

CAMBREX CORP
Form 10-Q
April 29, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

for the quarterly period ended March 31, 2016

OR

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

for the transition period from _____ to _____

Commission file number 1-10638

CAMBREX CORPORATION

(Exact name of registrant as specified in its charter)

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

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073

(Address of principal executive offices)

(201) 804-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of April 28, 2016, there were 31,978,467 shares outstanding of the registrant's Common Stock, \$.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

Table of Contents

	Page No.
Part I <u>Financial Information</u>	
Item 1. Financial Statements	
Consolidated Balance Sheets	3
Consolidated Income Statements	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures about Market Risk	23
Item 4. Controls and Procedures	23
Part II <u>Other Information</u>	
Item 1. Legal Proceedings	24
Item 1A. Risk Factors	24
Item 6. Exhibits	24
Signatures	25

Forward-Looking Statements

This document contains and incorporates by reference forward-looking statements including statements regarding expected performance, including, but not limited to, the Company's belief that cash flows from operations, along with funds available from the revolving line of credit, will be adequate to meet the operational and debt servicing needs of the Company, as well as other statements relating to expectations with respect to sales, the timing of orders, research and development expenditures, earnings per share, capital expenditures, the outcome of pending litigation (including environmental proceedings and remediation investigations) and related estimates of potential liability, acquisitions, divestitures, collaborations or other expansion opportunities. These statements may be identified by the fact that they use words such as "may," "will," "could," "should," "would," "expect," "anticipate," "intend," "estimate," "believe" or similar. Any forward-looking statements contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. The factors described in Item 1A of Part I contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2015, captioned "Risk Factors," or otherwise described in the Company's filings with the Securities and Exchange Commission, provide examples of such risks and uncertainties that may cause the Company's actual results to differ materially from the expectations the Company describes in its forward-looking statements, including, but not limited to, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and regulations (particularly environmental issues), tax rates, interest rates, technology, manufacturing and legal issues, including the outcome of outstanding litigation, changes in foreign exchange rates, uncollectible receivables, the timing of orders, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, the Company's ability to receive regulatory approvals for its products and continued demand in the U.S. for late stage clinical products or the successful outcome of the Company's investment in new products.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management as of the date of this report. The Company cautions investors not to place significant reliance on expectations regarding future results, levels of activity, performance, achievements or other forward-looking statements. The information contained in this Quarterly Report on Form 10-Q is provided by the Company as of the date hereof, and, unless required by law, the Company does not undertake and specifically disclaims any obligation to update these forward-looking statements contained in this Quarterly Report on Form 10-Q as a result of new information, future events or otherwise.

Part I - FINANCIAL INFORMATION**Item 1. Financial Statements****CAMBREX CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

(in thousands, except share data)

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 85,597	\$ 43,974
Trade receivables, net	47,316	90,920
Other receivables	9,558	7,278
Inventories, net	131,607	109,920
Prepaid expenses and other current assets	9,717	7,187
Total current assets	283,795	259,279
Property, plant and equipment, net	203,616	186,487
Goodwill	33,196	32,063
Intangible assets, net	7,291	6,691
Deferred income taxes	14,758	19,259
Other non-current assets	1,546	1,760
Total assets	\$ 544,202	\$ 505,539
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,345	\$ 39,257
Deferred revenue and advance payments	27,179	16,298
Accrued expenses and other current liabilities	38,004	44,247
Short-term debt	-	30,000
Total current liabilities	104,528	129,802
Advance payments	39,000	-
Deferred income taxes	7,872	7,735
Accrued pension benefits	42,890	42,661
Other non-current liabilities	14,840	14,506
Total liabilities	209,130	194,704

Edgar Filing: CAMBREX CORP - Form 10-Q

Stockholders' equity:		
Common stock, \$.10 par value; authorized 100,000,000, issued 33,573,194 and 33,528,915 shares at respective dates	3,357	3,353
Additional paid-in capital	133,183	131,980
Retained earnings	260,280	245,698
Treasury stock, at cost, 1,594,727 and 1,729,727 shares at respective dates	(13,596)	(14,747)
Accumulated other comprehensive loss	(48,152)	(55,449)
 Total stockholders' equity	 335,072	 310,835
 Total liabilities and stockholders' equity	 \$ 544,202	 \$ 505,539

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Income Statements**

(unaudited – in thousands, except per share data)

	Three months ended March 31,	
	2016	2015
Gross sales	\$93,935	\$78,184
Commissions, allowances and rebates	503	451
Net sales	93,432	77,733
Other	1,309	(208)
Net revenues	94,741	77,525
Cost of goods sold	55,842	48,446
Gross profit	38,899	29,079
Operating expenses:		
Selling, general and administrative expenses	14,045	13,751
Research and development expenses	3,478	2,655
Total operating expenses	17,523	16,406
Operating profit	21,376	12,673
Other expenses/(income):		
Interest (income)/expense, net	(55)	476
Other expenses, net	34	62
Income before income taxes	21,397	12,135
Provision for income taxes	6,552	3,767
Income from continuing operations	14,845	8,368
Loss from discontinued operations, net of tax	(263)	(375)
Net income	\$14,582	\$7,993
Basic earnings/(loss) per share of common stock:		

Edgar Filing: CAMBREX CORP - Form 10-Q

Income from continuing operations	\$0.47	\$0.27
Loss from discontinued operations, net of tax	\$(0.01)	\$(0.01)
Net income	\$0.46	\$0.26

Diluted earnings/(loss) per share of common stock:

Income from continuing operations	\$0.45	\$0.26
Loss from discontinued operations, net of tax	\$(0.01)	\$(0.01)
Net income	\$0.44	\$0.25

Weighted average shares outstanding:

Basic	31,886	31,198
Effect of dilutive stock based compensation	885	960
Diluted	32,771	32,158

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

(unaudited – in thousands)

	Three months ended March 31, 2016 2015	
Net income	\$ 14,582	\$ 7,993
Other comprehensive income/(loss):		
Foreign currency translation adjustments	7,095	(17,983)
Interest rate swap agreement, net of tax of \$0 and \$30 at respective dates	-	54
Pension plan amortization of net actuarial loss and prior service cost, net of tax of \$100 and \$108 at respective dates	202	230
Comprehensive income/(loss)	\$ 21,879	\$ (9,706)

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows**

(unaudited – in thousands)

	Three months ended March 31, 2016 2015	
Cash flows from operating activities:		
Net income	\$14,582	\$7,993
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	5,578	5,297
Non-cash deferred revenue	(2,310)	(137)
Increase in inventory reserve	1,936	1,406
Unrealized (gain)/loss on foreign currency contracts	(1,006)	834
Stock based compensation	1,535	1,077
Deferred income tax provision	3,911	2,076
Other	238	(39)
Changes in assets and liabilities:		
Trade receivables	45,861	35,763
Inventories	(21,009)	(28,963)
Prepaid expenses and other current assets	(3,993)	1,062
Accounts payable and other current liabilities	3,993	(2,167)
Deferred revenue and advance payments	39,926	12,557
Other non-current assets and liabilities	147	(870)
Discontinued operations:		
Net cash provided by/(used in) discontinued operations	382	(517)
Net cash provided by operating activities	89,771	35,372
Cash flows from investing activities:		
Capital expenditures	(19,840)	(12,641)
Other	13	596
Net cash used in investing activities	(19,827)	(12,045)
Cash flows from financing activities:		
Repayment of debt	(30,000)	-
Proceeds from stock options exercised	420	1,540
Other	408	60
Net cash (used in)/provided by financing activities	(29,172)	1,600
Effect of exchange rate changes on cash and cash equivalents	851	(2,535)
Net increase in cash and cash equivalents	41,623	22,392

Edgar Filing: CAMBREX CORP - Form 10-Q

Cash and cash equivalents at beginning of period	43,974	45,518
Cash and cash equivalents at end of period	\$85,597	\$67,910

See accompanying notes to unaudited consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(in thousands, except share data)

(Unaudited)

(1) Basis of Presentation

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

The accompanying unaudited consolidated financial statements have been prepared from the records of the Company. In the opinion of management, the financial statements include all adjustments, which are of a normal and recurring nature, except as otherwise described herein, and are necessary for a fair statement of financial position and results of operations in conformity with U.S. generally accepted accounting principles ("GAAP"). These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2015.

The results of operations of any interim period are not necessarily indicative of the results expected for the full year.

For all periods presented, financial results for discontinued operations relate to environmental investigation and remediation at sites of divested businesses.

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

(2) Impact of Recently Issued Accounting Pronouncements

Simplification of Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU 2016-09 which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and classification in the statement of cash flows. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact, if any, it will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 which requires lessees to recognize right of use assets and lease liabilities on the balance sheet for all leases except short-term leases. On the income statement, leases will be classified as operating or finance leases. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company is currently evaluating the guidance and transition method to determine the impact, if any, it will have on its consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. In March 2016, the FASB issued ASU 2016-08 which further clarifies the guidance on the principal versus agent considerations within ASU 2014-09. In April 2016, the FASB issued ASU 2016-10 to expand the guidance on identifying performance obligations and licensing within ASU 2014-09. These standards are effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact, if any, it will have on its consolidated financial statements.

CAMBREX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(in thousands, except share data)

(Unaudited)

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

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU 2015-11 which requires that inventory be measured at the lower of cost and net realizable value, which eliminates the other two options that currently exist for market, replacement cost and net realizable value less an approximately normal profit margin. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact, if any, it will have on its consolidated financial statements.

(3) Net Inventories

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

Net inventories consist of the following:

	March 31, 2016	December 31, 2015
Finished goods	\$30,086	\$32,550
Work in process	61,742	41,358
Raw materials	34,455	30,830
Supplies	5,324	5,182
Total	\$131,607	\$109,920

(4) Goodwill and Intangible Assets

The change in the carrying amount of goodwill for the three months ended March 31, 2016, is as follows:

Balance as of December 31, 2015	\$32,063
Translation effect	1,133
Balance as of March 31, 2016	\$33,196

8

CAMBREX CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(in thousands, except share data)

(Unaudited)

(4) Goodwill and Intangible Assets (continued)

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

	Amortization Period (in years)	As of March 31, 2016		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software	3 - 7	\$4,799	\$ (327)) \$ 4,472
Technology-based intangibles	20	3,461	(1,038)) 2,423
Customer-related intangibles	10 - 15	672	(276)) 396
		\$8,932	\$ (1,641)) \$ 7,291

	Amortization Period (in years)	As of December 31, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software	3 - 7	\$4,147	\$ (204)) \$ 3,943
Technology-based intangibles	20	3,310	(952)) 2,358
Customer-related intangibles	10 - 15	642	(252)) 390
		\$8,099	\$ (1,408)) \$ 6,691

The change in the gross carrying amount is due to additions and the impact of foreign currency translation. Beginning in 2014, the Company began implementing a new enterprise resource planning system, as such, \$652 has been capitalized and classified as internal-use software during the three months ended March 31, 2016.

Amortization expense was \$176 and \$169 for the three months ended March 31, 2016 and 2015, respectively.

Amortization expense related to intangible assets is expected to be approximately \$875 for 2016, \$953 for 2017 and 2018, \$909 for 2019, and \$892 for 2020.

(5) Restructuring Charges

In October 2015, the Board of Directors of the Company recommended that management evaluate strategic alternatives for Zenara due to a change in focus on higher growth initiatives as well as to reduce attention required by senior management to operate Zenara.

The Company determined that the sale of Zenara was the best option for its shareholders. As such, Cambrex management, with Board authority, committed to a plan to sell Zenara. The immaterial assets and liabilities of Zenara are included in prepaid expenses and other current assets and accrued expenses and other current liabilities on the Company's balance sheet for all periods presented. Restructuring expenses of approximately \$300 have been included in selling, general and administrative expenses for the three months ended March 31, 2016.

CAMBREX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(in thousands, except share data)

(Unaudited)

(6) Income Taxes

The tax provision from continuing operations in the first quarter of 2016 was expense of \$6,552 compared to \$3,767 in the first quarter of 2015. The effective tax rate in the first quarter of 2016 was 30.6% compared to 31.0% in the first quarter of 2015.

(7) Derivatives

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

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

Foreign Currency Forward Contracts

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

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

None of the foreign currency forward contracts entered into during the three months ended March 31, 2016 and 2015 were designated for hedge accounting treatment. The notional amounts of the Company's outstanding foreign exchange forward contracts were \$26,847 and \$9,322 at March 31, 2016 and December 31, 2015, respectively. The Company does not hold or purchase any foreign currency forward contracts for trading or speculative purposes and no contractual term is greater than twelve months.

The fair value of the Company's foreign exchange forward contracts outstanding was a gain of \$1,006 at March 31, 2016 and is recorded in other receivables on the balance sheet and other on the income statement. The fair value of the Company's foreign exchange forward contracts outstanding was immaterial at December 31, 2015.

(8) Fair Value Measurements

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

CAMBREX CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(in thousands, except share data)

(Unaudited)

(8) Fair Value Measurements (continued)

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of March 31, 2016. The amounts were immaterial at December 31, 2015.

Description	Total	Fair Value Measurements at March 31, 2016 using:		
		Level	Level	Level
		1	2	3
Foreign currency forwards, assets	\$1,006	\$-	\$1,006	\$ -
Total	\$1,006	\$-	\$1,006	\$ -

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

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

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

(9) Accumulated Other Comprehensive Income/(Loss)

The following tables provide the changes in AOCI by component, net of tax, for the three months ended March 31, 2016 and 2015:

	Foreign			
	Currency	Interest	Pension	
	Translation	Rate	Plans	Total
	Adjustments			
Balance as of December 31, 2015	\$ (25,880)	\$ -	\$(29,569)	\$(55,449)
Other comprehensive income before reclassifications	7,095	-	-	7,095
Amounts reclassified from accumulated other comprehensive loss	-	-	202	202
Net current-period other comprehensive income	7,095	-	202	7,297
Balance as of March 31, 2016	\$ (18,785)	\$ -	\$(29,367)	\$(48,152)

CAMBREX CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(in thousands, except share data)

(Unaudited)

(9) Accumulated Other Comprehensive Income/(Loss) (continued)

	Foreign			
	Currency	Interest	Pension	
	Translation	Rate	Plans	Total
	Adjustments			
	Swap			
Balance as of December 31, 2014	\$ (11,410)	\$ (193)	\$ (33,378)	\$ (44,981)
Other comprehensive loss before reclassifications	(17,983)	(19)	-	(18,002)
Amounts reclassified from accumulated other comprehensive loss	-	73	230	303
Net current-period other comprehensive (loss)/income	(17,983)	54	230	(17,699)
Balance as of March 31, 2015	\$ (29,393)	\$ (139)	\$ (33,148)	\$ (62,680)

The following table provides the reclassifications from AOCI by component for the three months ended March 31, 2016 and 2015:

Details about AOCI Components	Three months ended March 31, 2016	Three months ended March 31, 2015
Losses on cash flow hedge:		
Interest rate swap	\$ -	\$ (113)
Tax benefit	-	40
Net of tax	\$ -	\$ (73)

Amortization of defined benefit pension items:

Actuarial losses	\$ (289)	\$ (325)
Prior service costs	(13)	(13)
Total before tax	(302)	(338)
Tax benefit	100	108
Net of tax	\$ (202)	\$ (230)
Total reclassification for the period	\$ (202)	\$ (303)

The Company recognizes net periodic pension cost, which includes amortization of actuarial losses and gains, and prior service costs in both selling, general and administrative expenses and cost of goods sold in its income statement depending on the functional area of the underlying employees included in the plan. The interest rate swap is reflected in the Company's income statement as interest expense.

(10) Stock Based Compensation

The Company recognizes compensation costs for stock options awarded to employees based on their grant-date fair value. The value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. No stock options were granted during the three months ended March 31, 2016. The weighted-average fair value per share for the stock options granted to employees during the three months ended March 31, 2015 was \$9.31.

For the three months ended March 31, 2016 and 2015, the Company recorded \$852 and \$605, respectively, in selling, general and administrative expenses for stock options. As of March 31, 2016, the total compensation cost related to unvested stock options not yet recognized was \$7,863. The cost will be amortized on a straight-line basis over the remaining weighted-average vesting period of 2.4 years.

CAMBREX CORPORATION AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

(in thousands, except share data)

(Unaudited)

(10) Stock Based Compensation (continued)

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

Options	Number	Weighted
	of	Average
	Shares	Exercise
		Price
Outstanding at December 31, 2015	1,631,913	\$ 19.17
Exercised	(44,279)	9.47
Forfeited or expired	(5,250)	16.45
Outstanding at March 31, 2016	1,582,384	19.45
Exercisable at March 31, 2016	679,851	\$ 12.65

The aggregate intrinsic values for all stock options exercised for the three months ended March 31, 2016 and 2015 were \$1,354 and \$5,340, respectively. The aggregate intrinsic values for all stock options outstanding and exercisable as of March 31, 2016 were \$38,843 and \$21,317, respectively.

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

Nonvested Stock		Nonvested	
Options		Restricted Stock	
Number	Weighted-	Number	Weighted-
of	Average	of	Average
Shares	Grant-	Share	Grant-

		Date Fair		Date Fair
		Value		Value
Nonvested at December 31, 2015	922,658	\$ 10.35	178	\$ 46.91
Vested during period	(14,875)	8.11	-	-
Forfeited	(5,250)	7.76	-	-
Nonvested at March 31, 2016	902,533	\$ 10.40	178	\$ 46.91

The Company granted equity-settled performance shares (“PS”) to certain executives. PS awards provide the recipient the right to receive a certain number of shares of the Company’s common stock in the future, which depends on the Company’s level of achievement of net revenue and EBITDA growth as compared to the net revenue and EBITDA growth of the members of a specified peer group of companies over a three year period. For the three months ended March 31, 2016 and 2015, the Company recorded \$679 and \$472, respectively, in selling, general and administrative expenses related to these PS awards.

CAMBREX CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(in thousands, except share data)

(Unaudited)

(11) Retirement Plans

Domestic Pension Plan

The components of net periodic cost for the Company's domestic pension plan (which was frozen in 2007) for the three months ended March 31, 2016 and 2015 were as follows:

	Three months ended March 31, 2016 2015	
Components of net periodic benefit cost		
Interest cost	\$597	\$608
Expected return on plan assets	(662)	(718)
Recognized actuarial loss	194	