase is mainly due to the sales of Isosorbide-5-mononitrate, used as a vasodilator in pretreatments, which had strong volume growth in 1997.

Respiratory actives were \$7,661, a decrease of \$1,748 (19%) from 1996. The key product in this category is Cromoglycate sodium, which, after very high 1996 levels, decreased to historical sales levels.

Central nervous system active ingredients of \$10,634 were \$1,825 (21%) above 1996. Increases occurred in several of the 23 products making up this group.

Endocrine actives were \$10,014, a \$2,576 (35%) increase from 1996, as a result of a favorable mix of products and customers.

Other active ingredients were \$17,130, a decrease of \$1,487 (8%) from 1996, and included items for anti-inflammatory, diuretics, anti-infective, immunology and various other uses. Sales of ketoprofen (a generic anti-inflammatory) decreased \$1,058 due to lower volume development as the result of price pressure.

PHARMACEUTICAL INTERMEDIATES of \$74,694 were \$3,492 above 1996 (5%). Other pharmaceutical intermediates increased \$4,695, cosmetic products increased \$2,207, and health products increased \$1,266, offsetting the decreases in X-Ray Media of \$4,676.

Health products of \$20,814 increased by \$1,266 (6%) from 1996 in various products, including a modifier for food starch and another intermediate for a new molecular compound in cooperation with a major ethical pharmaceutical company.

X-ray Media products, which include 5 NIPA compounds, of \$16,876 decreased \$4,676 (22%) due to a major customer changing their formulation and thus reduced demand in 1997. The customer has switched to another x-ray media product that the Company also manufactures.

Cosmetic products of \$8,816 were \$2,207 (33%) above 1996 due to higher sales of several smaller products manufactured and sold to the European market.

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(dollars in thousands, except share data)

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Other Pharmaceutical Intermediates of \$28,188 increased \$4,695 (20%) due to the effect of sales of an advanced intermediate of a new protease inhibitor for AIDS treatment, and the manufacture of Amino-pyridine used in a variety of pharmaceutical products.

ORGANIC INTERMEDIATES of \$70,771 were \$2,278 below 1996 (3%). The Crop Protection category decreased \$1,501 and pigments decreased \$522. Feed Additives was at the same level as 1996.

Feed additives of \$29,634 were consistent with 1996 levels. The decision to exit a low margin poultry feed additive was offset by increased feed grade Vitamin B3 sales.

Crop protection intermediates of \$30,170 decreased \$1,501 (5%) from 1996. The decrease was due to the unusual amount of a pyridine derivative used in the manufacture of herbicides shipped in 1996 under a renegotiated contract. The shipments in 1997 returned to normal levels. Pyridine, which is the largest

product in crop protection, was at 1996 levels.

Pigments intermediates of \$10,967 decreased \$522 (5%) from 1996. Continued gain in market share of PNBA, a pigment used in dyes and UV protection agents, was offset by reduced demand for 4,3-CNBA, used in dyestuffs and pigments for pharmaceuticals, whose main customer for this product changed supplier and is now sourcing from the Far East.

PERFORMANCE ENHANCERS of \$70,549 were \$5,083 below 1996 (7%). Specialty additives decreased \$4,712 and photographic products decreased \$2,162. Polymer products increased \$580 from 1996, Catalysts increased \$157 and fuel/oil products increased \$1,054.

Specialty additives of \$18,158 decreased \$4,712 (21%) from 1996. The key decrease was due to pyridine derivatives returning to pre-1996 sales as the result of decreased demand in the Asian market.

Polymer products of \$16,664 increased \$580 (4%) over 1996. The increase was due to a wider usage of a crosslinking agent to improve the performance of polycarbonate resins by a major customer, as well as to increases in antioxidants with continued growth in the U.S. markets.

Photographic products of \$10,164 decreased \$2,162 (18%) from 1996 due to the expected reduction in volume by one-half of normal levels from a customer.

Fuel/oil products of \$9,572 increased \$1,053 (12%) from 1996. The increase was in castor based products used in various lubricating applications and increased sales of K-12, used as a hardener for epoxy resins and an additive to lubricating oils.

POLYMER SYSTEMS of \$46,530 were \$5,484 below 1996 (11%). All product categories decreased with telecommunications \$665, coatings \$1,217, engineering plastics \$2,000, and biomedical down \$1,602.

Telecommunications of \$18,144 decreased \$665 (4%) from 1996 primarily as a result of a major customer's decision to change their specification of an encapsulant product. The Company also makes the new product, but it took some time for customers to reduce existing inventories.

Coatings of \$17,921 decreased \$1,217 (6%) from 1996 due to reduced sales of low margin castor based products as a result of management's decision to focus on higher margin products.

Biomedical of \$4,286 decreased \$1,602 (27%) from 1996 due to a management decision to eliminate products not meeting gross margin goals.

Engineering plastics of \$6,179 decreased \$2,000 (24%) from 1996 due to a major customer losing to a competitor their largest market of a product used in producing high performance plastics mainly used in the electronics industry.

Export sales from U.S. businesses were at \$48,852 compared with \$50,243 in 1996. International sales, comprised of all sales from our operations in Europe, totaled \$152,079 as compared with \$151,466 in 1996.

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(dollars in thousands, except share data)

Total gross profit in 1997 increased to \$113,962, resulting in a higher gross margin percentage of 30.0% of gross sales compared with 27.4% in 1996. The gross margin increase was due to an improved product mix of sales to include higher pharmaceutical actives and intermediates, production efficiencies, and increased plant throughput, in line with management's continued focus on higher performing, more profitable product lines. Excluding the BioWhittaker acquisition, the gross margin would have been 29.3%.

Selling, general and administrative expenses as a percentage of gross sales were 13.8% in 1997, up from 12.4% in 1996. The 1997 expense of \$52,688 was \$6,809 (15%) above 1996 primarily due to addition of BioWhittaker in the fourth quarter 1997 and incremental expenses associated with tax planning strategies. Expenses were reduced by a \$2,400 recovery of previously incurred environmental costs as a result of a settlement with a prior owner of one of the Company's operating facilities.

The Company conducts periodic reviews of its environmental and litigation matters, prepares estimates of the range of potential future costs of each matter wherever possible, and adjusts the accruals for environmental contingencies as circumstances warrant. No adjustments were made to this reserve in 1997.

Research and development expenses of \$10,600 were 2.8% of gross sales in 1997, and represented a 15% increase from 1996. A portion of this increase was due to costs associated with the Albany Molecular contract and the addition of BioWhittaker.

As previously announced in November 1997, Cambrex recorded a charge of \$14,000 in the fourth quarter 1997 for the value of in-process research and development at the time of the acquisition of BioWhittaker, Inc. which was completed on October 3, 1997. This charge, which is consistent with pharmaceutical industry practice, reflects the recognition of the value of the continuing efforts to develop new products in the biotechnology marketplace. These research and development projects were not commercially viable and had no alternative future use at the date of acquisition. Management intends to continue funding these projects, which will permit BioWhittaker to maintain its market leadership position.

The operating profit in 1997 was \$36,674, including the non-recurring charge for in-process research and development of \$14,000, versus \$46,274 in 1996. Excluding the charge, operating profit would have been \$50,674.

Net interest expense of \$5,330 in 1997 reflected a decrease of \$469 (8%) from 1996. The decrease was due to an average interest rate in 1997 of 6.84% compared to 7.4% in 1996 offset by the additional borrowings used to finance the BioWhittaker acquisition combined with an increase in the average outstanding debt.

Other income in 1997 was \$1,263 compared with \$194 in 1996. Other income included a gain of \$954 on the settlement of an intercompany foreign denominated loan. Additionally, 1997 other income included the final resolution and receipt of the settlement proceeds due from the 1996 premature termination of a contract by the customer of \$766, offset by a charge of \$507 for the settlement of a legal matter reached during the year.

The provision for income taxes for 1997 resulted in an effective rate of 45.5%, which includes the \$14,000 non-recurring charge for in-process research and development, versus 30.6% in 1996. The effective tax rate in 1997 would have been 31.8% excluding the \$14,000 charge, which is not deductible for tax purposes. The 1997 effective tax rate is the result of continued tax planning efforts to minimize the impact of foreign taxes. In 1996, the Company recorded a \$1,500 reversal of tax reserves as a result of a settlement with the Internal Revenue Service related to audits for the years 1988 through 1991.

The Company's net income in 1997 was \$17,776, including \$14,000 for the non-recurring charge for in-process research and development, compared to \$28,225 in 1996. Excluding this charge, net income in 1997 would have been \$31,776.

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(dollars in thousands, except share data)

1996 COMPARED TO 1995

Gross sales in 1996 were at the same level as 1995. Increases in performance enhancers and pharmaceutical intermediates were offset by lower sales in our organic intermediates and polymer systems product categories. Active pharmaceutical ingredients were at the same level as 1995.

ACTIVE PHARMACEUTICAL INGREDIENTS of \$97,582 were at the same level as 1995. Increases in the cardiovascular product group of \$1,577 and respiratory bulk actives of \$2,458 offset decreases in gesture-intestinal of \$425, anti-inflammatory bulk actives of \$377 and the other bulk actives of \$2,384.

Gastro-intestinal active ingredients were \$31,503, a decrease of \$425 (1%) from 1995. This decrease is mainly attributable to Sulfasalazine/Mesalamine, used to treat ulcerative colitis, as a major customer had high inventories in the last quarter of 1995 and did not reorder until the second quarter 1996.

Cardiovascular active ingredients were \$21,806, an increase of \$1,577 (8%) from 1995. The key products in this total included Diltiazem Hcl, Amiodarone Hcl, Isosorbide-5-mononitrate, Sotalol Hcl and Acebutolol Hcl. The increase is mainly due to the sales of Amiodarone Hcl, used as an anti-arithmetic, in new countries as well as to new customers in 1996.

Respiratory actives were \$9,409, an increase of \$2,458 (35%) from 1995. The key product in this category is Cromoglycate sodium which had increased 66% due to increased demand in U.S. markets.

Central nervous system active ingredients of \$8,809 were at the same level as 1995, and included Bromazepan, Alprazolam and Lorazepam among 19 products.

Anti-inflammatory active ingredients were \$7,966, a \$377 (5%) decrease from 1995. Included among 12 products are Ketoprofen, Magnesium Salicyliate (for backache formulas) and Naproxen sodium.

Other active ingredients were \$18,089, a decrease of \$2,384 (12%) from 1995, and included items for endocrine, diuretics, anti-infective, immunology and various other uses. One product decreased \$1,132 due to a lack of availability of raw materials for production in 1996, but is expected to return to 1995 levels in 1997.

PHARMACEUTICAL INTERMEDIATES of \$71,202 were \$2,105 above 1995 (3%). Cosmetic products increased \$198 and X-Ray Media products increased \$3,180, offsetting the decreases in Other Pharmaceutical Intermediates of \$818 and Health products of \$455.

Health products of \$19,548 decreased by \$455 (2%) from 1995 in various products, including Niacinamide USP and Pyridine.

X-Ray Media products, which include 5 NIPA compounds, of \$21,552 increased \$3,180 (17%) with the largest increase (\$2,067) from one of our U.S. facilities, due to a shift in production by a major customer in 1996 from Europe to the U.S.

Cosmetic products of \$6,609 were \$198 (3%) above 1995 due to higher sales of our proprietary Naturechem product line.

Other Pharmaceutical Intermediates of \$23,493 decreased \$818 (3%) due to the effect of the loss of the PMPA contract and reduced demand for dextromethorphan intermediates (used in over-the-counter cough suppressants), offset by the initial sales of an advanced intermediate of a new protease inhibitor for AIDS treatment.

ORGANIC INTERMEDIATES of \$73,049 were \$4,743 below 1995 (6%). The feed additives category decreased \$7,498 and offset the increases in crop protection of \$1,217 and pigments of \$1,538.

Feed additives of \$29,889 decreased \$7,498 (20%) due to reduced pricing and increased competition in the feed grade Vitamin B3 markets. Sales of

organo-arsenical feed additives, the largest product in feed additives, was down 7% from 1995 due to escalated grain prices and increased price competition to end-users.

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(dollars in thousands, except share data)

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Crop protection intermediates of \$31,671 increased \$1,217 (4%) from 1995. The increase was due to the renegotiation of a contract for a pyridine derivative used in the manufacture of herbicides in the first quarter 1996. However, Pyridine, which is the largest product in crop protection, was down from 1995, due to a major customer purchasing at 1993 levels after two years (1994 and 1995) at above contract levels.

Pigments intermediates of \$11,489 increased \$1,538 (15%) from 1995, due to the gain in market share of PNBA, a pigment used in dyes and UV protection agents.

PERFORMANCE ENHANCERS of \$75,632 were \$5,659 above 1995 (8%). Specialty additives increased \$6,660, photographic products increased \$129 and polymer products increased \$362 from 1995. Catalysts decreased \$1,152 and fuel/oil products decreased \$340.

Specialty additives of \$22,870 increased \$6,660 (41%) from 1995. The key increase was the sales of pyridine derivatives to world markets and customers not previously served.

Catalysts products of \$15,833 decreased \$1,152 (7%) from 1995. This decrease is primarily attributable to lower demand for various catalysts sold by one of our U.S. facilities in the dextromethorphan markets.

Polymer products of \$16,084 increased \$362 (2%) over 1995. The increase was a crosslinking agent to improve the performance of polycarbonate resins, due to wider usage of the product by a major customer.

Photographic products of \$12,326 increased \$129 (1%) from 1995 due to a customer requiring additional inventory of a polymer used in instant film in the first quarter 1996.

Fuel/oil products of \$8,519 decreased \$340 (4%) from 1995. The decrease was in castor based products used in grease applications.

POLYMER SYSTEMS of \$52,014 were \$2,367 below 1995 (4%), Telecommunications decreased \$4,901 and was partially offset by coatings which increased \$1,564, and biomedical products of \$884. Engineering plastics were at the same level as 1995.

Telecommunications of \$18,809 decreased \$4,901 (21%) from 1995 primarily as a result of the Company's strategic decision to no longer provide product to AT&T.

Coatings of \$19,138 increased \$1,564 (9%) from 1995 due to the sales of castor based products to a major coatings manufacturer.

Biomedical products of \$5,888 increased \$884 from 1995 due to both increased demand of end-use products and increased pricing.

Export sales from U.S. businesses were at \$50,243 compared with \$50,608 in 1995. International sales, comprised of all sales from our operations in Europe, totaled \$151,466 as compared with \$144,883 in 1995.

During 1996, the PMPA contract with our U.S. facility in Zeeland, Michigan was terminated prematurely by the customer. A settlement had been agreed upon that entitles the Company to payments in 1996 and for the next three years. Accordingly, the Company recognized income, net of related costs, of



approximately \$1,100 during 1996.

Total gross profit in 1996 increased to \$101,336, resulting in a higher gross margin percentage of 27.4% of gross sales compared with 27.1% in 1995. The gross margin increase was due to an improved product mix of sales, production efficiencies, and increased plant throughput, in line with management's continued focus on higher performing, more profitable product lines.

Selling, general and administrative expenses as a percentage of gross sales were 12.4% in 1996, down from 13.0% in 1995. The 1996 expense of \$45,879 was \$1,872 (4%) below 1995 primarily due to lower legal and environment costs. Such reductions are the result of recoveries from third parties and reserve reversals that exceeded our outlays related to remediation programs in 1996.

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(dollars in thousands, except share data)

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The Company conducts periodic reviews of its environmental and litigation matters, prepares estimates of the range of potential future costs of each matter wherever possible, and adjusts the accruals for environmental contingencies as circumstances warrant. In 1996, this accrual was reduced by \$1,000 to reflect our remaining estimated exposure.

Research and development expenses of \$9,183 were 2.5% of gross sales in 1996, and represented a 22% increase from 1995. A portion of this increase was due to costs associated with the Oxford Asymmetry contract of \$1,000.

The operating profit in 1996 increased to \$46,274 from \$44,503 in 1995 due to the improved gross margins and the aforementioned reductions in selling, general and administrative expenses.

Net interest expense of \$5,799 in 1996 reflected a decrease of \$4,709 (45%) from 1995. The decrease was due to strong cash flow and to the decreased outstanding debt as a result of the equity offering in mid-1995. The interest rate in 1996 was 7.4% compared to 7.7% in 1995.

Other income in 1996 was \$194 compared with other expense of \$2,779 in 1995. The difference included 1996 foreign currency transaction gains versus currency losses in 1995.

The provision for income taxes for 1996 resulted in an effective rate of 30.6% versus 37.0% in 1995. The Company recorded a \$1,500 reversal of tax reserves as a result of a settlement with the Internal Revenue Service related to audits for the years 1988 through 1991. During January 1997, the Company implemented tax strategies which, based upon projected domestic and international taxable income, should have a favorable impact on the effective tax rate for 1997 and beyond. However, actual results could differ in the event of changes in tax regulations or deviations in projections.

The Company's net income increased 43.5% to \$28,225 compared with a net income of \$19,670 in 1995 primarily due to increased margins and reduced selling, general and administrative expenses and interest.

1995 COMPARED TO 1994

Gross sales in 1995 increased \$118,387 (48%) over 1994. Increases occurred in all phases of the business with key increases in active pharmaceutical ingredients which added \$73,053 and pharmaceutical intermediates \$20,236.

ACTIVE PHARMACEUTICAL INGREDIENTS of \$96,827 were \$73,053 above 1994. Nordic/Profarmaco increased \$72,869. The sales of Magnesium Salicyliate (the active ingredient in backache formulas) accounted for the rest of the increase \$416.

Gastro-intestinal active ingredients were \$31,928. This category is mainly Sulfasalazine/Mesalamine, made in bulk in the U.S. and at Nordic, which are used to treat ulcerative colitis.

Cardiovascular active ingredients were \$20,229. The key products in this total included Diltiazem Hcl, Isosorbide-5-mononitrate, Sotalol Hcl and Acebutolol Hcl.

Endocrine active ingredients were \$8,919 and included two key items -- Glipizide and Clormadinone.

Central nervous system active ingredients were \$8,903 and included Bromazepam and Lorazepam among 20 products.

Anti-inflammatory active ingredients were \$8,343 and include among 15 products, Ketoprofen, Magensium Salicyliate (for backache formulas) and Pranoprofen.

Other active ingredients were \$18,505 and included items for respiratory system, diuretics, anti-infective, immunology and various other uses. All had higher sales than 1994 due to the Nordic/Profarmaco acquisition.

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(dollars in thousands, except share data)

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PHARMACEUTICAL INTERMEDIATES of \$69,097 were \$20,236 above 1994 (41%). Nordic/Profarmaco increased \$17,270 and excluding the Nordic/Profarmaco increase: Health decreased \$1,661; Cosmetic decreased \$2,967; X-Ray Media increased \$1,339; and Other Pharmaceutical Intermediates increased \$6,255.

Health products of \$20,003 increased \$172 with Nordic increasing \$1,833 and all Other Business decreasing \$1,661 due to two discontinued product lines (Citrates \$913 and Hydrogels \$1,922) partially offset by higher Pyridine sales of \$939.

X-Ray Media products, which include 5 NIPA compounds of \$18,372, increased \$13,038 with Nordic increasing \$11,699 and all other businesses increasing \$1,339.

Cosmetic products of \$6,411 decreased \$2,967 from 1994 due to sale of the Wickhen product line in 1994 (\$2,700 in reduced sales).

Other Pharmaceutical Intermediates of \$24,311 increased \$9,993 with Nordic increasing \$3,738 and all the other businesses increasing \$6,255. This increase was due to sales of the two intermediates used in the formulation of dextromethorphan, an over-the-counter cough suppressant (\$4,951 increase), and Mandelic Acid (\$1,702 increase).

ORGANIC INTERMEDIATES of \$77,792 were \$13,320 above 1994 (21%). Nordic increased \$9,515 in this category. Excluding the effect of Nordic, crop protection intermediates increased \$3,104 and feed additives increased \$701. The pigment intermediates were all Nordic business.

Feed additives of \$37,387 increased \$632 due in part to improved pricing of feed grade Vitamin B3. Sales of organo-arsenical feed additives, the largest product in feed additives, remained at 1994 levels.

Crop protection intermediates of \$30,454 increased \$5,169 from 1994. The increase was due to greater off-take of pyridine derivatives used in the manufacture of herbicides. Pyridine, which is the largest product in crop protection, was at the 1994 level.

Pigments intermediates of \$9,951 increased \$7,519 from 1994 due to the full year effect of the Nordic acquisition. These intermediates are used in various

industrial products including inks, dyes and color additives.

PERFORMANCE ENHANCERS of \$69,973 were \$10,763 above 1994 (18%). Nordic increased \$4,579. Excluding the Nordic increase: photographic products decreased \$127 from 1994 levels; catalysts increased \$965; specialty additives increased \$1,618; fuel/oil products increased \$996; and polymer products increased \$2,732.

Specialty additives of \$18,241 increased \$3,978 from 1994. This includes Nordic's sales increase of \$2,360. Other increases include castor oil based products.

Catalysts products of \$16,985 increased \$3,128 from 1994. This increase includes Nordic's added sales of \$2,163 and increases in various other catalysts of \$965.

Polymer products of \$15,722 increased \$2,788 over 1994. The key increases were products used as a crosslinking agent to improve the performance of polycarbonate resins, as a dye receptor in acrylic fibers for textiles, and an anti-oxidant used in plastics.

Photographic products of \$10,166 decreased \$127 from 1994 mainly due to reduced sales of a polymer used in instant film, due to a customer continuing to reduce inventory levels in 1995. (Refer to the 1994 Form 10-K).

Fuel/oil products of \$8,859 increased \$996 over 1994. Key increase was in various alkenyl succinic anhydrides (ASA's) used in rust inhibitors, and fuel and oil detergents.

POLYMER SYSTEMS of \$54,381 were \$1,013 above 1994. Engineering plastics increased \$2,970 from 1994 and helped to offset reductions in coatings of \$657 and telecommunications of \$1,320. Biomedicals of \$5,004 were at the same level as 1994.

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(dollars in thousands, except share data)

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Telecommunications of \$23,710 decreased \$1,320 from 1994 due to reduced encapsulant sales. This reduction was the result of good weather, and declining applications, as domestic customers replace cable lines with fiber optics.

Coatings of \$17,574 decreased \$657 from 1994 due to reduced sales to paint manufacturers.

Engineering plastics of \$8,093 increased \$2,970 from 1994. This increase was due to the growing demand for a product used in high performance polysulfone engineering plastics in electronic and industrial applications, such as computer and television screens, and automobile parts.

Export sales from U.S. businesses increased to \$50,608 from \$44,135 in 1994. International sales, comprised of all sales from our acquired operations in Europe, totaled \$144,883 as compared with \$34,803 in 1994.

Total gross profit of \$99,780 increased by \$41,899, or 72.4%, from 1994. This was due to the increased sales and higher gross margin percentage which increased to 27.1% of gross sales from 23.2% in 1994. The gross margin increase was due to an improved product mix of sales, reduced cost for major raw materials which affected the 1994 margin, and price increases gained in 1995.

Selling, general and administrative expenses as a percentage of gross sales was 13.0% in 1995, up from 12.5% in 1994. The 1995 expense of \$47,751 was \$16,535 (53.0%) above 1994. The increased operating expenses of acquisitions made in 1994 accounted for most of the increase. Other increases included bonus accruals of \$1,400.

Periodically, the Company conducts a comprehensive review of its environmental and litigation issues, prepares estimates of the range of potential costs of each issue wherever possible, and adjusts the accruals for environmental contingencies as circumstances warrant. There were no provisions made in 1995 or 1994. A discussion of such matters is included in the footnotes to the financial statements.

Research and development expenses were 2.0% of gross sales in 1995, and represented a 0.3% decrease from 1994. Research and development spending increased to \$7,526 from \$5,689 in 1994. The 1994 acquisitions accounted for all of this increase.

The operating profit in 1995 increased 112% to \$44,503 from \$20,976 in 1994. The increased operating profits were due to the full year effect of 1994 acquisitions and to increased gross margins.

Net interest expense of \$10,508 in 1995 reflected an increase of \$5,927 from 1994. The increase was due to \$138,000 in financing activities necessary for the acquisitions of Seal Sands and Nordic/Profarmaco. Additionally, the interest rate in 1995 was 7.7% compared to 6.2% in 1994.

The provision for income taxes for 1995 resulted in an effective rate of 37.0% versus 34.1% in 1994. The rate increased due to the mix of income between international and domestic subsidiaries.

Other expense in 1995 was \$2,779 compared with other income of \$497 in 1994. The difference included 1995 currency losses at Nordic and Profarmaco, as well as the writedowns of the carrying value of equipment no longer in use.

The Company's net income increased 76.8% to \$19,670 compared with a net income of \$11,126 in 1994.

#### LIQUIDITY AND CAPITAL RESOURCES

Net cash flow from operations was \$52,579 for the year ended December 31, 1997 compared with \$66,785 in 1996. The decrease in cash flow is primarily due to increased inventories, as well as decreased income taxes payable due to the timing of foreign tax payments, and payments made during 1997 for the favorable settlement reached with the Internal Revenue Service at the end of 1996.

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(dollars in thousands, except share data)

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Capital expenditures were \$35,935 in 1997, \$32,396 in 1996, and \$46,398 in 1995. The largest expenditures in 1997 were for new business projects including the construction of pilot plants at Salsbury Chemicals and Zeeland Chemicals which incorporate cGMP capabilities. These facilities have begun actual production in the fourth quarter of 1997. Other expenditures were mostly for plant upgrades, including additional batch still capabilities at our Harriman facility.

On September 16, 1997, the Company entered into a new five year Credit Agreement (the "Agreement") with a bank group headed by The Chase Manhattan Bank as Administrative Agent and The First National Bank of Chicago as Documentation Agent. The bank group has a total of 13 domestic banks and 7 international banks. The Agreement provides the Company with a \$400,000 borrowing facility. The new Agreement replaces the previously existing Revolving Credit Agreement with NBD Bank, N.A.

The Company has pledged 66% of the common stock of the Company's foreign subsidiaries as collateral. The Agreement permits the Company to choose between various interest rate options. Under the Agreement, the interest rate options available to the Company are: (a) U.S. Prime rate or (b) LIBOR plus the applicable margin (ranging from .225% of 1% to .5% of 1%) or (c) Competitive Bid

at a LIBOR Rate Borrowing or a Fixed Rate Borrowing to be determined by auction. The applicable margin is adjusted based upon the Funded Indebtedness to Cash Flow Ratio of the Company. Additionally, the Company pays a commitment fee of between .15% to .25% on the entire portion of the Agreement.

On September 18, 1997, the Company utilized \$60,000 of the Agreement in order to repay the then outstanding balance under the previously existing Revolving Credit Agreement. On September 30, 1997, the Company borrowed \$126,000 to finance the acquisition of the outstanding common stock of BioWhittaker. Of this amount, \$116,000 was utilized on September 30, 1997 to acquire the 93% of BioWhittaker shares which had been tendered at that date. The Company subsequently utilized the remaining portion to finance the acquisition of the remaining 7% of BioWhittaker on October 3, 1997.

The undrawn borrowing availability under the Agreement as of December 31, 1997 was \$207,400. There is \$192,600 outstanding as of December 31, 1997. Management is of the opinion that these amounts, together with cash flows from operations, are adequate for meeting the company's operating, financing and capital requirements.

On July 24, 1995, the Company raised \$62,572 in a public offering, which was used to pay down outstanding debt (\$50,000 short-term bridge loan, \$12,572 long-term) under the old credit agreement.

Effective July 24, 1996, the Board of Directors approved a three-for-two split of the Company's Common Stock, \$.10 par value, in the form of a 50% stock dividend for holders of record on July 8, 1996.

After giving effect to a three-for-two stock split approved by the Company's Board of Directors on July 24, 1996, the Company paid cash dividends of \$0.17 per share in 1996. A regular cash dividend has been declared by the Board of Directors on the Company's Common Stock since the fourth quarter, 1989.

The Company buys materials and sells products in a variety of currencies in various parts of the world. Its results are therefore impacted by changes in the relative value of currencies in which it deals. Prior to the acquisition of Nordic and Profarmaco in October, 1994, this risk was not considered to be significant and the Company had no program to mitigate foreign currency risk.

The Company's primary market risk relates to exposure to foreign currency exchange rate fluctuations on transactions entered into by our foreign operations which are primarily denominated in the U.S. dollar, Deutsche mark and British pound sterling. The Company currently uses foreign currency forward exchange and has used put and call option contracts in the past to mitigate the effect of short-term foreign exchange rate movements on the Company's operating results. The notional amount of these contracts is \$42,829 which the Company estimates to be approximately 56% of the foreign currency exposure during the period covered resulting in a deferred currency loss of \$122 at December 31, 1997. An additional \$3,597 of the foreign currency exposure is protected through export financing.

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(dollars in thousands, except share data)

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#### ENVIRONMENTAL

The Company maintains environmental and industrial safety and health compliance programs at its plants, and believes that its manufacturing operations are in general compliance with all applicable safety, health and environmental laws.

Through the activities of its predecessors and third parties in connection with the handling and disposal of hazardous and other wastes, the Company may become liable, irrespective of fault, for certain site remediation costs under

federal and state environmental statutes. Descriptions of such environmentally related contingencies are presented in Note #21 to the consolidated financial statements and incorporated herein by reference.

During January 1997, an opinion was rendered against Cosan Chemical Corporation (a subsidiary of Cambrex) by the United States District Court of New Jersey in a matter that has been pending since 1991. The opinion addressed Cosan's liability for contamination at a site in Clifton, New Jersey which was previously owned and operated by Cosan. In the opinion, Cosan was found liable for past remediation costs in the amount of approximately \$800 plus prejudgment interest on such costs. Additionally, Cosan was found primarily responsible for the future remediation costs for the site. The judge also awarded treble damages on the past costs, prejudgment interest and future costs. To avoid treble damages for future costs, Cosan entered into an Administrative Consent Order with the State to perform a major portion of the future remediation at the site. During 1997, the judge reversed the decision regarding prejudgment interest. Also, during 1997, both Cosan and the plaintiffs appealed various aspects of the decision. In January 1998, the appeals were heard before the United States Court of Appeals for the Third Circuit. A decision has not been rendered. The estimated range of costs for this case have been considered in the Company's reserve assessment.

During November 1997, a settlement was reached between Nepera, Inc. (a subsidiary of the Company), a former owner of the Nepera facility and the original owner of the facility pertaining to past and future costs of remediating two sites. Under the terms of the settlement, the original site owner has placed in escrow approximately \$13,000 to provide for past and future remediation costs at the two sites in exchange for a release from the requirement to clean up the two sites. After certain administrative proceedings, the funds will be placed in a Trust for the benefit of remediating the two sites on behalf of Nepera and the other former site owner. As permitted under the terms of the agreement, Nepera is eligible to recover and has sought to recover \$2,400 of past costs from this settlement which was recognized in the results of operations and a receivable for this amount in the 1997 financial statements. The remaining funds available from this settlement should be sufficient to provide for the future remediation costs for these two sites based upon current estimates of such costs.

The resolution of such matters often spans several years and frequently involves regulatory oversight and/or adjudication. Additionally, many remediation requirements are not fixed and are likely to be affected by future technological, site and regulatory developments. Consequently, the ultimate extent of liabilities with respect to such matters as well as the timing of related cash disbursements cannot be determined with certainty. However, management is of the opinion that while the ultimate liability resulting from these matters may have a material effect upon the results of operations in any given year, they will not have a material adverse effect upon the Company's liquidity nor its financial position.

#### IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" requires that comprehensive income and its components be reported in the financial statements. The Company is required to adopt this standard in 1998 and is currently evaluating this standard.

Statement of Financial Accounting Standards No. 131 "Disclosures About Segments of an Enterprise and Related Information" requires that publicly traded companies report financial and descriptive information about its reportable operating segments. The Company is required to adopt this standard in 1998 and is currently evaluating the impact of this standard.

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(dollars in thousands, except share data)

Statement of Financial Accounting Standards No. 132 "Employers' Disclosures About Pensions and Other Postretirement Benefits" changes current financial statement disclosure requirements from those that were required under Financial Accounting Standard No. 87, "Employers' Accounting for Pensions," Financial Accounting Standard No. 88, "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefit Other Pensions." The Company is required to adopt this standard in 1998 and is currently evaluating this standard.

The Company is in the process of implementing new information and transaction systems which are year 2000 compliant. The implementation at all current Company sites is anticipated to be completed by the end of 1998.

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<br>(IN THIS REPORT)<br>----- |
|--|--|
| Report of Independent Accountants.....   | 28                                       |
| Consolidated Balance Sheets as of December 31, 1997 and<br>1996.....   | 29                                       |
| Consolidated Income Statements for the Years Ended December<br>31, 1997,<br>1996 and 1995.....               | 36                                       |
| Consolidated Statements of Stockholders' Equity for the<br>Years Ended December 31, 1997, 1996 and 1995..... | 31                                       |
| Consolidated Statements of Cash Flows for the Years Ended<br>December 31, 1997, 1996 and 1995.....           | 32                                       |
| Notes to Consolidated Financial Statements.....  | 33                                       |
| <br>   |  |
| Consolidated Quarterly Financial Data (unaudited) for the<br>Years Ended December 31, 1997 and 1996.....     | 58                                       |

The consolidated financial statements and financial statement schedule are filed pursuant to Item 14 of this report.

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(dollars in thousands, except share data)  
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors  
of Cambrex Corporation:

We have audited the accompanying consolidated balance sheets of Cambrex Corporation and Subsidiaries (the "Company") as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows and the consolidated financial statement schedule for each of the three years in the period ended December 31, 1997, as listed in Item 14(a) of this Form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cambrex Corporation and Subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. In addition, in our opinion, the consolidated financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Parsippany, New Jersey  
January 16, 1998

CAMBREX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

|   | DECEMBER 31, |           |
|---|--------------|-----------|
|   | 1997         | 1996      |
|   | -----        | -----     |
| Current assets:   |              |           |
| Cash and cash equivalents.....  | \$ 21,469    | \$ 7,353  |
| Receivables:  |              |           |
| Trade accounts, less allowance for doubtful accounts of<br>\$1,705 and \$1,453 at respective dates..... | 55,733       | 52,910    |
| Other.....  | 6,150        | 3,840     |
|   | -----        | -----     |
|   | 61,883       | 56,750    |
| Inventories, net.....   | 91,733       | 64,209    |
| Deferred tax assets.....  | 5,947        | 5,009     |
| Prepaid expenses and other current assets.....  | 3,622        | 3,541     |
|   | -----        | -----     |
| Total current assets.....   | 184,654      | 136,862   |
| Property, plant and equipment, net.....   | 237,342      | 216,481   |
| Intangible assets, net.....   | 127,003      | 49,573    |
| Other assets.....   | 3,427        | 1,528     |
|   | -----        | -----     |
| Total assets.....   | \$552,426    | \$404,444 |
|   | =====        | =====     |

LIABILITIES AND STOCKHOLDERS' EQUITY

|   |           |           |
|---|-----------|-----------|
| Current liabilities:                          |           |           |
| Accounts payable and accrued liabilities..... | \$ 58,471 | \$ 54,754 |
| Income taxes payable.....                     | 4,857     | 8,085     |
| Short-term debt.....                          | 3,597     | 3,880     |



|  |           |           |
|--|-----------|-----------|
| Current portion of long-term debt.....   | 986       | 7,231     |
|  | -----     | -----     |
| Total current liabilities.....   | 67,911    | 73,950    |
| Long-term debt.....  | 194,325   | 60,152    |
| Deferred tax liabilities.....  | 43,436    | 21,587    |
| Other noncurrent liabilities.....  | 20,800    | 19,710    |
|  | -----     | -----     |
| Total liabilities.....   | 326,472   | 175,399   |
| Commitments and contingencies  |           |           |
| Stockholders' equity:  |           |           |
| Common Stock, \$.10 par value; issued 12,967,287 and<br>12,769,175 shares at respective dates..... | 1,295     | 1,275     |
| Additional paid-in capital.....  | 154,406   | 149,191   |
| Retained earnings.....   | 96,027    | 80,608    |
| Additional minimum pension liability.....  | --        | (553)     |
| Treasury stock, at cost; 1,040,561 and 1,049,895 shares at<br>respective dates.....                | (9,458)   | (9,449)   |
| Shares held in trust, at cost; 180,277 and 132,126 shares<br>at respective dates.....              | (1,275)   | (718)     |
| Cumulative translation adjustment.....   | (15,041)  | 8,691     |
|  | -----     | -----     |
| Total stockholders' equity.....  | 225,954   | 229,045   |
|  | -----     | -----     |
| Total liabilities and stockholders' equity.....  | \$552,426 | \$404,444 |
|  | =====     | =====     |

See accompanying notes to consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS  
(IN THOUSANDS, EXCEPT PER-SHARE DATA)

|  | YEARS ENDED DECEMBER 31, |           |           |
|--|--------------------------|-----------|-----------|
|  | 1997                     | 1996      | 1995      |
|  | -----                    | -----     | -----     |
| Gross sales.....   | \$380,083                | \$369,479 | \$368,070 |
| Net revenues.....  | 374,215                  | 359,385   | 357,176   |
| Cost of goods sold.....  | 260,253                  | 258,049   | 257,396   |
|  | -----                    | -----     | -----     |
| Gross profit.....  | 113,962                  | 101,336   | 99,780    |
| Selling, general and administrative.....                             | 52,688                   | 45,879    | 47,751    |
| Research and development.....  | 10,600                   | 9,183     | 7,526     |
| Non-recurring in-process R&D charge.....                             | 14,000                   | --        | --        |
|  | -----                    | -----     | -----     |
| Operating profit.....  | 36,674                   | 46,274    | 44,503    |
| Other (income) expenses  |                          |           |           |
| Interest income.....   | (238)                    | (353)     | (638)     |
| Interest expense.....  | 5,568                    | 6,152     | 11,146    |
| Other -- net.....  | (1,263)                  | (194)     | 2,779     |
|  | -----                    | -----     | -----     |
| Income before income taxes.....                                      | 32,607                   | 40,669    | 31,216    |
| Provision for income taxes.....                                      | 14,831                   | 12,444    | 11,546    |
|  | -----                    | -----     | -----     |
| Net income.....  | \$ 17,776                | \$ 28,225 | \$ 19,670 |
|  | =====                    | =====     | =====     |
| Earnings per share of common stock and common stock<br>equivalents*: |                          |           |           |
| Basic.....   | \$ 1.50                  | \$ 2.43   | \$ 2.06   |
| Diluted.....   | \$ 1.46                  | \$ 2.37   | \$ 1.96   |

Weighted average shares outstanding\*:

|              |        |        |        |
|--------------|--------|--------|--------|
| Basic.....   | 11,814 | 11,608 | 9,539  |
| Diluted..... | 12,210 | 11,896 | 10,053 |

\* Share and per share data reflect adjustments for a three-for-two stock split in the form of a 50% stock dividend paid in July, 1996. All earnings per share calculations reflect the adoption of SFAS No. 128, "Earnings per Share."

See accompanying notes to consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

|   | COMMON STOCK     |                       | NONVOTING<br>COMMON<br>STOCK<br>(PAR \$.10) | ADDITIONAL<br>PAID-IN<br>CAPITAL | RETAINED<br>EARNINGS | ADDITIONAL<br>MINIMUM<br>PENSION<br>LIABILITY | TREASURY<br>STOCK |
|---|------------------|-----------------------|---|----------------------------------|----------------------|---|-------------------|
|   | SHARES<br>ISSUED | PAR VALUE<br>(\$ .10) |   |                                  |                      |   |                   |
| Balance at December 31, 1994.....                         | 6,078,781        | \$ 607                | \$ --                                       | \$ 73,673                        | \$35,935             | \$ --   | \$(9,690)         |
| Net income.....   |                  |                       |   |                                  | 19,670               |   |                   |
| Cash dividends at \$0.13 per share.....                   |                  |                       |   |                                  | (1,289)              |   |                   |
| Exercise of stock options.....                            | 392,050          | 39                    |   | 2,755                            |                      |   |                   |
| Tax benefit of stock options<br>exercised.....            |                  |                       |   | 2,721                            |                      |   |                   |
| Shares issued in public offering.....                     | 1,725,000        | 172                   |   | 62,400                           |                      | (750)   |                   |
| Additional minimum pension liability....                  |                  |                       |   |                                  |                      |   |                   |
| Shares issued under savings plan.....                     |                  |                       |   | 904                              |                      |   | 530               |
| Adjustment for foreign currency<br>translation.....       |                  |                       |   |                                  |                      |   |                   |
| Balance at December 31, 1995.....                         | 8,195,831        | \$ 818                | \$ --                                       | \$142,453                        | \$54,316             | \$(750)                                       | \$(9,160)         |
| Net income.....   |                  |                       |   |                                  | 28,225               |   |                   |
| Cash dividends at \$0.17 per share.....                   |                  |                       |   |                                  | (1,933)              |   |                   |
| Exercise of stock options.....                            | 334,650          | 33                    |   | 4,677                            |                      |   | (856)             |
| Tax benefit of stock options<br>exercised.....            |                  |                       |   | 1,406                            |                      |   |                   |
| Reduction of additional minimum pension<br>liability..... |                  |                       |   |                                  |                      | 197   |                   |
| Shares issued to Board of Directors....                   |                  |                       |   | 87                               |                      |   | 62                |
| Shares issued under savings plan.....                     |                  |                       |   | 992                              |                      |   | 505               |
| Three-for-two stock split.....                            | 4,238,694        | 424                   |   | (424)                            |                      |   |                   |
| Adjustment for foreign currency<br>translation.....       |                  |                       |   |                                  |                      |   |                   |
| Balance at December 31, 1996.....                         | 12,769,175       | \$1,275               | \$ --                                       | \$149,191                        | \$80,608             | \$(553)                                       | \$(9,449)         |
| Net income.....   |                  |                       |   |                                  | 17,776               |   |                   |
| Cash dividends at \$0.20 per share.....                   |                  |                       |   |                                  | (2,357)              |   |                   |
| Exercise of stock options.....                            | 198,112          | 20                    |   | 3,555                            |                      |   | (201)             |
| Tax benefit of stock options<br>exercised.....            |                  |                       |   | 718                              |                      |   |                   |
| Reduction of additional minimum pension<br>liability..... |                  |                       |   |                                  |                      | 553   |                   |
| Shares issued to Board of Directors....                   |                  |                       |   | 134                              |                      |   | 54                |
| Shares issued under savings plan.....                     |                  |                       |   | 808                              |                      |   | 138               |
| Adjustment for foreign currency<br>translation.....       |                  |                       |   |                                  |                      |   |                   |
| Balance at December 31, 1997.....                         | 12,967,287       | \$1,295               | \$ --                                       | \$154,406                        | \$96,027             | \$ --   | \$(9,458)         |

|   | SHARES           | CUMULATIVE                | TOTAL                   |
|---|------------------|---------------------------|-------------------------|
|   | HELD IN<br>TRUST | TRANSLATION<br>ADJUSTMENT | STOCKHOLDERS'<br>EQUITY |
| Balance at December 31, 1994.....                         | \$ --            | \$ 1,441                  | \$101,966               |
| Net income.....   |                  |                           | 19,670                  |
| Cash dividends at \$0.13 per share.....                   |                  |                           | (1,289)                 |
| Exercise of stock options.....                            |                  |                           | 2,794                   |
| Tax benefit of stock options<br>exercised.....            |                  |                           | 2,721                   |
| Shares issued in public offering.....                     |                  |                           | 62,572                  |
| Additional minimum pension liability....                  |                  |                           | (750)                   |
| Shares issued under savings plan.....                     |                  |                           | 1,434                   |
| Adjustment for foreign currency<br>translation.....       |                  | 366                       | 366                     |
| Balance at December 31, 1995.....                         | \$ --            | \$ 1,807                  | \$189,484               |
| Net income.....   |                  |                           | 28,225                  |
| Cash dividends at \$0.17 per share.....                   |                  |                           | (1,933)                 |
| Exercise of stock options.....                            | (718)            |                           | 3,136                   |
| Tax benefit of stock options<br>exercised.....            |                  |                           | 1,406                   |
| Reduction of additional minimum pension<br>liability..... |                  |                           | 197                     |
| Shares issued to Board of Directors....                   |                  |                           | 149                     |
| Shares issued under savings plan.....                     |                  |                           | 1,497                   |
| Three-for-two stock split.....                            |                  |                           |                         |
| Adjustment for foreign currency<br>translation.....       |                  | 6,884                     | 6,884                   |
| Balance at December 31, 1996.....                         | \$ (718)         | \$ 8,691                  | \$229,045               |
| Net income.....   |                  |                           | 17,776                  |
| Cash dividends at \$0.20 per share.....                   |                  |                           | (2,357)                 |
| Exercise of stock options.....                            | (557)            |                           | 2,817                   |

|  |           |            |           |
|--|-----------|------------|-----------|
| Tax benefit of stock options exercised.....            |           | 718        |           |
| Reduction of additional minimum pension liability..... |           | 553        |           |
| Shares issued to Board of Directors.....               |           | 188        |           |
| Shares issued under savings plan.....                  |           | 946        |           |
| Adjustment for foreign currency translation.....       | (23,732)  |            | (23,732)  |
| Balance at December 31, 1997.....                      | \$(1,275) | \$(15,041) | \$225,954 |

See accompanying notes to consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

|   | YEARS ENDED DECEMBER 31, |           |           |
|---|--------------------------|-----------|-----------|
|   | 1997                     | 1996      | 1995      |
| Cash flows from operations:   |                          |           |           |
| Net income.....   | \$ 17,776                | \$ 28,225 | \$ 19,670 |
| Depreciation and amortization.....  | 31,122                   | 28,493    | 24,961    |
| Non-recurring in-process R&D charge.....                                    | 14,000                   | --        | --        |
| Recognition of reimbursement for past environmental costs.....              | (2,400)                  | --        | --        |
| Gain realized on settlement of intercompany foreign denominated loan.....   | (954)                    | --        | --        |
| Provision for inventories.....  | 2,489                    | 1,099     | 3,052     |
| Reversal of tax contingencies.....  | --                       | (1,500)   | --        |
| Reversal of environmental contingencies.....                                | --                       | (1,000)   | --        |
| Deferred income taxes.....  | 4,236                    | 1,721     | 751       |
| Loss on disposal of property, plant and equipment.....                      | --                       | --        | 1,562     |
| Changes in assets and liabilities (net of assets and liabilities acquired): |                          |           |           |
| Receivables, net.....   | 2,321                    | 1,205     | (4,296)   |
| Inventories.....  | (8,815)                  | 6,284     | (9,952)   |
| Prepaid expenses and other current assets.....                              | 323                      | 1,663     | (1,409)   |
| Accounts payable and accrued liabilities.....                               | (5,418)                  | (6,199)   | 8,013     |
| Income taxes payable.....   | (2,792)                  | 6,620     | 958       |
| Other noncurrent assets and liabilities.....                                | 691                      | 174       | 1,254     |
| Net cash provided from operations.....                                      | 52,579                   | 66,785    | 44,564    |
| Cash flows from investing activities:                                       |                          |           |           |
| Capital expenditures.....   | (35,935)                 | (32,396)  | (46,398)  |
| Acquisition of businesses (net of cash acquired).....                       | (128,916)                | --        | --        |
| Other investing activities.....   | --                       | (1,345)   | (2,038)   |
| Net cash (used in) investing activities.....                                | (164,851)                | (33,741)  | (48,436)  |
| Cash flows from financing activities:                                       |                          |           |           |
| Dividends.....  | (2,357)                  | (1,933)   | (1,289)   |
| Net increase (decrease) in short-term debt.....                             | 370                      | (1,025)   | (47,663)  |
| Long-term debt activity (including current portion):                        |                          |           |           |
| Borrowings.....   | 235,900                  | 44,000    | 73,884    |
| Repayments.....   | (109,649)                | (80,599)  | (90,257)  |
| Proceeds from the issuance of common stock.....                             | 3,575                    | 6,116     | 65,367    |
| Proceeds from the sale of treasury stock.....                               | 933                      | 790       | 1,434     |
| Net cash provided from (used in) financing activities.....                  | 128,772                  | (32,651)  | 1,476     |
| Effect of exchange rate changes on cash.....                                | (2,384)                  | 2,119     | (1,850)   |
| Net increase (decrease) in cash and cash equivalents.....                   | 14,116                   | 2,512     | (4,246)   |
| Cash and cash equivalents at beginning of year.....                         | 7,353                    | 4,841     | 9,087     |
| Cash and cash equivalents at end of year.....                               | \$ 21,469                | \$ 7,353  | \$ 4,841  |

|   | =====     | =====    | =====     |
|---|-----------|----------|-----------|
| Supplemental disclosure:                                |           |          |           |
| Interest paid (net of capitalized interest).....        | \$ 5,275  | \$ 6,859 | \$ 12,254 |
| Income taxes paid.....                                  | \$ 13,344 | \$ 3,695 | \$ 5,321  |
| Noncash transactions:                                   |           |          |           |
| Additional minimum pension liability (eliminated from)  |           |          |           |
| charged to stockholders' equity.....                    | \$ (553)  | \$ (197) | \$ 750    |
| Liabilities established under deferred compensation     |           |          |           |
| plan.....   | \$ 557    | \$ 718   | \$ --     |
| Tax benefit on stock options exercised.....             | \$ 718    | \$ 1,406 | \$ 2,721  |
| Liabilities assumed in connection with acquisition..... | \$ 1,253  | \$ --    | \$ --     |

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 DATA)

(1) THE COMPANY

Cambrex Corporation and Subsidiaries ( the "Company" or "Cambrex") manufactures and markets a broad line of pharmaceutical related products, specialty chemicals, fine chemicals and commodity chemical intermediates to a diverse customer base for use in a wide variety of applications. The Company operates in two segments, biotechnology and pharmaceutical specialty and fine chemicals. The pharmaceutical specialty and fine chemicals segment includes five product categories: active pharmaceutical ingredients, pharmaceutical intermediates, organic intermediates, performance enhancers and polymer systems.

(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 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.

Financial Instruments

The financial instruments of the Company consist of cash and cash equivalents, trade receivables, short-term debt, and long-term debt. At December 31, 1997, the carrying amount of these financial instruments approximate their fair value. The carrying amounts for cash and cash equivalents, trade receivables, and short-term debt approximate fair value because of the short maturity of these instruments. The carrying amount for long-term debt approximates fair value due to the variable nature of the interest rate.

The Company places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large numbers of customers comprising the Company's customer base, and their dispersion across different business and geographic areas. No one customer represents more than 10% of sales or receivables.

Gains and losses on foreign currency forward exchange contracts pertaining to existing assets or liabilities, or hedges of firm commitments are deferred and are recognized in income as part of the related transactions. Although the purpose for using put and call option contracts is to mitigate currency risk, these particular instruments do not qualify for hedge accounting under generally accepted accounting principles and accordingly, must be adjusted to market value

at the end of each accounting period.

#### Inventories

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

#### 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..... | 15 to 20 years |
| Machinery and equipment.....    | 5 to 10 years  |
| Furniture and fixtures.....     | 3 to 5 years   |

### CAMBREX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

##### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

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 other (income) expense, net. Interest is capitalized in connection with the construction and acquisition of assets. 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 in 1997, 1996 and 1995 amounted to \$1,045, \$677 and \$749, respectively.

#### Software Development Costs

The Company capitalizes development costs of computer software used internally; which include consulting for modifications and implementation, and costs for employees dedicated solely to the project. Total capitalized software development costs amounted to \$2,487 and \$2,806 in 1997 and 1996.

The cost of capitalized software is amortized over five years using the straight line method. Amortization expense related to software development costs was \$467, \$27 and \$0 for the years ended December 31, 1997, 1996 and 1995, respectively.

#### Intangible Assets

Intangible assets are recorded at cost and amortized on a straight-line basis as follows:

|                             |   |
|-----------------------------|---|
| Patents.....                | Amortized over the remaining<br>life of individual patents<br>(average 5 years) |
| Goodwill.....               | 4 to 20 years   |
| Product technology.....     | 5 to 17 years   |
| Non-compete agreements..... | 5 years   |
| Trademarks and other.....   | 1 to 40 years   |

At each balance sheet date, the Company evaluates the recoverability of

intangibles based upon expectations of non-discounted cash flows and operating income for each subsidiary having material intangible assets.

#### Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires that long-lived assets and certain identifiable intangibles held and to be used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company adopted this standard in 1996 with no material impact on its results of operations.

#### Revenue Recognition

Revenues are generally recognized when products are shipped.

#### Income Taxes

The provision for income taxes is based upon income recognized for financial statement purposes and includes the effect of deferred taxes. These deferred taxes are the result of transactions which are recognized in different periods for financial and income tax reporting.

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### CAMBREX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

##### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

The Company and its eligible subsidiaries file a consolidated U.S. income tax return. Certain subsidiaries which are consolidated for financial reporting are not eligible to be included in the consolidated U.S. income tax return. U.S. income taxes are provided on planned repatriation of a portion of foreign earnings and consider applicable foreign tax credits. Cambrex also intends to indefinitely reinvest the unremitted earnings of certain non-U.S. subsidiaries, and as such, separate provisions for income taxes have been determined for these entities and U.S. taxes have not been provided. At December 31, 1997, 1996 and 1995, the cumulative amount of unremitted earnings of non-U.S. subsidiaries was \$16,140, \$3,605 and \$2,742, respectively.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

#### Environmental Remediation Costs

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable, as well as an estimate of legal costs associated with specific environmental matters. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

#### 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 a separate component of stockholders' equity until the entity is sold or substantially liquidated. Gains or losses resulting from foreign currency transactions are included in the results of operations as a component of other revenues in 1997 and as a component of other income in 1996 and 1995. Gains or losses relating to intercompany transactions of a long-term investment nature are accumulated in stockholders' equity. Foreign currency net transaction gains (losses) were \$2,668, \$194, and (\$1,400) in 1997, 1996 and 1995, respectively.

Earnings Per Common Share

Earnings per share of Common Stock for 1997, 1996 and 1995 reflect the adoption of SFAS No. 128, "Earnings per 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, using the treasury stock method.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Earnings per share calculations are as follows:

|  | FOR THE YEARS ENDED, |          |          |
|--|----------------------|----------|----------|
|  | 1997                 | 1996     | 1995     |
| NUMERATOR:                                     |                      |          |          |
| Income available to common stockholders.....   | \$17,776             | \$28,225 | \$19,670 |
| DENOMINATOR:                                   |                      |          |          |
| Basic weighted average shares outstanding*.... | 11,814               | 11,608   | 9,539    |
| Effect of dilutive stock options.....          | 396                  | 288      | 514      |
| Diluted weighted average shares outstanding... | 12,210               | 11,896   | 10,053   |
| Basic earnings per share.....                  | \$ 1.50              | \$ 2.43  | \$ 2.06  |
| Diluted earnings per share.....                | \$ 1.46              | \$ 2.37  | \$ 1.96  |

\* Share and per share data reflect adjustments for a three-for-two split in the form of a 50% stock dividend paid in July, 1996. All earnings per share calculations reflect the adoption of SFAS No. 128, "Earnings per Share."

(3) ACQUISITIONS AND DIVESTITURES

On September 30, 1997, the Company acquired approximately 93% of the outstanding common stock of BioWhittaker for approximately \$116,000. The remaining 7% of the outstanding common stock was subsequently acquired on October 3, 1997 for an additional \$10,000. The acquisition price was approximately \$133,500 (including acquisition costs of \$7,500) which was financed by the Company's new Credit Agreement. The acquisition has been accounted for as a purchase transaction and as such, the purchase price has been allocated to the fair value of assets and liabilities acquired. The excess of the purchase price over the fair value of the net assets acquired was approximately \$48,000 and has been recorded as goodwill and will be amortized

over 20 years. The allocation to in-process research and development of \$14,000 represents the value of BioWhittaker's research and development efforts which had not reached commercial viability with no alternative future use and were, therefore, immediately expensed as required by generally accepted accounting principles.

Unaudited pro forma results of operations of the Company and BioWhittaker for the years ended December 31, 1997 and 1996, as if it had occurred on January 1, 1996 are listed below.

|                    | YEAR ENDED DECEMBER 31, |           |
|--------------------|-------------------------|-----------|
|                    | 1997                    | 1996      |
| Net revenues.....  | \$416,871               | \$410,844 |
| Net income.....    | 17,146                  | 21,564    |
| Earnings per share |                         |           |
| Basic.....         | \$ 1.45                 | \$ 1.86   |
| Diluted.....       | \$ 1.40                 | \$ 1.81   |

The unaudited pro forma adjustments give effect to the depreciation of property, plant and equipment, amortization of the goodwill, interest on the debt assumed to finance the acquisition, and the tax effects of each of these items. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the combination been in effect at January 1, 1996, nor of future results of operations of the combined companies.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(3) ACQUISITIONS AND DIVESTITURES -- (CONTINUED)

The fair value of assets acquired and liabilities assumed are as follows (giving effect to the total purchase price):

|   |           |
|---|-----------|
| Cash.....                                     | \$ 4,557  |
| Receivables.....                              | 6,795     |
| Inventories.....                              | 25,389    |
| Deferred tax asset.....                       | 770       |
| Other current assets.....                     | 556       |
| Property, plant and equipment.....            | 24,190    |
| In-process research and development.....      | 14,000    |
| Other identified intangibles.....             | 41,590    |
| Goodwill.....                                 | 47,859    |
| Other assets.....                             | 89        |
| Accounts payable and accrued liabilities..... | (10,458)  |
| Income taxes payable.....                     | (1,073)   |
| Long term debt.....                           | (1,755)   |
| Deferred tax liabilities.....                 | (19,036)  |
|   | -----     |
|   | \$133,473 |
|   | =====     |

(4) FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS



Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" requires that comprehensive income and its components be reported in the financial statements. The Company is required to adopt this standard in 1998 and is currently evaluating this standard.

Statement of Financial Accounting Standards No. 131 "Disclosures About Segments of an Enterprise and Related Information" requires that publicly traded companies report financial and descriptive information about its reportable operating segments. The Company is required to adopt this standard in 1998 and is currently evaluating the impact of this standard.

Statement of Financial Accounting Standards No. 132 "Employers' Disclosures About Pensions and Other Postretirement Benefits" changes current financial statement disclosure requirements from those that were required under Financial Accounting Standard No. 87, "Employers' Accounting for Pensions," Financial Accounting Standard No. 88, "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefit Other Pensions." The Company is required to adopt this standard in 1998 and is currently evaluating this standard.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(5) INVENTORIES

Inventories consist of the following:

|                      | DECEMBER 31, |          |
|----------------------|--------------|----------|
|                      | 1997         | 1996     |
|                      | -----        | -----    |
| Finished goods.....  | \$42,974     | \$29,443 |
| Work in process..... | 25,217       | 15,463   |
| Raw materials.....   | 18,254       | 13,179   |
| Supplies.....        | 5,288        | 6,124    |
|                      | -----        | -----    |
| Total.....           | \$91,733     | \$64,209 |
|                      | =====        | =====    |

(6) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

|                                 | DECEMBER 31, |          |
|---------------------------------|--------------|----------|
|                                 | 1997         | 1996     |
|                                 | -----        | -----    |
| Land.....                       | \$ 10,555    | \$ 8,132 |
| Buildings and improvements..... | 76,476       | 55,120   |
| Machinery and equipment.....    | 256,689      | 229,358  |
| Furniture and fixtures.....     | 6,555        | 7,603    |
| Construction in progress.....   | 19,194       | 26,845   |
|                                 | -----        | -----    |
| Total.....                      | 369,469      | 327,058  |

|                               |            |            |
|-------------------------------|------------|------------|
| Accumulated depreciation..... | (132,127)  | (110,577)  |
|                               | -----      | -----      |
| Net.....                      | \$ 237,342 | \$ 216,481 |
|                               | =====      | =====      |

Depreciation expense amounted to \$24,666, \$22,788, and \$19,493 for the years ended December 31, 1997, 1996 and 1995, respectively.

(7) INTANGIBLE ASSETS

Components of intangible assets are as follows:

|                               | DECEMBER 31, |           |
|-------------------------------|--------------|-----------|
|                               | 1997         | 1996      |
|                               | -----        | -----     |
| Goodwill.....                 | \$100,229    | \$ 59,024 |
| Other.....                    | 55,977       | 14,563    |
|                               | -----        | -----     |
| Total.....                    | 156,206      | 73,587    |
| Accumulated amortization..... | (29,203)     | (24,014)  |
|                               | -----        | -----     |
| Net.....                      | \$127,003    | \$ 49,573 |
|                               | =====        | =====     |

Amortization expense amounted to \$6,456, \$5,705 and \$5,468 for the years ended December 31, 1997, 1996 and 1995 respectively.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(8) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

|  | DECEMBER 31, |          |
|--|--------------|----------|
|  | 1997         | 1996     |
|  | -----        | -----    |
| Accounts payable.....                              | \$28,174     | \$30,205 |
| Salaries, wages and employee benefits payable..... | 15,208       | 13,596   |
| Other accrued liabilities.....                     | 15,089       | 10,953   |
|  | -----        | -----    |
| Total.....   | \$58,471     | \$54,754 |
|  | =====        | =====    |

(9) INCOME TAXES

Income before taxes consisted of the following:

|               | YEARS ENDED DECEMBER 31, |          |          |
|---------------|--------------------------|----------|----------|
|               | 1997                     | 1996     | 1995     |
| Domestic..... | \$13,195                 | \$31,611 | \$22,543 |
| Foreign.....  | 19,412                   | 9,058    | 8,673    |
| Total.....    | \$32,607                 | \$40,669 | \$31,216 |

The provision for income taxes consists of the following expenses (benefits):

|              | YEARS ENDED DECEMBER 31, |          |          |
|--------------|--------------------------|----------|----------|
|              | 1997                     | 1996     | 1995     |
| Current:     |                          |          |          |
| Federal..... | \$ 2,670                 | \$ 3,783 | \$ 5,951 |
| State.....   | 427                      | 598      | 460      |
| Foreign..... | 7,498                    | 6,342    | 4,384    |
|              | 10,595                   | 10,723   | 10,795   |
| Deferred:    |                          |          |          |
| Federal..... | 2,272                    | 922      | 1,008    |
| State.....   | 143                      | (527)    | (22)     |
| Foreign..... | 1,821                    | 1,326    | (235)    |
|              | 4,236                    | 1,721    | 751      |
| Total.....   | \$14,831                 | \$12,444 | \$11,546 |

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CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(9) INCOME TAXES -- (CONTINUED)

The provision for income taxes differs from the statutory Federal income tax rate of 35% for 1997, 1996 and 1995 as follows:

|   | YEARS ENDED DECEMBER 31, |          |          |
|---|--------------------------|----------|----------|
|   | 1997                     | 1996     | 1995     |
| Income tax at Federal statutory rate.....   | \$11,412                 | \$14,234 | \$10,926 |
| State and local taxes (benefits), net of<br>Federal income tax benefits.....            | 605                      | (239)    | 285      |
| Difference between Federal statutory rate and<br>statutory rates on foreign income..... | (1,666)                  | 1,771    | 656      |
| Reversal of tax contingency for IRS audit<br>settlement.....                            | (728)                    | (1,500)  | --       |
| Return to provision adjustment.....   | --                       | (1,066)  | --       |

|   |          |          |          |
|---|----------|----------|----------|
| Research and experimentation credits.....                         | (399)    | (484)    | --       |
| Write off of acquired in-process research and<br>development..... | 4,900    | --       | --       |
| Other.....  | 707      | (272)    | (321)    |
|   | -----    | -----    | -----    |
|   | \$14,831 | \$12,444 | \$11,546 |
|   | =====    | =====    | =====    |

The components of deferred tax assets and liabilities as of December 31, 1997 and 1996 relate to temporary differences and carryforwards as follows:

|  | DECEMBER 31, |          |
|--|--------------|----------|
|  | 1997         | 1996     |
|  | -----        | -----    |
| Deferred tax assets:                                   |              |          |
| Acquisition reserves.....                              | \$ 732       | \$ 732   |
| Net operating loss carryforwards.....                  | 3,896        | 3,703    |
| Inventory.....   | 1,235        | 1,677    |
| Employee benefits.....                                 | 2,365        | 883      |
| Receivables.....                                       | 136          | 238      |
|  | -----        | -----    |
| Net current deferred tax assets.....                   | 8,364        | 7,233    |
| Valuation allowances.....                              | (2,417)      | (2,224)  |
|  | -----        | -----    |
| Total net deferred tax assets.....                     | \$ 5,947     | \$ 5,009 |
|  | =====        | =====    |
| Deferred tax liabilities:                              |              |          |
| Depreciation.....                                      | \$29,937     | \$25,366 |
| Environmental reserves.....                            | (1,261)      | (2,341)  |
| Intangibles.....                                       | 14,659       | (1,585)  |
| Other.....   | 101          | 147      |
|  | -----        | -----    |
| Total net non-current deferred tax<br>liabilities..... | \$43,436     | \$21,587 |
|  | =====        | =====    |

Included within the change in the cumulative translation adjustment for the year ended December 31, 1997 is \$1,608 related to the translation of deferred tax assets and liabilities.

Under the tax laws of various foreign countries in which the Company operates, net operating losses (NOLs) may be carried forward, subject to statutory limitations, to reduce taxable income in future years. The tax effect of such foreign NOLs aggregated approximately \$3,896 and \$3,703 at December 31, 1997 and 1996, the majority of which are available on an indefinite carryforward basis. However, valuation reserves have

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(9) INCOME TAXES -- (CONTINUED)

been established against certain NOLs to reflect uncertainties associated with the realizability of such future benefits.

During 1997, the Company concluded some of the ongoing matters with the Internal Revenue Service related to audits for the years 1988 through 1993.

During December 1996, the Company reached a settlement agreement with the Internal Revenue Service related to audits for the years 1998 through 1991. Reversal of reserves no longer needed for this matter increased income by \$1,500.

(10) SHORT-TERM DEBT

Profarmaco has lines of credit in Italy with five local banks (the "Facility"). The Facility is short-term and provides three types of financing with the following limits: Overdraft Protection of \$2,300 (Lire 4.0 billion), Export Financing of \$4,500 (Lire 8.0 billion) and Advances on Uncleared Deposits of \$1,700 (Lire 3.0 billion). The Overdraft Protection and Export Financing facilities bear interest at varying rates when utilized, however, Advances on Uncleared Deposits (Ricevute Bancarie) bear no interest.

Short-term debt at December 31, 1997 and 1996 consists of the following:

|                                | DECEMBER 31, |          |
|--------------------------------|--------------|----------|
|                                | 1997         | 1996     |
| Export financing facility..... | \$ 3,597     | \$ 2,760 |
| Overdraft protection.....      | --           | 1,120    |
| Total.....                     | \$ 3,597     | \$ 3,880 |
|                                | =====        | =====    |

(11) LONG-TERM DEBT

Long-term debt consists of the following:

|                                | DECEMBER 31, |          |
|--------------------------------|--------------|----------|
|                                | 1997         | 1996     |
| Bank credit facilities(a)..... | \$192,600    | \$66,000 |
| Capitalized leases.....        | --           | 13       |
| Notes payable(b).....          | 2,711        | 1,370    |
| Subtotal.....                  | 195,311      | 67,383   |
| Less: current portion(c).....  | 986          | 7,231    |
| Total.....                     | \$194,325    | \$60,152 |
|                                | =====        | =====    |

(a) On September 16, 1997, the Company entered into a new five year Credit Agreement (the "Agreement") with a bank group headed by The Chase Manhattan Bank as Administrative Agent and The First National Bank of Chicago as Documentation Agent. The bank group has a total of 13 domestic banks and 7 international banks. The Agreement provides the Company with a \$400,000 borrowing facility. The new Agreement replaces the previously existing Revolving Credit Agreement with NBD Bank, N.A.

The Company has pledged 66% of the common stock of the Company's foreign subsidiaries as collateral. The Agreement permits the Company to choose between various interest rate options and to specify the portion of the borrowing to be covered by specific interest rate options. Under the Agreement, the interest rate options available to the Company are: (a) U.S. Prime rate or (b) LIBOR plus

the applicable margin (ranging from .225% of 1% to .5% of 1%) or (c) Competitive Bid at a LIBOR Rate Borrowing or a Fixed Rate

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(11) LONG-TERM DEBT -- (CONTINUED)

Borrowing to be determined by auction. The applicable margin is adjusted based upon the Funded Indebtedness to Cash Flow Ratio of the Company. Additionally, the Company pays a commitment fee of between .15% to .25% on the entire portion of the Agreement. The 1997 and 1996 average interest rates were 6.8% and 7.4%.

On September 18, 1997, the Company utilized \$60,000 of the Agreement in order to repay the then outstanding balance under the previously existing Revolving Credit Agreement. On September 30, 1997, the company borrowed \$126,000 to finance the acquisition of the outstanding common stock of BioWhittaker. Of this amount, approximately \$116,000 was utilized on September 30, 1997. On October 3, 1997, an additional \$12,000 was utilized to acquire the remaining 7% of BioWhittaker's common stock. The undrawn borrowing availability under the Agreement as of December 31, 1997 was \$207,400.

The Agreement is subject to financial covenants requiring the Company to maintain certain levels of net worth and an interest coverage ratio, as well as a limitation on indebtedness. The Company met all of the bank covenants for 1997.

(b) As part of the October 12, 1994 acquisition of Nordic and Profarmaco, the Company assumed a government loan made to Profarmaco to finance technological innovations. The loan of \$1,291 bearing interest at 9.21%, is amortized over ten annual payments starting July 26, 1995 and ending July 26, 2004. There is \$931 and \$1,200 outstanding as of December 31, 1997 and 1996, respectively.

The Company also assumed a note payable as part of the acquisition of BioWhittaker in 1997 of \$1,253. The note, bearing interest at 8%, is payable in annual installments of \$340 and expires in 2001. There is \$1,016 outstanding as of December 31, 1997.

(c) Aggregate maturities of long-term debt are as follows:

|                 |    |           |
|-----------------|----|-----------|
| 1998.....       | \$ | 986       |
| 1999.....       |    | 408       |
| 2000.....       |    | 425       |
| 2001.....       |    | 417       |
| 2002.....       |    | 192,750   |
| Thereafter..... |    | 325       |
|                 |    | -----     |
| Total.....      | \$ | \$195,311 |
|                 |    | =====     |

(12) DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to reduce exposures to market risks resulting from fluctuations in interest rates and foreign exchange rates. The Company does not enter into financial instruments for trading or speculative purposes. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap, forward exchange and put and call contracts. However, the Company does not anticipate non-performance by the counterparties.

## Interest Rate Swap Agreements

The Company enters 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 amounts. Notional amounts provide an indication of the extent of the Company's involvement in such agreements but do not represent its exposure to market risk. The following table shows the notional amounts

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### CAMBREX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

##### (12) DERIVATIVE FINANCIAL INSTRUMENTS -- (CONTINUED)

outstanding, maturity dates, and the weighted average receive and pay rates of interest rate swap agreements as of December 31, 1997.

AS OF DECEMBER 31, 1997

|                          | NOTIONAL<br>AMOUNTS | MATURITY<br>DATE | WEIGHTED AVG.<br>RATE |      |
|--------------------------|---------------------|------------------|-----------------------|------|
|                          |                     |                  | RECEIVE               | PAY  |
| Interest rate swaps..... | \$10,000            | 1998             | 5.8%                  | 6.1% |
| Interest rate swaps..... | \$10,000            | 1998             | 5.9%                  | 5.9% |
| Interest rate swaps..... | \$10,000            | 2000             | 5.9%                  | 6.1% |
| Interest rate swaps..... | \$20,000            | 2000             | 5.9%                  | 5.9% |

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 were based on quoted market prices and was \$49,939 at December 31, 1997.

### Foreign Exchange Instruments

The Company's policy is to enter into forward exchange contracts and/or currency options to hedge foreign currency transactions. This hedging mitigates the impact of short-term foreign exchange rate movements on the Company's operating results primarily in the United Kingdom, Sweden and Italy. The Company's primary market risk relates to exposure to foreign currency exchange rate fluctuations on transactions entered into by these foreign operations which are denominated primarily in U.S. dollars, Deutsche marks and British pound sterling. As a matter of policy, the Company does not hedge to protect the translated results of foreign operations. The Company's forward exchange contracts do not subject the Company's results of operations to risk due to exchange rate movements because gains and losses on these contracts generally offset gains and losses on the transactions being hedged. The forward exchange contracts have varying maturities with none exceeding twelve months. The Company makes net settlements for forward exchange contracts at maturity, based upon negotiated rates at inception of the contracts.

At December 31, 1996, the Company's foreign currency options were comprised of cap and floor options under which a foreign currency option is purchased at one exchange rate and another foreign currency option for equal notional value is sold at a higher exchange rate. The foreign currency options purchased and sold mature over the same period with premiums paid equal to premiums received

resulting in zero net cost. The Company believes the use of these options reduces its foreign exchange risk by mitigating the range of exposure of currency fluctuation between the put and call exchange rates. All foreign currency options outstanding as of December 31, 1996 matured during the first six months of 1997.

|                               | 1997             |            |            |        |  |
|-------------------------------|------------------|------------|------------|--------|--|
|                               | NOTIONAL AMOUNTS | FAIR VALUE | UNREALIZED |        |  |
|                               |                  |            | GAINS      | LOSSES |  |
| Forward exchange contracts... | \$22,173         | \$22,295   | \$ 85      | \$207  |  |

  

|   | 1996             |            |            |        |                           |
|---|------------------|------------|------------|--------|---------------------------|
|   | NOTIONAL AMOUNTS | FAIR VALUE | UNREALIZED |        | PREMIUMS RECEIVED/ (PAID) |
|   |                  |            | GAINS      | LOSSES |                           |
| Forward exchange contracts...           | \$32,823         | \$32,903   | \$595      | \$516  | \$ --                     |
| Foreign currency options purchased..... | 7,300            | 7,300      | --         | --     | (86)                      |
| Foreign currency options sold.....      | 7,300            | 7,300      | --         | --     | 86                        |

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(13) STOCKHOLDERS' EQUITY

The Company has two classes of common shares designated Common Stock and Nonvoting Common Stock. Authorized shares of Common Stock were 20,000,000 at December 31, 1997 and 1996. Authorized shares of Nonvoting Common Stock were 730,746 at December 31, 1997 and 1996.

At December 31, 1997, authorized shares of Common Stock were reserved for issuance as follows:

|                           |           |
|---------------------------|-----------|
| Stock option plans.....   | 1,765,350 |
| Cambrex savings plan..... | 91,028    |
|                           | -----     |
| Total shares.....         | 1,856,378 |
|                           | =====     |

On July 24, 1996, the Company's Board of Directors approved a three-for-two stock split of the Company's Common Stock, \$0.10 par value, effected in the form of a 50% stock dividend to holders of record on July 8, 1996. All share and per share data, including stock option plan information were adjusted to reflect the impact of the three-for-two stock split. The effect of the split is presented



retroactively within stockholders' equity at December 31, 1996 by transferring the par value for the additional shares issued from additional paid-in capital to common stock.

On May 23, 1996, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of Common Stock, \$.10 par value per share, payable on June 10, 1996 to the stockholders of record on that date. Under certain circumstances, each Right entitles the registered holder to purchase from the Company, one one-hundredth of a share of Series E Junior Participating Cumulative Preferred Stock ("Preferred Stock"), or in certain circumstances, shares of Common Stock of the Company or common stock of an acquiring company at one-half the market price of such Common Stock or common stock, as the case may be. The Rights are designed to make it more likely that all stockholders of the Company receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against the use of partial tender offers or other coercive tactics to gain control of the Company. A Right will be granted for each share of Common Stock issued after such date and prior to the expiration date or redemption of that Right.

The Rights will become exercisable only in the event that any person or group of affiliated persons becomes a holder, or commences a tender or exchange offer, that if consummated, would result in that person or group of affiliated persons owning at least 15% of the outstanding Common Stock of the Company. Once exercisable, each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Preferred Stock, at a price of \$174 per share, subject to adjustment. The Rights may be redeemed at a price of \$.01 per Right at any time prior to the expiration date of June 5, 2006.

On July 24, 1995, the Company completed a public offering of 2,587,500 shares of newly issued common stock at a price of \$25.30 per share. The total proceeds to the Company, net of underwriting discounts, commissions, and other related fees, amounted to \$62,572. Proceeds were used to reduce outstanding debt under the Company's then existing Revolving Credit Agreement.

Nonvoting Common Stock 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, 1997 and 1996, no shares of Nonvoting Common Stock were outstanding.

The Company held treasury stock of 1,040,561 and 1,049,895 shares at December 31, 1997 and 1996, respectively, and are used for issuance to the Cambrex Savings Plan. In 1997 and 1996, shares were also issued to the Board of Directors as compensation.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(13) STOCKHOLDERS' EQUITY -- (CONTINUED)

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, 1997 and 1996, there was no preferred stock outstanding.

(14) STOCK OPTIONS

The Company has seven stock-based compensation plans currently in effect. The 1983 Incentive Stock Option Plan ("1983 Plan") provides for the grant of options intended to qualify as incentive stock options to management and other key employees. The 1987 Stock Option Plan ("1987 Plan") provides for the granting to key employees both non-qualified stock options and incentive stock options. The 1989 Senior Executive Stock Option Plan ("1989 Plan") provides for

the grant of options intended to qualify as additional incentives to the Company's Senior Executive Officers. The 1992 Stock Option Plan ("1992 Plan") provides for the granting to key employees both non-qualified stock options and incentive stock options. The 1993 Senior Executive Stock Option Plan ("1993 Plan") provides for the grant of options intended to qualify as additional incentives to the Company's Senior Executive Officers. The 1994 Stock Option Plan ("1994 Plan") provides for the granting to key employees both non-qualified and incentive stock options. The 1994 Plan also provides for the granting of non-qualified stock options to non-employee directors.

On April 25, 1996, the Company's stockholders approved the 1996 Performance Stock Option Plan ("1996 Plan"), which provides for the granting of options intended to qualify as additional incentives to management and other key employees. The 1996 Plan also provides for the granting of non-qualified stock options to non-employee directors. Options granted under the 1996 Plan vest nine years after the date of grant, subject to acceleration if the publicly traded price of the Company's Common Stock equals or exceeds certain levels. Substantially all options available under the various plans prior to the 1996 Plan have been granted. These Plans contain various vesting provisions also based upon time and achievement of certain stock price levels. All option awards granted under each plan expire no more than ten years from the grant date.

The Company applies the provisions of APB Opinion No. 25 and related Interpretations in accounting for its stock-based compensation plans. Under APB 25, the Company recognized compensation expense of \$360, \$240, and \$0 for 1997, 1996, and 1995, respectively. Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS 123) establishes financial accounting and reporting standards for stock-based employee compensation plans. During 1996, the Company adopted the disclosure only provisions available under SFAS 123. Accordingly, no compensation cost has been recognized for stock option plans under SFAS 123.

Had compensation cost for the Company's 1997, 1996 and 1995 grants for stock-based compensation plans been determined based on the fair value at the grant dates for awards under these plans consistent with SFAS 123, the Company's net income, and net income per common share for 1997, 1996 and 1995 would approximate the pro forma amounts below:

|   | 1997     | 1996      | 1995     |
|---|----------|-----------|----------|
|   | -----    | -----     | -----    |
| Net income -- as reported.....                | \$17,776 | \$ 28,225 | \$19,670 |
|   | =====    | =====     | =====    |
| Net income -- pro forma.....                  | \$16,079 | \$ 26,946 | \$19,617 |
|   | =====    | =====     | =====    |
| Diluted earnings per share -- as reported.... | \$ 1.46  | \$ 2.37   | \$ 1.96  |
|   | =====    | =====     | =====    |
| Diluted earnings per share -- pro forma.....  | \$ 1.32  | \$ 2.27   | \$ 1.95  |
|   | =====    | =====     | =====    |

The pro forma compensation expense of \$1,697, \$1,279 and \$53 for 1997 and 1996 and 1995, respectively, was calculated based on the fair value of each option primarily using the Black-Scholes option-pricing model

dividend yield of 1.33% and 1.45%, (ii) expected volatility of 25.5% and 23%, (iii) risk-free interest rate ranging from 6.03% to 6.85% and from 5.44% to 7.74% and (iv) expected life of 4-5 years. The 1997 and 1996 grants have been valued using a path dependent model due to the cliff vesting with performance acceleration provisions set forth in the 1996 Plan.

As of December 31, 1997, 1,708,650 options had been exercised. Shares of Common Stock subject to outstanding options under the stock option plans were as follows:

|                      | AUTHORIZED<br>FOR ISSUANCE | OPTIONS OUTSTANDING |                                 |   |                      | OPTIONS EXERCISABLE |   |
|----------------------|----------------------------|---------------------|---------------------------------|---|----------------------|---------------------|---|
|                      |                            | OUTSTANDING         | OPTION<br>PRICE PER<br>SHARE \$ | WEIGHTED AVERAGE                        |                      | NUMBER<br>OF SHARES | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE \$ |
|                      |                            |                     |                                 | REMAINING<br>CONTRACTUAL<br>LIFE (YRS.) | EXERCISE<br>PRICE \$ |                     |   |
| 1983 Plan.....       | 324,000                    | 25                  | 11.875                          | 0.1                                     | 11.88                | 25                  | 11.88                                       |
| 1987 Plan.....       | 300,000                    | --                  | --                              | --                                      | --                   | --                  | --  |
| 1989 Plan.....       | 600,000                    | --                  | --                              | --                                      | --                   | --                  | --  |
| 1992 Plan.....       | 150,000                    | 38,525              | 11.875 - 24.75                  | 6.8                                     | 14.74                | 38,525              | 14.74                                       |
| 1993 Plan.....       | 450,000                    | 252,500             | 13.25 - 25.50                   | 5.8                                     | 14.28                | 252,500             | 14.28                                       |
| 1994 Plan.....       | 150,000                    | 50,175              | 13.25 - 27.375                  | 6.5                                     | 16.66                | 50,175              | 16.66                                       |
| 1996 Plan.....       | 1,500,000                  | 1,016,050           | 24.75 - 48.625                  | 8.2                                     | 30.54                | 895,300             | 8.34  |
| Total<br>shares..... | 3,474,000                  | 1,356,775           | 11.875 - 48.625                 |   | 26.56                | 1,236,025           |   |

Information regarding the Company's stock option plans is summarized below:

|                                       | NUMBER OF<br>SHARES | WEIGHTED AVERAGE     |                                      | OPTIONS<br>EXERCISABLE |
|---------------------------------------|---------------------|----------------------|--------------------------------------|------------------------|
|                                       |                     | EXERCISE<br>PRICE \$ | FAIR<br>VALUE \$<br>AT GRANT<br>DATE |                        |
| Outstanding at December 31, 1994..... | 1,461,525           | 9.75                 |                                      |                        |
| Granted.....                          | 60,375              | 22.75                | 5.86                                 |                        |
| Exercised.....                        | (588,075)           | 9.125                |                                      |                        |
| Cancelled.....                        | (1,500)             | 15.00                |                                      |                        |
| Outstanding at December 31, 1995..... | 932,325             | 15.375               |                                      | 894,825                |
| Granted.....                          | 887,876             | 27.75                | 9.95                                 |                        |
| Exercised.....                        | (475,463)           | 13.375               |                                      |                        |
| Cancelled.....                        | (8,250)             | 21.75                |                                      |                        |
| Outstanding at December 31, 1996..... | 1,336,488           | 23.03                |                                      | 456,113                |
| Granted.....                          | 233,400             | 42.18                | 13.85                                |                        |
| Exercised.....                        | (198,113)           | 21.08                |                                      |                        |
| Cancelled.....                        | (15,000)            | 28.78                |                                      |                        |
| Outstanding at December 31, 1997..... | 1,356,775           | 26.56                |                                      | 1,236,025              |

(15) RETIREMENT PLANS

Pension Plans

The Company maintains two U.S. defined-benefit pension plans which cover substantially all eligible employees: (1) the Nepera Hourly Pension Plan (the "Nepera Plan") which covers the union employees at

(15) RETIREMENT PLANS -- (CONTINUED)

the Harriman, New York plant, and (2) the Cambrex Pension Plan (the "Cambrex Plan") which covers all other eligible employees.

Benefits for the salaried and certain hourly employees are based on salary and years of service, while those for employees covered by a collective bargained agreement are based on negotiated benefits and years of service. The Company's policy is to fund pension costs currently to the extent deductible for income tax purposes. Pension plan assets consist primarily of balanced mutual fund investments.

The net periodic pension expense for both 1997 and 1996 are based on a twelve month period and on valuations of the plans as of January 1. However, the reconciliation of funded status is determined as of the September 30 measurement date.

The funded status of these plans, incorporating these fourth quarter contributions, as of September 30, 1997 and 1996 is as follows:

|  | SEPTEMBER 30, 1997 | SEPTEMBER 30, 1996 |
|--|--------------------|--------------------|
|  | OVERFUNDED         | OVERFUNDED         |
| Actuarial present value of benefit obligations:  |                    |                    |
| Vested benefits.....   | \$(22,917)         | \$(18,908)         |
| Non-vested benefits.....   | (1,421)            | (1,202)            |
| Accumulated benefit obligation.....  | (24,338)           | (20,110)           |
| Additional benefits based on estimated future salary levels.....                           | (1,484)            | (1,406)            |
| Projected benefit obligation for service rendered through September 30, 1997 and 1996..... | (25,822)           | (21,516)           |
| Plan assets at fair market value.....  | 26,320             | 21,898             |
| Plan assets in excess of PBO.....  | 498                | 382                |
| Unrecognized net transition (asset).....   | --                 | (98)               |
| Unrecognized prior service benefit (cost).....   | 878                | (152)              |
| Other -- unrecognized net gain (loss) on past experience.....                              | (650)              | 650                |
| Additional minimum liability.....  | --                 | (553)              |
| Prepaid (accrued) pension cost as of September 30, 1997 and 1996.....                      | 726                | 229                |
| 4th quarter contributions.....   | 18                 | 84                 |
| Prepaid (accrued) pension cost as of December 31, 1997 and 1996.....                       | \$ 744             | \$ 313             |

Assumptions used to develop the U.S. 1997 and 1996 net periodic pension expense and the September 30, 1997 and 1996 actuarial present value of projected benefit obligations:

|  | JANUARY 1, 1997 | JANUARY 1, 1996 |
|--|-----------------|-----------------|
|  | OVERFUNDED      | OVERFUNDED      |
| PENSION EXPENSE  |                 |                 |
| Weighted-average discount rate.....  | 7.75%           | 7.5%            |
| Expected long-term rate of return on assets.....   | 8.5%            | 8.5%            |
| Rate of increase in future compensation levels (non-collective bargained employees)..... | 5.0%            | 5.0%            |

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(15) RETIREMENT PLANS -- (CONTINUED)

|   | SEPTEMBER 30, 1997           | SEPTEMBER 30, 1996           |
|---|------------------------------|------------------------------|
|   | -----<br>OVERFUNDED<br>----- | -----<br>OVERFUNDED<br>----- |
| ACTUARIAL PRESENT VALUE OF PROJECTED BENEFIT OBLIGATIONS                                    |                              |                              |
| Weighted-average discount rate.....   | 7.25%                        | 7.75%                        |
| Expected long-term rate of return on assets.....  | 8.5%                         | 8.5%                         |
| Rate of increase in future compensation levels<br>(non-collective bargained employees)..... | 5.0%                         | 5.0%                         |

Certain foreign subsidiaries of the Company maintain pension plans for their employees which conform to the common practice in their respective countries.

The funded status of the Company's international pension plans as of December 31, 1997 and 1996 is as follows:

|  | DECEMBER 31, 1997             | DECEMBER 31, 1996             |
|--|-------------------------------|-------------------------------|
|  | -----<br>UNDERFUNDED<br>----- | -----<br>UNDERFUNDED<br>----- |
| Actuarial present value of benefit obligations:  |                               |                               |
| Vested benefits.....   | \$ (7,299)                    | \$ (6,733)                    |
| Accumulated benefit obligation.....  | (7,299)                       | (6,733)                       |
| Additional benefits based on estimated future salary<br>levels.....                          | (1,004)                       | (1,162)                       |
| Projected benefit obligation for service rendered through<br>December 31, 1997 and 1996..... | (8,302)                       | (7,895)                       |
| Plan assets at fair market value.....  | 2,196                         | 1,573                         |
| Funded status.....   | (6,107)                       | (6,322)                       |
| Unrecognized net transition (asset).....   | (308)                         | (382)                         |
| Unrecognized prior service cost.....   | 56                            | 60                            |
| Other unrecognized net loss (gain) on past experience.....                                   | 109                           | 189                           |
| Accrued pension liability.....   | \$ (6,250)                    | \$ (6,455)                    |

Assumptions used to develop the 1997 and 1996 actuarial present value of projected benefit obligations for the Company's foreign pension plans:

|  | DECEMBER 31, 1997 | DECEMBER 31, 1996 |
|--|-------------------|-------------------|
|  | -----             | -----             |
| ACTUARIAL PRESENT VALUE OF PROJECTED BENEFIT OBLIGATIONS |                   |                   |
| Weighted-average discount rate.....                      | 6.5% to 7.0%      | 7.5% to 8.0%      |
| Expected long-term rate of return on assets.....         | 10%               | 10%               |
| Rate of increase in future compensation levels.....      | 3.5% to 5.0%      | 4.5% to 6.0%      |

(15) RETIREMENT PLANS -- (CONTINUED)

The Company's net pension costs included in operating results amounted to \$1,662, \$1,508 and \$1,209 in 1997, 1996 and 1995, respectively, and were comprised of the following:

|  | YEARS ENDED DECEMBER 31, |          |          |
|--|--------------------------|----------|----------|
|  | 1997                     | 1996     | 1995     |
| Service cost.....  | \$ 1,603                 | \$ 1,491 | \$ 1,106 |
| Interest cost on projected benefit obligation.....                 | 2,183                    | 1,949    | 1,898    |
| Return on plan assets.....   | (5,180)                  | (2,571)  | (2,887)  |
| Amortization of excess plan net assets at adoption of SFAS 87..... | (135)                    | (139)    | (137)    |
| Amortization of unrecognized prior service cost.....               | (28)                     | (38)     | (40)     |
| Amortization of unrecognized net (gain) loss.....                  | --                       | (14)     | (9)      |
| Other items -- deferred investment gain (loss).....                | 3,219                    | 830      | 1,278    |
| Net pension cost.....  | \$ 1,662                 | \$ 1,508 | \$ 1,209 |

Included in the net periodic pension cost is the amortization of prior service cost over a period of twelve to nineteen years and the amortization of the SFAS 87 transition obligation over a period of ten to seventeen years. The pension expense for foreign pension plans of \$818, \$672 and \$575 is included in the 1997, 1996 and 1995 net periodic pension expense, respectively.

BioWhittaker has established a noncontributory defined contribution target plan for its eligible employees. Under BioWhittaker's target plan, all domestic employees over 21 years of age who have completed one year of service with the Company participate. The target plan is 100% Company-funded, with annual contributions by the Company based on the employee's targeted benefit, determined by such factors as salary and expected years of service to age 65. Total target plan expenses recorded from the date of acquisition amounted to \$126 in 1997.

#### Savings Plan

Cambrex makes available to all employees, excluding BioWhittaker, a savings plan as permitted under Sections 401(k) and 401(a) of the Internal Revenue Code. Employee contributions are matched in part by Cambrex. The cost of this plan amounted to \$1,387, \$1,534, and \$1,452 in 1997, 1996 and 1995, respectively.

BioWhittaker makes available to all eligible employees a contributory 401(k) plan as well. Employee contributions are matched in part by BioWhittaker. The cost of this plan from the date of acquisition amounted to \$115 in 1997.

#### Other

In addition to the above plans, Cambrex also established a Supplemental Executive Retirement Plan in 1994 for certain key executives. This non-qualified plan provides supplemental pension payments in excess of qualified plan limits imposed by Federal tax law and serves to restore the combined pension amount to original benefit levels. For measurement purposes, a discount rate of 7.25% was used together with an average wage increase of 5.0%. The net periodic pension cost for 1997, 1996 and 1995 amounted to \$213, \$122 and \$104, respectively.

BioWhittaker also maintains a nonqualified Supplemental Executive

Retirement Program ("SERP") covering certain key employees. The SERP provides for supplemental defined pension benefits based on compensation and years of service. The SERP also includes a defined contribution component. For

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CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(15) RETIREMENT PLANS -- (CONTINUED)

measurement purposes, a discount rate of 7.25% was used together with an average wage increase of 5.0%. The net periodic pension cost for 1997, from the date of acquisition, was \$95.

The Company also has contracts with certain current and former executives to provide consulting services to the Company after retirement as an employee and additional retirement benefits for the remainder of the respective executive's life. The annual expense pertaining to these contracts was \$240, \$240 and \$227 for 1997, 1996 and 1995, respectively.

The Company has a non-qualified Compensation Plan for Key Executives ("the Deferred Plan"). Under the Deferred Plan, officers and key employees may elect to defer all or any portion of their pre-tax annual bonus and/or annual base salary. Included within other liabilities at December 31, 1997 and 1996 there is \$2,764 and \$1,028, respectively, representing the Company's obligation under the plan. To assist in the funding of this obligation, the Company invests in certain mutual funds and as such, included within other assets at December 31, 1997 and 1996 is \$2,764 and \$1,028, respectively, representing the fair value of these funds. During 1995, the Board amended the Deferred Plan to permit officers and key employees to elect to defer receipt of Company stock which would otherwise have been issued upon the exercise of Company options. Total shares held in trust as of December 31, 1997 and 1996 are 180,277 and 132,126, respectively; and are included as a reduction of equity at cost. The Company has established a corresponding liability to the Deferred Plan participants in the amount of \$1,275 and \$718 which is included in other non-current liabilities at December 31, 1997 and 1996, respectively. The Deferred Plan is not funded by the Company, but the Company has established a Deferred Compensation Trust Fund which holds the shares issued.

(16) OTHER POSTRETIREMENT BENEFITS

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

The Company accounts for the postretirement benefits in accordance with Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS 106). SFAS 106 requires such benefits to be accounted for on an accrual basis. In connection with the adoption of SFAS 106, the Company elected to amortize the transition obligation of \$1,853 over twenty years. The net effect upon 1997, 1996 and 1995 pretax operating results, including the amortization of the transition obligation, resulted in a cost of \$285, \$316, and \$306, respectively.

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CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(16) OTHER POSTRETIREMENT BENEFITS -- (CONTINUED)

The periodic postretirement benefit cost includes the following components:

|   | YEARS ENDED DECEMBER 31, |       |       |
|---|--------------------------|-------|-------|
|   | 1997                     | 1996  | 1995  |
| Service cost of benefits earned.....                                | \$ 51                    | \$ 67 | \$ 57 |
| Interest cost on accumulated postretirement benefit obligation..... | 150                      | 156   | 159   |
| Amortization of unrecognized prior service cost.....                | (9)                      | --    | --    |
| Amortization of transition obligation.....                          | 93                       | 93    | 90    |
| Total periodic postretirement benefit cost.....                     | \$285                    | \$316 | \$306 |

Accumulated postretirement benefit obligation:

|  | 1997     | 1996    |
|--|----------|---------|
| Retirees.....  | \$ 1,095 | \$ 852  |
| Fully eligible plan participants.....  | 579      | 673     |
| Other active plan participants.....  | 484      | 616     |
| Accumulated postretirement benefit obligation.....                           | 2,158    | 2,141   |
| Unrecognized net loss.....   | 240      | 181     |
| Unrecognized transition obligation.....                                      | (1,390)  | (1,482) |
| Accrued postretirement benefit cost recognized at the end of the period..... | \$ 1,008 | \$ 840  |

The discount rate used to determine the accumulated postretirement benefit obligation was 7.25% and 7.75% in 1997 and 1996, respectively. The assumed health care cost trend rate used to determine the accumulated postretirement benefit obligation is 11.0%, declining ratably to 6.5% in 2002 and thereafter. A one-percentage-point increase in the assumed health care cost trend rate would not have a material effect on either the accumulated postretirement benefit obligation or the service and interest cost component of the net periodic post-retirement benefit cost.

The cost of all health and life insurance benefits is recognized as incurred and was approximately \$4,286, \$4,362 and \$3,825 in 1997, 1996 and 1995, respectively. The cost of providing these benefits for the 224, 207 and 190 retirees in 1997, 1996 and 1995, respectively, is not separable from the cost of providing benefits for the 718, 725, and 738 active U.S. employees.

(17) OTHER INCOME AND EXPENSE

Other income in 1997 was \$1,263 compared with \$194 in 1996. Other income included a gain of \$954 on the settlement of an intercompany foreign denominated loan. Additionally, 1997 other income included the final resolution and receipt of the settlement proceeds due from the 1996 premature termination of a contract by a customer for \$766, offset by a charge of \$507 for the settlement of a legal matter reached during the year.

Other income in 1996 of \$194 is related to foreign currency transaction gains.

Other expense in 1995 was \$2,779 including \$1,400 in foreign currency transaction losses, and \$865 for the write-off of equipment used for a specific



product, which is no longer manufactured.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(18) SEGMENT INFORMATION

The Company has been involved principally in the manufacturing and marketing of specialty and fine chemicals which include products used in prescription and over-the-counter drugs, cosmetics, and other health care products, as well as other complex molecules and chemicals for various multiple end-use markets. In October 1997, the Company entered into the biotechnology segment pursuant to the acquisition of BioWhittaker, Inc. The biotechnology segment consists of cell culture products, including living cell cultures, cell culture media and cell culture media supplements, and endotoxin detection products supplied to the biotechnology and pharmaceutical industries. The pharmaceutical specialty and fine chemicals segment includes five product categories: active pharmaceutical ingredients, pharmaceutical intermediates, organic intermediates, performance enhancers and polymer systems.

Following is a summary of business segment information:

|  | 1997         |
|--|--------------|
|  | -----        |
| GROSS SALES                                      |              |
| Biotechnology.....                               | \$ 13,577    |
| Pharmaceutical specialty and fine chemicals..... | 366,506      |
|  | -----        |
|  | \$380,083    |
|  | =====        |
| OPERATING PROFIT                                 |              |
| Biotechnology.....                               | \$(13,096) * |
| Pharmaceutical specialty and fine chemicals..... | 49,770       |
|  | -----        |
|  | \$ 36,674    |
|  | =====        |
| NET INCOME                                       |              |
| Biotechnology.....                               | \$(13,921) * |
| Pharmaceutical specialty and fine chemicals..... | 31,697       |
|  | -----        |
|  | \$ 17,776    |
|  | =====        |
| IDENTIFIABLE ASSETS                              |              |
| Biotechnology.....                               | \$145,306    |
| Pharmaceutical specialty and fine chemicals..... | 385,756      |
| Corporate.....                                   | 21,364       |
|  | -----        |
|  | \$552,426    |
|  | =====        |

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\* Includes effect of non-recurring charge for \$14,000 related to the value of in-process research and development efforts underway at the time of the acquisition of BioWhittaker, Inc., which was completed on October 3, 1997.

Depreciation for biotechnology and for pharmaceutical specialty and fine chemicals, respectively, was \$428 and \$23,401. Capital expenditures for the two segments were \$886 and \$32,368, respectively.

(19) FOREIGN OPERATIONS AND EXPORT SALES

European sales are comprised of all sales from Nordic, Profarmaco and Seal Sands.

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CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(19) FOREIGN OPERATIONS AND EXPORT SALES -- (CONTINUED)

Summarized data for the Company's operations for 1997, 1996 and 1995 are as follows:

|                          | DOMESTIC  | EUROPEAN  | TOTAL     |
|--------------------------|-----------|-----------|-----------|
|                          | -----     | -----     | -----     |
| 1997                     |           |           |           |
| Gross sales.....         | \$228,004 | \$152,079 | \$380,083 |
| Operating profit.....    | 4,656     | 32,018    | 36,674    |
| Net income.....          | 4,787     | 12,989    | 17,776    |
| Identifiable assets..... | 335,637   | 216,789   | 552,426   |
| 1996                     |           |           |           |
| Gross sales.....         | \$218,013 | \$151,466 | \$369,479 |
| Operating profit.....    | 22,296    | 23,978    | 46,274    |
| Net income.....          | 22,094    | 6,131     | 28,225    |
| Identifiable assets..... | 179,164   | 225,280   | 404,444   |
| 1995                     |           |           |           |
| Gross sales.....         | \$223,187 | \$144,883 | \$368,070 |
| Operating profit.....    | 19,763    | 24,740    | 44,503    |
| Net income.....          | 17,324    | 2,346     | 19,670    |
| Identifiable assets..... | 176,839   | 225,714   | 402,553   |

Export sales, included in domestic gross sales, in 1997, 1996 and 1995 amounted to \$48,852, \$50,243 and \$50,608 respectively. No country, in any of the given years, represents more than 10% of these export sales.

(20) COMMITMENTS

The Company has operating leases expiring on various dates through the year 2012. The leases are primarily for office and laboratory equipment and vehicles. At December 31, 1997, future minimum commitments under noncancelable operating lease arrangements were as follows:

| YEAR ENDED DECEMBER 31:  |          |
|--------------------------|----------|
| -----                    |          |
| 1997.....                | \$ 1,407 |
| 1998.....                | 890      |
| 1999.....                | 524      |
| 2000.....                | 379      |
| 2001 and thereafter..... | 11,160   |
|                          | -----    |
| Net commitments.....     | \$14,360 |
|                          | =====    |

Total operating lease expense was \$1,939, \$2,175 and \$2,284 for the years

ended December 31, 1997, 1996 and 1995, respectively.

In November 1995, the Company formed a strategic alliance with Oxford Asymmetry, Ltd. (located near Oxford in the United Kingdom). The Company will commercialize technologies and products developed by Oxford Asymmetry, and provides financial support for their research and development group. The Company will be required to pay royalties to Oxford Asymmetry for any technology licensed.

The Company also entered into several research and development agreements in 1997. In February, 1997, the Company signed a cooperative agreement with Albany Molecular Research, Inc. of Albany, New York. The Company will provide Albany Molecular Research financial support to develop processes specifically designed to fit into the Company's cGMP manufacturing facilities. In April, 1997, the Company formed two

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(20) COMMITMENTS -- (CONTINUED)

separate agreements with the Science Applications International Corporation (a.k.a. Zelinsky Institute) to secure the special knowledge and talents of Russian scientists. In May, 1997, the Company formed an alliance with Fine Tech Ltd., of Technicon City, Israel, in which the Company will provide Fine Tech funding over the next three years for process improvement on existing and newly-developed generic drugs to be manufactured in the Company's cGMP facilities. The estimated commitments for the Research & Development agreements over the next three years is approximately \$3,000.

(21) CONTINGENCIES

Contingencies exist for certain subsidiaries of Cambrex because of legal and administrative proceedings arising out of the normal course of business. Such contingencies include environmental proceedings directly and indirectly against the subsidiaries, as well as matters internally identified. The resolution of such matters often spans several years and frequently involves regulatory oversight and/or adjudication. Additionally, many remediation requirements are not fixed and are likely to be affected by future technological, site, and regulatory developments. Consequently, the ultimate extent of liabilities with respect to such matters, as well as the timing of cash disbursements cannot be determined with certainty. However, management is of the opinion that while the ultimate liability resulting from these matters may have a material effect upon the results of operations in any given year, they will not have a material adverse effect upon the Company's liquidity nor its financial position.

The following table exclusively addresses matters wherein the related liabilities are considered estimable. It summarizes the estimated range of the Company's share of costs associated with such matters, the related accruals, and the activity associated with those accruals. The changes in the estimated ranges between the current and prior year reflect revisions to estimates, the addition of matters that were quantified for the first time during the current year, and the satisfaction of others. The related accruals represent management's assessment of the aggregate liability associated with estimable matters.

| DECEMBER 31, |       |
|--------------|-------|
| -----        | ----- |
| 1997         | 1996  |
| -----        | ----- |

|  |         |          |
|--|---------|----------|
| Estimated range of the Company's share of costs associated with estimable matters: |         |          |
| Minimum.....   | \$4,501 | \$4,544  |
|  | =====   | =====    |
| Maximum.....   | \$9,908 | \$16,039 |
|  | =====   | =====    |
| Accrual and related activity:  |         |          |
| Balance, beginning of year.....  | \$7,800 | \$9,400  |
| Additions.....   | --      | --       |
| Reserve reversal.....  | --      | (1,000)  |
| Expenditures.....  | (355)   | (600)    |
|  | -----   | -----    |
| Balance, end of year.....  | \$7,445 | \$7,800  |
|  | =====   | =====    |
| Classification of year end accrual:  |         |          |
| Current.....   | \$35    | \$617    |
| Non-current.....   | 7,410   | 7,183    |
|  | -----   | -----    |
|  | \$7,445 | \$7,800  |
|  | =====   | =====    |

During 1995, there were no income statement charges for additions to the accrual for environmental contingencies.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(21) CONTINGENCIES -- (CONTINUED)

Significant matters wherein the related liability or range of liability is estimable, are summarized as follows:

a) Nepera, Inc. (Nepera) was named in 1987 as a Potentially Responsible Party (PRP) along with certain prior owners of the Maybrook Site in Hamptonburgh, New York by the United States Environmental Protection Agency (EPA) in connection with the disposition, under appropriate permits, of wastewater at that site prior to Cambrex's acquisition of Nepera in 1986. The Hamptonburgh site is on the EPA's National Priorities List for remedial work and clean-up. However, to date the EPA has entrusted the management of the remediation effort to the New York State Department of Environmental Conservation (DEC). Although the periods of ownership of the site and the extent of its use for wastewater disposal are well established, the PRP's have not been able to agree upon an allocation method for future remediation costs. However, a prior owner has participated with Nepera in the performance of the activities described in the following paragraphs.

During 1992, Nepera prepared a draft Remedial Investigation/Feasibility Study (RI/FS) report which enumerated several remediation alternatives and submitted the Remedial Investigation portion to the DEC for review. Consequently, although this RI/FS had not been approved by the DEC, Nepera utilized it to revise the estimated liability for this matter previously included in the accrual for environmental contingencies. This estimate considered the probability of cost sharing with prior owners of the site.

During 1993, the DEC requested the performance of additional site investigation prior to reviewing the Feasibility Study portion of the report. Nepera prepared a plan for such additional site investigation and submitted it for review.

During 1994, the DEC requested the performance of additional site investigation beyond the 1993 proposed plan and requested the Feasibility Study portion of the report. Nepera updated the RI/FS, prepared a revised plan for additional site investigation, submitted them for review and utilized them to

update the estimated liability for this matter. Additionally, a DEC administrative law judge issued a decision ordering one of the former owners to remediate the site. However, that former owner appealed the decision and settlement discussions commenced.

During 1995, the draft RI/FS was finalized and filed with the DEC. While similar to the 1994 draft, this final RI/FS delineated eight remediation alternatives which Nepera utilized to update the estimated liability for this matter.

During 1996, the DEC requested the performance of an additional pilot study beyond the 1995 RI/FS to determine the viability of another remediation alternative. Nepera utilized this study to update the estimated liability which resulted in a reduction in the estimated reserve for this matter.

During 1997, the RI/FS was updated for the additional remediation alternative requested by the DEC. This final draft RI/FS also included an additional alternative suggested by the Company. This final report was used to further refine the estimate liability for this matter.

Additionally, during November 1997, a settlement was reached between Nepera, Inc., a former owner of the site and the original owner of the site pertaining to past and future costs of remediating this site and the Harriman site (see b below). Under the terms of the settlement, the original site owner has placed in escrow approximately \$13,000 to provide for past and future remediation costs at the two sites in exchange for a release from the requirement to clean up the two sites. After certain administrative proceedings, the funds will be placed in a Trust for the benefit of remediating the two sites on behalf of Nepera and the other former site owner.

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CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(21) CONTINGENCIES -- (CONTINUED)

As permitted under the terms of the agreement, Nepera is eligible to recover and has sought to recover \$2,400 of past costs from this settlement which was recognized in the results of operations and as a receivable for this amount in the 1997 financial statements. Nepera estimates that the remaining funds available from this settlement should be sufficient to provide for the future remediation costs for these two sites based upon current estimates. Accordingly, the estimated range of liability for this site have been set off against these settlement funds and are not included in the minimum and maximum estimates for 1997. The 1996 minimum and maximum estimates did include certain amounts for this site.

b) Nepera was named in 1987 as a responsible party along with certain prior owners of Nepera's Harriman, New York production facility by the DEC in connection with contamination at that site. During 1997, a final Record of Decision (ROD) was issued which describes the remediation plan for the site. Nepera utilized the ROD to update the estimated costs of remediating this site. As noted above, during 1997, a settlement was reached with the original owner of the site which provides for funds to be placed in escrow for the future clean-up costs of the site. Nepera estimates that the remaining funds available from this settlement should be sufficient to provide for the future remediation costs for these two sites based upon current estimates. Accordingly, the estimated range of liability for this site have been set off against these settlement funds and are not included in the minimum and maximum estimates for 1997. The 1996 minimum and maximum estimates did include certain amounts for this site.

c) Cosan, Inc. (Cosan) entered into an Administrative Consent Order in 1985 with the New Jersey Department of Environmental Protection (NJDEP) under New Jersey's Industrial Site Recovery Act (ISRA) in order to consummate the sale of the controlling interest in Cosan to the Company. Through that action, Cosan

became required to determine whether its facility located in Carlstadt, New Jersey was contaminated by hazardous materials and, if appropriate, effect a cleanup.

During 1992, based upon the results of an evaluation of the site, Cosan proposed the installation of a groundwater recovery system to remove contaminants from the soil. During 1996, the NJDEP approved the Remedial Action Workplan for groundwater treatment and also approved the further RI workplan for soils. There were no significant developments at this site during 1997.

d) Cosan was named in 1991 as a defendant in a suit filed by the owners of a manufacturing site in Clifton, New Jersey that had been owned and operated by Cosan from about 1968 to 1979. The plaintiffs alleged Cosan contributed to the contamination at the site and seek to compel Cosan to contribute toward present and future costs of remediation of the site under ISRA. During January 1997, a judge's opinion was rendered against Cosan under which Cosan was liable for a majority of past environmental investigation and remediation costs of approximately \$800 plus prejudgment interest on such costs and was found responsible for future remediation costs at the site. In addition, the opinion assessed treble damages against Cosan under the New Jersey Spill Act. Cosan believes such damages are unprecedented and has contested such award on appeal. The plaintiffs also appealed certain aspects of the decision.

During 1997, the judge reversed the decision regarding prejudgment interest. Also, during 1997 both Cosan and the plaintiffs appealed various aspects of the decision. In January 1998, the appeals were heard before the United States Court of Appeals for the Third Circuit. A decision has not been rendered. The estimated range of costs for this case have been considered in the Company's year-end reserve assessment.

e) Nepera was named in the early 1980's as a PRP along with approximately 130 other companies by the EPA in connection with the SCP Corporation (SCP) site in Carlstadt, New Jersey. The site is on the EPA's National Priorities List for remedial work and cleanup. SCP disposed of process wastewater and minor amounts of other material for Nepera during the 1970's.

CAMBREX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

(21) CONTINGENCIES -- (CONTINUED)

The EPA has directed an Interim Remedial Measure for this site consisting of the construction of slurry walls and a pump and treat facility. Presently, a proportionate allocation of responsibility has not been established. However, Nepera's responsibility may be relatively large in relation to other parties. Nepera is contesting the proposed basis for the allocation of responsibility for this site, and believes it has grounds to, and will, oppose any efforts to charge it with excessive responsibility.

During 1994, the cost of capping the site was estimated by the PRP group to range from \$5,000 to \$8,000. Although such a remediation alternative has not been approved by the EPA, Nepera has assumed it to be the minimum effort which will be required at the site. Consequently, Nepera utilized such information to develop a range of estimated liabilities for this matter and considered such estimates when determining the accrual for environmental contingencies.

Additionally, during 1994, Nepera reached a settlement agreement with certain insurers who agreed to pay a certain portion of future expenditures associated with the site and incurred by Nepera. Under the terms of the settlement, \$2,450 was made available through a trust arrangement for remediation and administrative expenditures in connection with a number of relatively small sites. Through 1997, Nepera has recovered approximately the full amount of this settlement for costs incurred including a recovery of approximately \$400 in 1997. There is minimal remaining balance from these

recoveries.

During 1995, the PRP group commenced a Focused Feasibility Study (FFS) of soil contamination of a portion of the site as requested by the EPA.

During 1996, the PRP group commenced an off property investigation to determine if any contamination has moved off-site. There were no significant developments during 1997 with this site.

f) In 1992, Cambrex acquired substantially all of the assets of the fine chemicals business of Hexcel Fine Chemicals, now known as Zeeland Chemicals, Inc. In connection with that transaction, an accrual was recorded for estimated future costs for environmental conditions existing as of the date of the acquisition. To date, based upon the inactivity of required action at this site, the Company has reduced the estimate of the maximum exposure associated with this site by \$1,000. There have been no significant developments in connection with environmental conditions at that site.

g) In connection with the acquisition of Nordic and Profarmaco in 1994, an accrual of \$1,510 was established for environmental conditions existing as of the date of the acquisition. Approximately \$100 and \$500 was spent during 1997 and 1996, respectively, for environmental permit compliance matters.

h) In addition to the matters identified above, Cambrex's subsidiaries are party to a number of other proceedings. Management is of the opinion that the ultimate liability resulting from those proceedings will not have a material adverse effect upon Cambrex's results of operations nor its financial position.

#### (22) SUBSEQUENT EVENTS

On January 5, 1998, the Company acquired all of the assets of the chiral intermediates business of Celgene Corporation for \$7,500 plus future royalties of up to \$7,500 based upon sales. The acquisition has been accounted for as a purchase and was financed with the Company's Credit Agreement. The preliminary allocation of the purchase price results in goodwill of approximately \$5,000 which will be amortized over 15 years.

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#### CAMBREX CORPORATION

#### SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

|                        | 1ST<br>QUARTER | 2ND<br>QUARTER | 3RD<br>QUARTER | 4TH<br>QUARTER (4) | YEAR      |
|------------------------|----------------|----------------|----------------|--------------------|-----------|
|                        | -----          | -----          | -----          | -----              | -----     |
| 1997                   |                |                |                |                    |           |
| Gross sales.....       | \$93,141       | \$100,773      | \$82,638       | \$103,531          | \$380,083 |
| Net revenues.....      | 91,894         | 98,719         | 81,365         | 102,237            | 374,215   |
| Gross profit.....      | 27,739         | 30,070         | 24,558         | 31,595             | 113,962   |
| Net income.....        | 7,448          | 8,852          | 7,531          | (6,055)            | 17,776    |
| Earnings per share*(1) |                |                |                |                    |           |
| Basic.....             | \$ 0.63        | \$ 0.75        | \$ 0.64        | \$ (0.51)          | \$ 1.50   |
| Diluted.....           | \$ 0.62        | \$ 0.74        | \$ 0.61        | \$ (0.51)          | \$ 1.46   |
| Average shares*:       |                |                |                |                    |           |
| Basic.....             | 11,738         | 11,752         | 11,829         | 11,915             | 11,814    |
| Diluted.....           | 11,994         | 12,017         | 12,405         | 12,502             | 12,210    |
| 1996                   |                |                |                |                    |           |
| Gross sales.....       | \$96,717       | \$ 92,969      | \$88,318       | \$ 91,475          | \$369,479 |
| Net revenues.....      | 93,925         | 90,269         | 86,046         | 89,145             | 359,385   |
| Gross profit.....      | 26,466         | 25,986         | 25,002         | 23,882             | 101,336   |
| Net income.....        | 6,197          | 7,528 (2)      | 6,101          | 8,399 (3)          | 28,225    |
| Earnings per share*(1) |                |                |                |                    |           |
| Basic.....             | \$ 0.54        | \$ 0.65        | \$ 0.52        | \$ 0.72            | \$ 2.43   |

|                  |         |         |         |         |         |
|------------------|---------|---------|---------|---------|---------|
| Diluted.....     | \$ 0.52 | \$ 0.63 | \$ 0.51 | \$ 0.70 | \$ 2.37 |
| Average shares*: |         |         |         |         |         |
| Basic.....       | 11,480  | 11,595  | 11,646  | 11,695  | 11,608  |
| Diluted.....     | 11,810  | 11,859  | 11,907  | 11,949  | 11,896  |

-- -----

- (1) Earnings per share calculations for each of the quarters are based on the weighted average number of shares outstanding for each period, as such, the sum of the quarters may not necessarily equal the earnings per share amount for the year.
- (2) Net income for the three months ended June 30, 1996 reflect the reversal of certain reserves amounting to \$1,400. Additionally, a recovery of \$1,085 for legal expenses was recognized in results of operations for the three months ended June 30, 1996.
- (3) Net income for the three months ended December 31, 1996 reflect income, net of related costs, of approximately \$1,100 recognized from the settlement with a customer related to the premature termination of a five year supply contract for the sale of PMPA. Additionally, a \$1,000 reversal of the Company's environmental accrual is reflected in net income for the three months ended December 31, 1996.
- (4) Includes non-recurring charge for in-process research and development related to the acquisition of BioWhittaker. Additionally, the Company recognized \$2,400 as a reduction of legal expenses in the fourth quarter of 1997 related to the recovery of past environmental costs associated with a settlement with a prior owner of one of the Company's operating facilities.

\* Share and per share data reflect adjustments for a three-for-two stock split in the form of a 50% stock dividend. All earnings per share calculations reflect the adoption of SFAS No. 128, "Earnings per Share."

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### PART III

#### ITEM 9 -- CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

#### ITEM 10 -- DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

#### ITEM 11 -- EXECUTIVE COMPENSATION.

#### ITEM 12 -- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

#### ITEM 13 -- CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by Part III is hereby incorporated by reference to the information set forth under the captions "Principal Stockholders," "Board of Directors," "Election of Directors," and "Executive Compensation" in the registrant's definitive proxy statement for the Annual Meeting of Stockholders, to be held April 23, 1998, which meeting involves the election of directors, which definitive proxy statement is being filed with the Securities and Exchange Commission pursuant to Regulation 14A.

In addition, information concerning the registrant's executive officers has been included in Part I above under the caption "Executive Officers of the Registrant."

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### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.



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

|  | PAGE NUMBER<br>(IN THIS REPORT)<br>----- |
|--|--|
| Report of Independent Accountants.....   | 28                                       |
| Consolidated Balance Sheets as of December 31, 1997 and<br>1996.....   | 29                                       |
| Consolidated Income Statements for the Years Ended December<br>31, 1997, 1996 and 1995.....                  | 30                                       |
| Consolidated Statements of Stockholders' Equity for the<br>Years Ended December 31, 1997, 1996 and 1995..... | 31                                       |
| Consolidated Statements of Cash Flows for the Years Ended<br>December 31, 1997, 1996 and 1995.....           | 32                                       |
| Notes to Consolidated Financial Statements.....  | 33                                       |
| Consolidated Quarterly Financial Data (unaudited) for the<br>Years Ended December 31, 1996 and 1995.....     | 58                                       |

(a) 2. (i) The following schedule to the consolidated financial statements of the Company as filed herein and the Report of Independent Certified Public Accountants on Schedule are filed as part of this report.

|   | PAGE NUMBER<br>(IN THIS REPORT)<br>----- |
|---|--|
| Independent Accountants' Report (included in the<br>accountants' reports on the registrant's consolidated<br>financial statements)..... | 28                                       |
| Schedule II -- Valuation and Qualifying Accounts.....   | 61                                       |

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.

(a) 3. The exhibits filed in this report are listed in the Exhibit Index on page .

The registrant agrees, upon request of the Securities and Exchange Commission, to file as an exhibit each instrument defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries which has not been filed for the reason that the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.

(b) Reports on Form 8-K

The registrant filed the following reports on Form 8-K during the last quarter of the year ended December 31, 1997.

DATE OF REPORT  
-----

ITEMS REPORTED  
-----

October 8, 1997 Acquisition of BioWhittaker, Inc.  
 October 8, 1997 New Loan Agreement  
 November 26, 1997 Amendment to Form 8-K filed on October 8, 1997

related to the acquisition of BioWhittaker

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CAMBREX CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995  
 (DOLLARS IN THOUSANDS)

| CLASSIFICATION  | COLUMN A                        | COLUMN B                              | COLUMN C                           | COLUMN D   | COLUMN E       |
|---|---------------------------------|---------------------------------------|------------------------------------|------------|----------------|
|   | BALANCE<br>BEGINNING<br>OF YEAR | CHARGED<br>TO COST<br>AND<br>EXPENSES | CHARGED<br>TO<br>OTHER<br>ACCOUNTS | DEDUCTIONS | END OF<br>YEAR |
|   |                                 | ADDITIONS                             |                                    |            |                |
| Year Ended December 31, 1997:                                 |                                 |                                       |                                    |            |                |
| Doubtful trade receivables and returns<br>and allowances..... | \$1,453                         | \$ 818                                | \$ 57(1)                           | \$ 623     | \$ 1,705       |
| Inventory and obsolescence<br>provisions.....                 | 6,467                           | 2,489                                 | 8,225(1)                           | 1,238      | 15,943         |
| Year Ended December 31, 1996:                                 |                                 |                                       |                                    |            |                |
| Doubtful trade receivables and returns<br>and allowances..... | 1,261                           | 609                                   | --                                 | 417        | 1,453          |
| Inventory and obsolescence<br>provisions.....                 | 8,364                           | 1,099                                 | --                                 | 2,996      | 6,467          |
| Year Ended December 31, 1995:                                 |                                 |                                       |                                    |            |                |
| Doubtful trade receivables and returns<br>and allowances..... | 1,288                           | 547                                   | --                                 | 574        | 1,261          |
| Inventory and obsolescence<br>provisions.....                 | 5,578                           | 3,052                                 | --                                 | 266        | 8,364          |

(1) Reserve of BioWhittaker acquired during 1997.

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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/ CYRIL C. BALDWIN, JR.

-----  
 Cyril C. Baldwin, Jr.  
 Chairman of the Board of Directors  
 Date: March 20, 1998

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.

| NAME<br>-----   | TITLE<br>-----  | DATE<br>----- |
|---|---|---------------|
| /s/ CYRIL C. BALDWIN, JR.<br>-----<br>Cyril C. Baldwin, Jr.                         | Chairman of the Board of<br>-----<br>Directors        |               |
| /s/ DOUGLAS MACMILLAN<br>-----<br>Douglas MacMillan                                 | Vice President -- Chief<br>-----<br>Financial Officer |               |
| /s/ ROSINA B. DIXON, M.D.*<br>-----<br>Rosina B. Dixon, M.D                         | Director  |               |
| /s/ FRANCIS X. DWYER*<br>-----<br>Francis X. Dwyer                                  | Director  |               |
| /s/ GEORGE J. W. GOODMAN*<br>-----<br>George J. W. Goodman                          | Director  |               |
| /s/ KATHRYN RUDIE HARRIGAN, PHD*<br>-----<br>Kathryn Rudie Harrigan, PhD            | Director  |               |
| /s/ LEON J. HENDRIX, JR.*<br>-----<br>Leon J. Hendrix, Jr.                          | Director  |               |
| /s/ ILAN KAUFTHAL*<br>-----<br>Ilan Kaufthal  | Director  |               |
| /s/ ROBERT LEBUHN*<br>-----<br>Robert LeBuhn  | Director  |               |
| /s/ JAMES A. MACK*<br>-----<br>James A. Mack  | Director  |               |
| /s/ DEAN P. PHYERS*<br>-----<br>Dean P. Phypers                                     | Director  |               |
| *By /s/ CYRIL C. BALDWIN, JR.<br>-----<br>Cyril C. Baldwin, Jr. -- Attorney-in-Fact |   |               |

March 20, 1998

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EXHIBIT INDEX

| EXHIBIT NO.<br>----- | DESCRIPTION<br>-----  |
|----------------------|---|
| 3.1                  | Restated Certificate of Incorporation of registrant(A) -- Exhibit 3(a).   |
| 3.2                  | By Laws of registrant.(E) -- Exhibit 4.2.   |
| 4.1                  | Form of Certificate for shares of Common Stock of registrant.(A) -- Exhibit 4(a).   |
| 4.2                  | Article Fourth of the Restated Certificate of Incorporation.(A) -- Exhibit 4(b).  |
| 4.3                  | Loan Agreement dated September 21, 1994 by and among the registrant, NBD Bank, N.A., United Jersey Bank, National Westminster Bank NJ, Wachovia Bank of Georgia, N.A., BHF-Bank, The First National Bank of Boston, Chemical Bank |

- New Jersey, N.A., and National City Bank.(K).
- 4.4 Loan Agreement dated September 16, 1997 by and among the registrant, Chase Manhattan Bank as Administrative Agent and The First National Bank of Chicago as Documentation Agent. The bank group includes 13 domestic banks and 7 international banks.(Q)
- 10.1 Purchase Agreement dated July 11, 1986, as amended, between the registrant and ASAG, Inc.(A) -- Exhibit 10(r).
- 10.2 Asset Purchase Agreement dated as of June 5, 1989 between Whittaker Corporation and the registrant.(C) -- Exhibit 10(a).
- 10.3 Asset Purchase Agreement dated as of July 1, 1991 between Solvay Animal Health, Inc. and the registrant.(F).
- 10.4 Asset Purchase Agreement dated as of March 31, 1992 between Hexcel Corporation and the registrant.(H).
- 10.5 Stock Purchase Agreement dated as of September 15, 1994 between Akzo Nobel AB, Akzo Nobel NV and the registrant, for the purchase of Nobel Chemicals AB.(K).
- 10.6 Stock Purchase Agreement dated as of September 15, 1994 between Akzo Nobel AB, Akzo Nobel and the registrant, for the purchase of Profarmaco Nobel, S.r.l.(K).
- 10.7 Stock purchase agreement dated as of October 3, 1997 between BioWhittaker and the registrant.(Q)
- 10.10 1983 Incentive Stock Option Plan, as amended.(B).
- 10.11 1987 Long-term Incentive Plan.(A) -- Exhibit (g).
- 10.12 1987 Stock Option Plan.(B).
- 10.13 1989 Senior Executive Stock Option Plan.(J).
- 10.14 1992 Stock Option Plan.(J).
- 10.15 1993 Senior Executive Stock Option Plan.(J).
- 10.16 1994 Stock Option Plan.(J).
- 10.17 1996 Performance Stock Option Plan.(N).
- 10.20 Form of Employment Agreement between the registrant and its executive officers named in the Revised Schedule of Parties thereto.(D) -- Exhibit 10.A.
- 10.21 Revised Schedule of Parties to Employment Agreement (exhibit 10.20 hereto).(M).
- 10.22 Cambrex Corporation Savings Plan.(I).
- 10.23 Cambrex Corporation Supplemental Retirement Plan.(L).
- 10.24 Deferred Compensation Plan of Cambrex Corporation.(L).
- 10.25 Amendment to Deferred Compensation Plan of Cambrex Corporation (Exhibit 10.24 hereto).(P).

- - - - -  
See legend on following page.

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| EXHIBIT NO. | DESCRIPTION  |
|-------------|--|
| - - - - -   | - - - - -  |
| 10.26       | Cambrex Earnings Improvement Plan.(L).   |
| 10.27       | Consulting Agreement dated December 15, 1994 between the registrant and Arthur I. Mendolia.(L).                      |
| 10.28       | Consulting Agreement dated December 15, 1995 between the registrant and Cyril C. Baldwin, Jr.(L).                    |
| 10.29       | Consulting Agreement between the registrant and James A. Mack.(L).   |
| 10.30       | Additional Retirement Payment Agreement dated December 15, 1994 between the registrant and Arthur I. Mendolia.(L).   |
| 10.31       | Additional Retirement Payment Agreement dated December 15, 1994 between the registrant and Cyril C. Baldwin, Jr.(L). |
| 10.32       | Additional Retirement Payment Agreement between the registrant and James A. Mack.(L).                                |

- 10.40 Registration Rights Agreement dated as of June 6, 1985 between the registrant and the purchasers of its Class D Convertible Preferred stock and 9% Convertible Subordinated Notes due 1997. (A) -- Exhibit 10(m).
- 10.41 Administrative Consent Order dated September 16, 1985 of the New Jersey Department of Environmental Protection to Cosan Chemical Corporation. (A) -- Exhibit 10(q).
- 10.42 Registration Rights Agreement dated as of June 5, 1996 between the registrant and American Stock Transfer and Trust Company. (O) -- Exhibit 1.
- 10.50 Manufacturing Agreement dated as of July 1, 1991 between the registrant and A.L. Laboratories, Inc. (G).
- 21 Subsidiaries of registrant. (M).
- 23 Consent of Coopers & Lybrand L.L.P. to the incorporation by reference of its report herein in Registration Statement Nos. 33-22017, 33-21374, 33-37791, 33-81780 and 33-81782 on Form S-8 of the registrant. (M).
- 24 Powers of Attorney to sign this report. (M).
- 27 Financial Data Schedule. (M).

- - - - -

- (A) Incorporated by reference to the indicated Exhibit to registrant's Registration Statement on Form S-1 (Registration No. 33-16419).
- (B) Incorporated by reference to registrant's Registration Statement on Form S-8 (Registration No. 33-21374) and Amendment No. 1.
- (C) Incorporated by reference to registrant's Annual Report on Form 10-K dated June 5, 1989.
- (D) Incorporated by reference to the indicated Exhibit to registrant's Annual Report on Form 10-K for 1989.
- (E) Incorporated by reference to the indicated Exhibit to registrant's Registration Statement on Form S-8 (Registration No. 33-37791).
- (F) Incorporated by reference to registrant's Current Report on Form 8-K dated July 1, 1991.
- (G) Incorporated by reference to the registrant's Annual Report on Form 10-K for 1991.
- (H) Incorporated by reference to the registrant's Current Report on Form 8-K dated April 10, 1992 and Amendment No. 1 to its Current Report.
- (I) Incorporated by reference to registrant's Registration Statement on Form S-8 (Registration No. 33-81780) dated July 20, 1994.
- (J) Incorporated by reference to registrant's Registration Statement on Form S-8 (Registration No. 33-81782) dated July 20, 1994.
- (K) Incorporated by reference to registrant's Current Report on Form 8-K dated October 26, 1994.
- (L) Incorporated by reference to the registrant's Annual Report on Form 10-K for 1994.

- (M) Filed herewith.
- (N) Incorporated by reference to registrant's Registration Statement on Form S-8 (Registration No. 33-22017) dated February 19, 1997.

- (O) Incorporated by reference to the registrant's Current Report on Form 8-A dated June 12, 1996.
- (P) Incorporated by reference to the registrant's Annual Report on Form 10-K for 1995.
- (Q) Incorporated by reference to the registrant's Current Report on Form 8-K dated October 8, 1997.

CAMBREX CORPORATION  
ANNUAL REPORT ON FORM 10-K  
REVISED SCHEDULE OF PARTIES

| NAME<br>----          | TITLE<br>-----  | DATE OF AGREEMENT<br>----- |
|-----------------------|---|----------------------------|
| James A. Mack         | President and Chief<br>Executive Officer  | 02/01/90                   |
| Peter Tracey          | Executive Vice President --<br>Corporate Development                              | 11/05/90                   |
| Claes Glassell        | Vice President -- Cambrex<br>President, International                             | 10/12/94                   |
| Steven M. Klosk       | Executive Vice President --<br>Administration                                     | 10/21/92                   |
| Peter E. Thauer       | Vice President -- Law and Environment,<br>General Counsel and Corporate Secretary | 08/28/89                   |
| Salvatore J. Guccione | Vice President --<br>Corporate Development  | 12/14/95                   |
| Douglas H. MacMillan  | Vice President,<br>Chief Financial Officer  | 04/14/97                   |

CAMBREX CORPORATION  
SUBSIDIARIES OF REGISTRANT

| SUBSIDIARY<br>-----                 | INCORPORATED IN:<br>----- |
|-------------------------------------|---------------------------|
| CasChem, Inc.....                   | Delaware                  |
| Cosan Chemical Corp.....            | New Jersey                |
| Nepera, Inc.....                    | New York                  |
| The Humphrey Chemical Co., Inc..... | Delaware                  |
| Salsbury Chemicals, Inc.....        | Iowa                      |
| Zeeland Chemicals, Inc.....         | Michigan                  |
| BioWhittaker, Inc.....              | Delaware                  |
| Seal Sands Chemicals Limited.....   | England                   |
| Profarmaco S.r.l.....               | Italy                     |
| Nordic Synthesis AB.....            | Sweden                    |



## CAMBREX CORPORATION

## ACCOUNTANTS' CONSENT

Cambrex Corporation:

We consent to the incorporation by reference in the registration statements of Cambrex Corporation on Forms S-8 (File Nos. 33-22017, 33-21374, 33-37791, 33-81780, and 33-81782) of our report dated January 16, 1998, on our audits of the consolidated financial statements and financial statement schedule of Cambrex Corporation as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Parsippany, New Jersey  
March 17, 1998

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each officer and director of Cambrex Corporation, a Delaware corporation, whose signature appears below constitutes and appoints Cyril C. Baldwin, Jr., James A. Mack, and Douglas H. MacMillan, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all Annual Reports on Form 10-K which said Cambrex Corporation may be required to file pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and any and all amendments thereto and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF each of the undersigned has executed this instrument as of the 23rd day of January 1997.

/s/ CYRIL C. BALDWIN, JR.

/s/ JAMES A. MACK

-----  
Cyril C. Baldwin, Jr.  
Chairman of the Board of Directors

-----  
James A. Mack  
President, Chief Executive Officer  
Director

/s/ DOUGLAS H. MACMILLAN

/s/ LEON J. HENDRIX, JR.

-----  
Douglas H. MacMillan  
Vice President  
Chief Financial Officer

-----  
Leon J. Hendrix, Jr.  
Director

/s/ ROSINA B. DIXON

/s/ ILAN KAUFTHAL

-----  
Rosina B. Dixon, M.D.  
Director

-----  
Ilan Kaufthal  
Director

/s/ FRANCIS X. DWYER

/s/ ROBERT LEBUHN

-----  
Francis X. Dwyer  
Director

-----  
Robert LeBuhn  
Director

/s/ GEORGE J. W. GOODMAN

/s/ DEAN P. PHYERS

-----  
George J. W. Goodman  
Director

-----  
Dean P. Phypers  
Director

/s/ KATHRYN RUDIE HARRIGAN, PHD

-----  
Kathryn Rudie Harrigan, PhD  
Director

<ARTICLE> 5

| <PERIOD-TYPE>                | 3-MOS       | 6-MOS       | 9-MOS       | YEAR        |
|------------------------------|-------------|-------------|-------------|-------------|
| <FISCAL-YEAR-END>            | DEC-31-1997 | DEC-31-1997 | DEC-31-1997 | DEC-31-1997 |
| <PERIOD-END>                 | MAR-31-1997 | JUN-30-1997 | SEP-30-1997 | DEC-31-1997 |
| <CASH>                       | 7,555       | 7,186       | 29,726      | 21,411      |
| <SECURITIES>                 | 0           | 0           | 0           | 0           |
| <RECEIVABLES>                | 58,287      | 53,722      | 53,937      | 57,411      |
| <ALLOWANCES>                 | 1,059       | 1,072       | 1,454       | 1,711       |
| <INVENTORY>                  | 67,920      | 67,452      | 93,261      | 91,711      |
| <CURRENT-ASSETS>             | 146,005     | 139,494     | 189,056     | 184,611     |
| <PP&E>                       | 323,421     | 329,147     | 373,936     | 369,411     |
| <DEPRECIATION>               | 114,806     | 120,439     | 126,727     | 132,111     |
| <TOTAL-ASSETS>               | 400,517     | 393,139     | 537,181     | 552,411     |
| <CURRENT-LIABILITIES>        | 65,119      | 61,599      | 69,280      | 67,911      |
| <BONDS>                      | 73,483      | 62,865      | 187,503     | 194,311     |
| <PREFERRED-MANDATORY>        | 0           | 0           | 0           | 0           |
| <PREFERRED>                  | 0           | 0           | 0           | 0           |
| <COMMON>                     | 1,277       | 1,279       | 1,293       | 1,211       |
| <OTHER-SE>                   | 219,461     | 224,828     | 233,617     | 224,611     |
| <TOTAL-LIABILITY-AND-EQUITY> | 400,517     | 393,139     | 537,181     | 552,411     |
| <SALES>                      | 90,858      | 189,120     | 269,830     | 371,211     |
| <TOTAL-REVENUES>             | 91,894      | 190,613     | 271,978     | 374,211     |
| <CGS>                        | 64,155      | 132,804     | 189,611     | 260,211     |
| <TOTAL-COSTS>                | 64,155      | 132,804     | 189,611     | 260,211     |
| <OTHER-EXPENSES>             | 0           | 0           | 0           | 0           |
| <LOSS-PROVISION>             | 0           | 0           | 0           | 0           |
| <INTEREST-EXPENSE>           | 1,157       | 2,303       | 3,078       | 5,311       |
| <INCOME-PRETAX>              | 10,953      | 23,970      | 34,996      | 32,611      |
| <INCOME-TAX>                 | 3,505       | 7,670       | 11,165      | 14,811      |
| <INCOME-CONTINUING>          | 7,448       | 16,300      | 23,831      | 17,711      |
| <DISCONTINUED>               | 0           | 0           | 0           | 0           |
| <EXTRAORDINARY>              | 0           | 0           | 0           | 0           |
| <CHANGES>                    | 0           | 0           | 0           | 0           |
| <NET-INCOME>                 | 7,448       | 16,300      | 23,831      | 17,711      |
| <EPS-PRIMARY>                | 0.63<F1>    | 1.39<F1>    | 2.02<F1>    | 1.11        |
| <EPS-DILUTED>                | 0.62        | 1.36        | 1.97        | 1.11        |

<F1>The amount is reported as EPS-BASIC AND NOT FOR EPS-PRIMARY.

</FN>

<ARTICLE> 5

| <PERIOD-TYPE>  | 3-MOS       | 6-MOS       | 9-MOS       | YEAR        |
|--|-------------|-------------|-------------|-------------|
| <FISCAL-YEAR-END>  | DEC-31-1996 | DEC-31-1996 | DEC-31-1996 | DEC-31-1996 |
| <PERIOD-END>   | MAR-31-1996 | JUN-30-1996 | SEP-30-1996 | DEC-31-1996 |
| <CASH>   | 1,024       | 5,390       | 8,342       | 7,311       |
| <SECURITIES>   | 0           | 0           | 0           | 0           |
| <RECEIVABLES>  | 61,115      | 55,582      | 48,796      | 54,311      |
| <ALLOWANCES>   | 1,585       | 1,325       | 1,273       | 1,411       |
| <INVENTORY>  | 73,049      | 71,097      | 66,055      | 64,211      |
| <CURRENT-ASSETS>   | 147,496     | 146,985     | 135,533     | 136,811     |
| <PP&E>   | 301,209     | 308,848     | 316,937     | 327,011     |
| <DEPRECIATION>   | 93,195      | 99,054      | 104,785     | 110,511     |
| <TOTAL-ASSETS>   | 408,220     | 409,454     | 404,169     | 404,411     |
| <CURRENT-LIABILITIES>  | 72,051      | 73,985      | 69,537      | 73,911      |
| <BONDS>  | 95,165      | 84,680      | 72,581      | 60,111      |
| <PREFERRED-MANDATORY>  | 0           | 0           | 0           | 0           |
| <PREFERRED>  | 0           | 0           | 0           | 0           |
| <COMMON>   | 842         | 834         | 837         | 811         |
| <OTHER-SE>   | 197,563     | 207,739     | 215,205     | 228,111     |
| <TOTAL-LIABILITY-AND-EQUITY>                                     | 408,220     | 409,454     | 404,169     | 404,411     |
| <SALES>  | 93,925      | 184,194     | 270,067     | 358,711     |
| <TOTAL-REVENUES>   | 93,925      | 184,194     | 270,240     | 359,311     |
| <CGS>  | 67,459      | 131,742     | 192,787     | 258,011     |
| <TOTAL-COSTS>  | 67,459      | 131,742     | 192,787     | 258,011     |
| <OTHER-EXPENSES>   | 0           | 0           | 0           | 0           |
| <LOSS-PROVISION>   | 0           | 0           | 0           | 0           |
| <INTEREST-EXPENSE>   | 1,893       | 3,465       | 4,974       | 6,111       |
| <INCOME-PRETAX>  | 9,534       | 21,117      | 30,502      | 40,611      |
| <INCOME-TAX>   | 3,337       | 7,392       | 10,676      | 12,411      |
| <INCOME-CONTINUING>  | 6,197       | 13,725      | 19,826      | 28,211      |
| <DISCONTINUED>   | 0           | 0           | 0           | 0           |
| <EXTRAORDINARY>  | 0           | 0           | 0           | 0           |
| <CHANGES>  | 0           | 0           | 0           | 0           |
| <NET-INCOME>   | 6,197       | 13,725      | 19,826      | 28,211      |
| <EPS-PRIMARY>  | 0.54<F1>    | 1.19<F1>    | 1.71<F1>    | 2.11        |
| <EPS-DILUTED>  | 0.52        | 1.16        | 1.67        | 2.11        |
| <FN>   |             |             |             |             |
| <F1>The amount is reported as EPS-BASIC AND NOT FOR EPS-PRIMARY. |             |             |             |             |
| </FN>  |             |             |             |             |

<ARTICLE> 5

| <PERIOD-TYPE>                | YEAR        |          |
|------------------------------|-------------|----------|
| <FISCAL-YEAR-END>            | DEC-31-1995 |          |
| <PERIOD-END>                 | DEC-31-1995 |          |
| <CASH>                       |             | 4,841    |
| <SECURITIES>                 |             | 0        |
| <RECEIVABLES>                |             | 53,603   |
| <ALLOWANCES>                 |             | 1,261    |
| <INVENTORY>                  |             | 71,234   |
| <CURRENT-ASSETS>             |             | 144,134  |
| <PP&E>                       |             | 293,430  |
| <DEPRECIATION>               |             | 87,747   |
| <TOTAL-ASSETS>               |             | 402,553  |
| <CURRENT-LIABILITIES>        |             | 74,269   |
| <BONDS>                      |             | 99,643   |
| <PREFERRED-MANDATORY>        |             | 0        |
| <PREFERRED>                  |             | 0        |
| <COMMON>                     |             | 818      |
| <OTHER-SE>                   |             | 188,666  |
| <TOTAL-LIABILITY-AND-EQUITY> |             | 402,553  |
| <SALES>                      |             | 357,176  |
| <TOTAL-REVENUES>             |             | 357,176  |
| <CGS>                        |             | 257,396  |
| <TOTAL-COSTS>                |             | 257,396  |
| <OTHER-EXPENSES>             |             | 0        |
| <LOSS-PROVISION>             |             | 0        |
| <INTEREST-EXPENSE>           |             | 11,146   |
| <INCOME-PRETAX>              |             | 31,216   |
| <INCOME-TAX>                 |             | 11,546   |
| <INCOME-CONTINUING>          |             | 19,670   |
| <DISCONTINUED>               |             | 0        |
| <EXTRAORDINARY>              |             | 0        |
| <CHANGES>                    |             | 0        |
| <NET-INCOME>                 |             | 19,670   |
| <EPS-PRIMARY>                |             | 2.06<F1> |
| <EPS-DILUTED>                |             | 1.96     |

<FN>

<F1>

The amount is reported as EPS-BASIC and not for EPS-PRIMARY.

</FN>