CUMBERLAND®
PHARMACEUTICALS

2010 ANNUAL REPORT

NASDAQ SYMBOL : CPIX

SOLUTIONS EVERY DAY

CUMBERLAND PHARMACEUTICALS
is a unique company with quality products
that delivers real solutions every day.

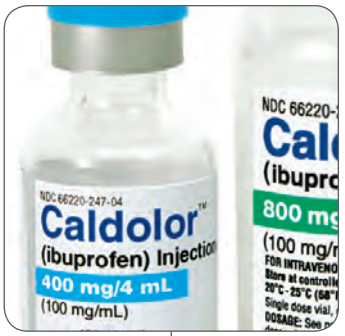
Cumberland Pharmaceuticals is a specialty pharmaceutical company that acquires, develops and commercializes branded prescription products. Our primary target markets include hospital acute care and gastroenterology. We focus on delivering products for the U.S. market and we are partnering with companies to make our products available internationally.

Our product portfolio includes Caldolor® (*ibuprofen*) Injection, the first injectable treatment for pain and fever approved in the United States, Acetadote® (*acetylcysteine*) Injection for the treatment of acetaminophen poisoning, and Kristalose® (*lactulose*) for Oral Solution, a prescription laxative.

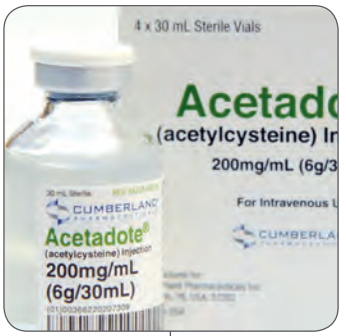
We intend to grow the company by continuing to add select new products to our portfolio in order to advance patient care and enhance shareholder value.

3 FDA-Approved

PRODUCTS



CALDOLOR®



ACETADOTE®

KRISTALOSE®

2010 MILESTONES

Cumberland Donates Caldolor® to Haitian Relief Efforts | January 2010 |
Cumberland donates 15,000 vials of Caldolor® to Haitian relief efforts following devastating earthquake to address fever related to disease or infection and pain from traumatic injury or surgery.

Caldolor® License Agreement for Canada | April 2010 |
Cumberland enters into an exclusive agreement with Alveda Pharmaceuticals, a Toronto-based specialty pharmaceutical company, for the commercialization of Caldolor® in Canada.

Acetadote® Approved in Australia | May 2010 |
Cumberland and Phebra Pty. Ltd., an Australian-based specialty pharmaceutical company, announce that Acetadote® is approved for marketing and sale in Australia.

Cumberland Hosts Pain Experts Meeting in Nashville | July 2010 |
Cumberland convenes panel of leading medical experts to discuss new developments in pain management, including Caldolor®, and explore current opinions relating to changes in this field.

Conversion of Field Sales Force to Cumberland Employees | September 2010 |
Cumberland converts its Field Sales Force to Company employees. The sales force, which promotes Kristalose® and Caldolor®, was previously a contract sales team.

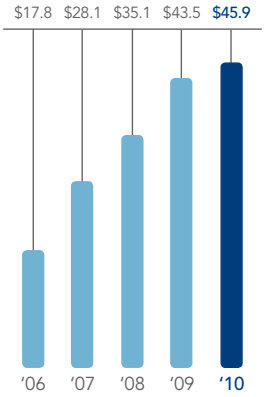
Acetadote® sNDA for New Formulation Submitted | October 2010 |
Application for approval of a new formulation of Acetadote® is submitted to the FDA. The next generation product is subsequently approved in January 2011, replacing the original formulation.

Acetadote® Launched in Australia | October 2010 |
Cumberland and Phebra announce that Acetadote® is commercially available in Australia, marking the first launch of a Cumberland product outside of the United States.

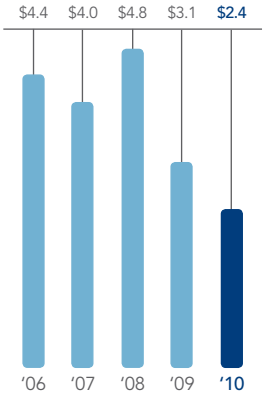
Cumberland Awarded $860,000 in Federal Grant Funding | November 2010 |
Cumberland is awarded $860,000 in federal grant funding pursuant to a U.S. healthcare reform initiative designed to support promising research and development programs.

Financial Overview

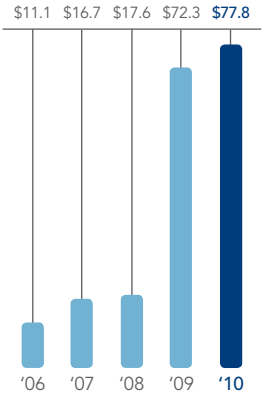
Net Revenues
(in millions)



Net Income
(in millions)



Shareholders' Equity
(in millions)



(dollars in thousands, except per share data)	2006	2007	2008	2009	**2010**
Net Revenues	$17,815	$28,064	$35,075	$ 43,537	**$45,876**
Gross Margin	86.5%	90.5%	91.3%	90.5%	**92.2%**
Operating Income	2,224	6,725	7,282	5,777	**6,502**
Operating Margin	12.5%	24.0%	20.8%	13.3%	**14.2%**
Net Income	4,404	4,044	4,766	3,059	**2,427**
Diluted Earnings Per Share	0.27	0.24	0.29	0.17	**0.12**
Total Assets	26,481	28,919	31,119	103,724	**92,054**
Long-Term Obligations	10,543	7,623	7,666	20,155	**7,802**
Shareholders' Equity	11,126	16,746	17,555	72,254	**77,778**

TO OUR **SHAREHOLDERS, PARTNERS & EMPLOYEES:**

During 2010, we continued to deliver on our mission of providing differentiated products to improve patient care. A primary focus for Cumberland in 2010 was to significantly progress formulary approval and widespread stocking of Caldolor®, our injectable ibuprofen product. By the end of 2010, we were well on our way to reaching our initial goal of 500 stocked U.S. medical centers. We continued to develop our marketed products in 2010, a key part of our strategy to leverage existing assets to address unmet medical needs. During the year, we submitted two supplemental new drug applications to the FDA for Acetadote®, our injectable treatment for acetaminophen poisoning. These submissions involved a potential new indication and a new formulation for the product, the latter of which resulted in FDA approval of a next generation version of Acetadote®. 2010 also marked an important milestone with the first approval and launch of a Cumberland product outside the United States.

REFLECTING ON 2010

Our growth strategy involves maximizing potential of our products for their approved indications, developing those products to expand indications, and acquiring additional products or late-stage development candidates. We strive to provide solutions for poorly met or underserved patient needs through treatments that offer a unique combination of benefits. While safety and efficacy are paramount, we are also committed to delivering advancements over existing treatments as well as the opportunity for cost containment or reduction for the healthcare provider.

Our total net revenue in 2010 was $45.9 million, compared to $43.5 million for 2009. This growth was primarily due to a 16% increase in Acetadote® net revenue over the prior year. We maintained profitability in 2010 and our balance sheet remains strong following our initial public offering, with the majority of our IPO proceeds available for business and product development.

We are pleased with the progress we made securing stocking for Caldolor® in U.S. medical facilities during 2010. This progress was a result of a singular focus during the year to drive formulary committee approval across the country, and was supplemented by a steady outflow of new publications of our Caldolor® clinical data. Throughout the year, we worked diligently on a publication initiative that led to seven clinical studies supporting Caldolor® being published in peer-reviewed medical journals. These publications provide critical evidence to communicate the product's safety, efficacy, differentiating benefits and overall value to the medical community.

While we will continue pursuing new facility approvals and stockings, in the first quarter of 2011 we initiated a dual strategy to also drive pull-through use of Caldolor®. The timing of this shift is aligned with our stocking progress at a base of hospitals in which we believe we can begin to generate significant volume. In early 2011, our sales teams began calling on facilities that have approved Caldolor® to address the extensive list of medical professionals who will influence use of the product on a daily basis. We are now pursuing a wider audience of surgeons, anesthesiologists and numerous other potential Caldolor® users, incorporating training and materials targeted at their specific needs. We believe that our new messages focused on creating more widespread

use of Caldolor® will begin to develop a ramp in sales and move us toward our long-term revenue goals for the product.

In 2010, we culminated a development program that resulted in FDA approval for a next generation formulation of Acetadote®. Upon receipt of original marketing approval for Acetadote®, we agreed with the FDA to explore a new formulation of Acetadote® that was free of certain elements known to cause allergic reactions in some patients. Cumberland initiated a program to develop a new formulation that addressed the FDA's safety concerns and could be scaled in a commercial manufacturing setting without compromising potency, solubility or stability. We submitted a supplemental New Drug Application for the new formulation in October 2010. In January 2011, we received FDA approval and initiated the U.S. launch of the new product, which replaces the original formulation. We believe this was a critical step in supporting Acetadote®, a product that continues to deliver strong growth for us as well as provide life-saving treatment for patients. We are in discussions with the U.S. Patent and Trademark Office to protect our proprietary discoveries related to the new product.

We also submitted a supplemental New Drug Application to the FDA to expand labeling of Acetadote® in 2010. The application includes data from a clinical trial indicating that patients suffering with acute liver failure from causes other than acetaminophen overdose have a significantly improved chance of transplant-free survival when treated with Acetadote®. The FDA granted a priority review for this application, and in December 2010 issued a Complete Response Letter indicating that additional items must be addressed prior to any approval. We are in discussions with the FDA to gain clarity on a pathway to approval, and continue to believe that Acetadote® can offer an extremely valuable treatment option for this critically ill patient population.

In the fourth quarter of 2010, a patient preference study evaluating Kristalose®, our prescription laxative, was published in *Clinical and Experimental Gastroenterology*. The study results demonstrate that patients with chronic constipation prefer the taste, consistency and portability of Kristalose® over similar products in liquid forms. This new publication helps us evidence that laxative prescribers can encourage patient dosing compliance if they prescribe Kristalose®, and we have launched a new marketing campaign featuring the new data.

FUTURE OUTLOOK

A key milestone in 2010 was the first international launch of a Cumberland product with our partner Phebra's introduction of Acetadote® in Australia. The progress we made on international fronts in 2010 lays a foundation for our plans to pursue additional product launches outside of the United States. In 2011, we will continue to work with our commercial partners to progress their initiatives toward obtaining approval for our products in their markets. We are also exploring opportunities to enter additional markets with new partners to continue expanding our global reach.

We are determined to add a new product to our portfolio in 2011. Our business development team is evaluating several new opportunities, and we look to leverage our existing infrastructure in the hospital and gastroenterology markets. In order to maintain a sharp marketing and sales focus on Caldolor® through 2011, we believe an ideal fit would be a late-stage development candidate. Our management team has a successful track record of designing and managing development programs and obtaining regulatory approval as we have done with Acetadote® and Caldolor®. Our strong financial profile puts us in an ideal position to make such a move in 2011.

I would like to thank our Cumberland team for their strong efforts and dedication that made 2010 another successful year. We are making good progress, and are extremely motivated to continue executing our strategy toward our long-term goals. We are committed to delivering real patient solutions that translate into positive outcomes for our employees, partners and shareholders.

I look forward to keeping you apprised of our progress and plans.

Best wishes,

A.J. Kazimi
Chairman and Chief Executive Officer


TEAM

A UNIQUE COMPANY...

Cumberland's most important resource is its people.

Cumberland's team is comprised of individuals dedicated to innovation, growth and integrity. While our primary mission is to improve upon patient care with products that offer clear advantages over existing treatments, we also strive to deliver solutions that may help contain or reduce costs for the healthcare provider and, ultimately, the patient.

Our accomplished management team has a track record of success in acquiring, developing and commercializing pharmaceuticals. This group is complemented by our distinguished board of directors as well as industry and medical advisors who bring invaluable insight to every area of operations. A growing sales force of experienced and talented pharmaceutical professionals promotes Cumberland's products nationwide, including specialty hospital and field sales teams.

What We Do

Acquisition

Our business development efforts are led by a multi-disciplinary team with significant pharmaceutical and transactional expertise. We evaluate product leads and candidates from a variety of sources, including our international network of advisors. Highly critical selection criteria guide our acquisition strategy, and we believe our current product portfolio is representative of our discriminating efforts.

Development

Our product development capabilities include the proven ability to take late-stage product candidates through clinical development and regulatory approval. We were directly responsible for completing development and obtaining FDA approval for Acetadote® and Caldolor®. Our team develops proprietary product formulations, designs and manages our clinical trials, prepares regulatory submissions and manages our medical call center.

Commercialization

We focus on commercializing products for the U.S. market, specifically for medical segments that have relatively concentrated physician bases. Our sales and marketing executives manage our national marketing campaigns, market research, national sales accounts and hospital and field sales forces. We are expanding our sales teams to coincide with planned growth.

JEAN W. MARSTILLER
Senior Vice President,
Administrative Services
and Corporate Secretary

A STRONG FOUNDATION
Exceptional People

"At Cumberland, we continue to build a team of extremely talented individuals who come together to deliver outstanding results. All of our people could be described as motivated, results oriented, self-starters and independent thinkers. In addition, integrity and ethical behavior are ingrained in our culture, and we look for these attributes when adding new team members. Beyond that, we focus heavily on ensuring that our people place a high value on the opportunities that working with a smaller pharmaceutical firm can offer. We look for individuals who view challenges as opportunities for growth. Identifying this in a prospective new employee is what helps us determine that an individual is a good fit for Cumberland, and that Cumberland is the right choice for the individual."

A WEALTH OF KNOWLEDGE

Diverse Team—One Vision

"We are fortunate that Cumberland continues to grow in a time when the pharmaceutical industry has largely been downsizing. Our needs to expand our sales forces in recent years have aligned with a wealth of talent becoming available. Our sales professionals bring diversity and rich experience to Cumberland, which we leverage and adapt into a consistent Cumberland sales focus for success in our markets. Further, our sales representatives are attracted to the size of our organization, with an appreciation for the culture that a smaller pharmaceutical firm like Cumberland can offer."

TODD ANTHONY
Director,
Sales Training & Development


CALDOLOR®

...WITH QUALITY PRODUCTS...

Caldolor® (ibuprofen) Injection

Caldolor® is the first FDA-approved intravenous treatment for pain and fever.

- Significant reduction in pain
- Significant reduction in opioid use
- Fever reduction within 30 minutes
- Safety profile comparable to placebo in clinical trials

Improving Patient Care

Following completion of a development program involving more than 1,400 patients, we received FDA approval for Caldolor® in June 2009. We launched the product in September of that year, and are introducing Caldolor® to hospitals and surgical centers across the country through our hospital and field sales forces.

During 2010, Caldolor® was stocked at a growing number of U.S. medical facilities. This was a result of a focused effort during the year to obtain widespread formulary approval for the product. While we continue to build upon the number of facilities stocking Caldolor®, in early 2011 we initiated a shift in strategy to begin driving pull-through use and corresponding sales of the product.

In 2010, we led a publication initiative that resulted in seven of our clinical trials supporting the use of Caldolor® being published in peer-reviewed medical journals. Among them are two studies that are integral to our pull-through marketing efforts. The first is a pharmacokinetic study in healthy volunteers demonstrating that the product can be safely administered over 5–7 minutes, with peak plasma concentration for Caldolor® at 6.5 minutes (compared to 1.5 hours for oral ibuprofen). The second trial, in patients undergoing orthopedic surgeries, demonstrates that Caldolor® can be safely administered prior to surgery…a message that is resonating strongly with physicians, especially anesthesiologists.

BARRY L. LEE
Product Director, Caldolor®

32%

Significant reduction in pain in the immediate 24 hours post-surgery compared to morphine alone

THE CALDOLOR® OPPORTUNITY

Innovation in Pain Management

"Caldolor® helps address previously unmet needs of both the physician and the patient. Because Caldolor® can be used prior to surgery at induction of anesthesia, surgical patients are waking up in less pain. In addition, these patients are experiencing less pain throughout the most painful, 24-hour period following surgery, compared to the relief provided by morphine alone. Caldolor® significantly reduces opioid use while significantly improving pain relief in post-operative patients with open access to morphine. This is consistent with a move in the field of pain management toward reducing opioid reliance and favoring a multi-modal approach to addressing pain, with non-opioid analgesics such as ibuprofen as baseline treatment and opioids added as needed."

CLINICAL ADVANCES
Next Steps

"We are committed to continuing to develop our FDA-approved products, whether to improve upon existing formulations or to expand into new indications. In 2009, Caldolor® was approved for treatment of pain and fever in adults. Since then, we have initiated two clinical trials to evaluate the product for treating pain and fever in children. Oral ibuprofen has a long history of successfully treating pain and fever in pediatric patients. We hope to generate clinically relevant data to bridge use of our IV ibuprofen, especially for hospitalized children where IV administration may be preferred or is the only viable option."

AMY D. ROCK, PH.D.
Senior Director, Regulatory
and Scientific Affairs


ACETADOTE®
CUMBERLAND PHARMACEUTICALS
Acetadote®
(acetylcysteine) Injection
200mg/mL
(6g/30mL)
NDC 66220-207-30
30 mL Sterile
(01)00366220207309

...DELIVERING REAL SOLUTIONS

Acetadote® (acetylcysteine) Injection

Acetadote® is the only FDA-approved IV treatment for acetaminophen overdose.

Acetadote® prevents or reduces liver damage resulting from acetaminophen overdose, the leading cause of drug toxicity in the U.S. Promoted to hospitals and poison control centers, Acetadote® is the only injectable treatment available in the country for this potentially lethal overdosing occurrence. We developed and introduced the product in the United States in 2004, and it is currently used in more than 3,000 U.S. hospitals. With a 3-dose, 21-hour IV infusion, Acetadote® is the shortest FDA-approved treatment regimen for acetaminophen poisoning.

Life-Saving Treatment

Acetadote® is used in the emergency department and hospital inpatient setting to prevent or lessen liver damage from an overdose of acetaminophen, a common ingredient in many over-the-counter and prescription medications. Though safe at recommended doses, acetaminophen can cause liver damage with excessive use. Acetadote® is promoted by Cumberland's hospital sales force, and has become a standard of care for acetaminophen overdose in the U.S.

Since original approval in 2004, we have expanded the product's label with a pediatric indication in 2006 and additional safety data in 2008. In 2010, we completed a development program to explore a new formulation of Acetadote® based on a Phase IV commitment to the FDA upon original approval. We submitted a supplemental New Drug Application (sNDA) for the new formulation in October, and in January 2011 received FDA approval for the next generation product. The new product was launched in the U.S. in early 2011, and replaces the original formulation.

In 2010, we also submitted a sNDA to the FDA to expand labeling of Acetadote® for patients with acute liver failure not caused by acetaminophen. The application includes data indicating that early-stage acute liver failure patients treated with Acetadote® have a significantly improved chance of survival without transplant. The FDA granted a priority review of this application, and in December issued a Complete Response Letter indicating that additional items must be addressed prior to approval. We are in discussions with the FDA to gain clarity on a pathway to approval for this new indication.

LEO PAVLIV, R.PH.
Senior Vice President, Operations

THE NEXT GENERATION
New and Improved

Q: What advantages does the new formulation of Acetadote® have over the original product?

A: We developed the new product based on the FDA's request to explore a new formulation of Acetadote® that is free of certain elements known to cause allergic reactions in some patients. The proprietary new formulation does not contain Ethylene diamine tetracetic acid or any other stabilization or chelating agents, and is free of preservatives. The new product addresses the FDA's safety concerns, and now has replaced the original formulation. This next generation product will build on the clinical benefits we've seen thus far with the original product.

23%

Compound annual growth rate for Acetadote® from 2007 to 2010

STEADY GROWTH
Creating Value

"Acetadote® propelled us to profitability in 2004, the year we launched the product. Since then, it has continued to deliver steady growth. Net revenue from Acetadote® grew from $18.8 million in 2007 to $35.1 million in 2010, a compound annual growth rate of 23%. Acetadote® represents an ideal product for Cumberland, and we also believe that it can provide cost savings for the end user compared to other treatment options. That combination of features, coupled with the product's life-saving potential, is consistent with our mission to create value for the patient, the Company and our shareholders."

DAVID L. LOWRANCE
Vice President, Finance & Accounting and Chief Financial Officer


Kristalose®
(lactulose)
For oral solution
CUMBERLAND PHARMACEUTICALS
Single Dose Packet
20 Grams
Rx only
NDC 66220-728-01

KRISTALOSE®

Kristalose® (lactulose) for Oral Solution

Kristalose® is a proprietary prescription laxative that we believe offers significant advantages over other laxative products. Kristalose® features the established safety and efficacy of lactulose, plus the convenience of a pre-measured powder dose.

A unique, dry powder crystalline formulation of lactulose, Kristalose® is designed to enhance patient compliance in the treatment of acute and chronic constipation. It is the only prescription-strength laxative available in pre-measured powder packets, making it easily portable. Kristalose® dissolves quickly in 4 oz. of water, offering patients a virtually tasteless, grit-free and essentially calorie-free alternative to lactulose syrups. There are no age limitations or length of use restrictions for Kristalose® and it is the only osmotic prescription laxative still sampled to physicians.

Patient Preference

In 2009, we completed a patient preference study evaluating Kristalose® compared to similar products in liquid forms. The study, which appeared in *Clinical and Experimental Gastroenterology*, demonstrated that patients with chronic constipation preferred the taste, consistency and portability of Kristalose® over similar products in liquid forms. This data is highly relevant to our marketing activities for Kristalose®, as a key differentiating factor for the product is its ability to enhance patient compliance. In 2010, we launched a new marketing campaign featuring the data and expect to see positive results from it in 2011.

Kristalose® is promoted by our field sales force to high prescribers of laxatives, including gastroenterologists and pediatricians. In September 2010, we converted the field sales force, which also promotes Caldolor® to surgery centers, from a contract sales team to Cumberland employees. This followed the previous conversion of our hospital sales force in 2006, and marked another significant expansion of our proprietary sales capabilities. The conversion also strengthens our long-term commitment to the Kristalose® brand, as well as to the group of talented sales professionals promoting the product across the country.

MARTIN E. CEARNAL
Senior Vice President and
Chief Commercial Officer

87%

Patients who preferred the portability of Kristalose® compared to liquid lactulose

DIFFERENTIATING BENEFITS
The Power of Convenience

"Our recently published preference study demonstrates that, overall, more patients preferred Kristalose® compared to liquid lactulose products. Portability was a key differentiating feature over liquid and syrup formulations, with 87% of study patients indicating a preference for the convenience that Kristalose® offers. Patient preference often correlates with enhanced compliance, and can translate into patients being more likely to take their constipation medication as directed."

REALIGNING FOCUS

Reinforced Message

Q: What are Cumberland's plans for increasing sales of Kristalose®?

A: Since acquiring exclusive U.S. rights to Kristalose® in 2006, we have been able to reverse a downtrend in sales and have grown prescriptions for the product. In 2010, we realigned our field sales force targets to focus on the most prolific prescribers of Kristalose®. We believe that this realignment of our targets, an increasingly dedicated effort from the newly converted field sales force, and our new marketing campaign featuring our recently published preference study will culminate in an increased growth trend for Kristalose® in 2011 and beyond.

JAMES L. HERMAN
Senior Director, National Accounts
and Corporate Compliance Officer

Our International

PARTNERS

We rely on carefully selected partners for the manufacture, distribution and international commercialization of our products. Through these partners we are expanding our global presence, and have plans for further international growth.

Since inception, we have relied on trusted partners for manufacturing and distribution of our products. Partnering these capital-intensive functions to manufacturing and logistics experts allows us to focus primary resources on our core capabilities—acquisition, development and commercialization of innovative pharmaceutical products. While we focus our commercial efforts on the U.S., we are working with international commercial partners to introduce our products to select global markets. Our management team works closely with all of these groups to deliver only the highest level of quality, and they represent an important component of our team.

In 2010, we extended our international reach as three new commercial partners pursued regulatory approval of our products in ex-U.S. markets. These activities resulted in the first approval and commercial launch of a Cumberland product outside of the United States. Phebra Pty. Ltd., our commercial partner for Australia and New Zealand, obtained marketing approval for Acetadote® in Australia and subsequently launched the product in October 2010.

Other international developments in 2010 included a new agreement with Alveda Pharmaceuticals for commercialization of Caldolor® in Canada. DB Pharm Korea, our South Korean partner for Caldolor®, submitted its New Drug Application for the product in 2010 and subsequently received the first international approval for Caldolor® in 2011. We look forward to working with these partners to progress their ongoing initiatives and we continue to pursue new partnerships for other international markets.

MANUFACTURING

- KANSAS—Bayer Healthcare, LLC
  Bayer is a manufacturer for both Caldolor® and Acetadote®.
- IRELAND—Bioniche Teoranta
  Bioniche is a manufacturing supplier for Acetadote®.
- ITALY—Inalco S.P.A.
  Inalco is our manufacturing partner for Kristalose®.
- AUSTRALIA—Hospira Australia Pty. Ltd.
  Hospira is a manufacturing partner for Caldolor®.

DISTRIBUTION

- TENNESSEE—Cardinal Health Inc.
  Cardinal's Specialty Pharmaceutical Services facility provides warehousing, shipping and other distribution support for our products.

COMMERCIALIZATION

- AUSTRALIA—Phebra Pty Ltd.
  Phebra is our commercial partner for Acetadote® and Caldolor® in Australia and New Zealand.
- SOUTH KOREA—DB Pharm Korea Co. Ltd.
  DB Pharm Korea is our commercial partner for Caldolor® in South Korea.
- CANADA—Alveda Pharmaceuticals Inc.
  Alveda is our commercial partner for Caldolor® in Canada.

Development

PIPELINE

Cumberland Emerging Technologies, Inc. (CET)

CET is a joint initiative between Cumberland Pharmaceuticals, Vanderbilt University and the state's Tennessee Technology Development Corporation. CET works with universities to bridge the development gap and bring biomedical technologies from research laboratory to commercial marketplace.

Early-stage product candidates

In order to secure access to a long-term product pipeline at Cumberland Pharmaceuticals, we are supplementing our acquisition and late-stage development capabilities with the early-stage drug development activities of CET, our majority-owned subsidiary. CET partners with universities and other research organizations to develop promising, early-stage product candidates. Cumberland Pharmaceuticals has the opportunity to negotiate rights to further develop and commercialize these product candidates.

A key part of our strategy is to secure grant funding to support CET activities. In conjunction with our university partners, we have obtained grant funding from the National Institutes of Health to support several CET pre-clinical programs.

The CET Life Sciences Center is a biopharmaceutical laboratory and office facility that provides equipment and infrastructure for our development activities as well as for other early-stage biomedical ventures. Through the Life Sciences Center we help foster scientific innovation, working to turn promising breakthroughs into commercial realities.

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$65,893,970	$ 78,701,682
Accounts receivable, net of allowances	5,145,494	6,176,585
Inventories	7,683,842	4,822,873
Prepaid and other current assets	1,336,765	2,746,259
Deferred tax assets	978,771	726,196
Total current assets	81,038,842	93,173,595
Property and equipment, net	1,220,010	918,412
Intangible assets, net	7,427,223	7,956,009
Deferred tax assets	2,265,192	1,306,514
Other assets	102,787	369,790
Total assets	$92,054,054	$103,724,320
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,666,668	$ 9,061,973
Current portion of other long-term obligations	24,692	144,828
Accounts payable	2,124,654	5,632,796
Other accrued liabilities	4,411,606	3,784,777
Total current liabilities	9,227,620	18,624,374
Revolving line of credit	1,825,951	1,825,951
Long-term debt, excluding current portion	2,666,665	8,938,027
Other long-term obligations, excluding current portion	618,343	184,632
Total liabilities	14,338,579	29,572,984
Commitments and contingencies		
Redeemable common stock	—	1,930,000
Equity:		
Shareholders' equity:		
Common stock – no par value; 100,000,000 shares authorized; 20,338,461 and 20,180,486 [1] shares issued and outstanding as of December 31, 2010 and 2009, respectively	70,778,874	67,711,746
Retained earnings	6,998,806	4,542,126
Total shareholders' equity	77,777,680	72,253,872
Noncontrolling interests	(62,205)	(32,536)
Total equity	77,715,475	72,221,336
Total liabilities and equity	$92,054,054	$103,724,320

(1) Number of shares issued and outstanding represents total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares of redeemable common stock as of December 31, 2009 was 142,016.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2010, 2009 and 2008	2010	2009	2008
Revenues:			
Net product revenue	$44,704,570	$43,142,350	$34,889,967
Other revenue	1,171,801	394,928	185,193
Net revenues	45,876,371	43,537,278	35,075,160
Costs and expenses:			
Cost of products sold	3,586,646	4,136,541	3,045,672
Selling and marketing	22,674,505	20,194,074	14,387,153
Research and development	4,327,485	4,993,278	4,429,064
General and administrative	7,990,222	7,643,070	5,139,937
Amortization of product license right	686,911	686,904	686,904
Other	108,855	106,776	104,209
Total costs and expenses	39,374,624	37,760,643	27,792,939
Operating income	6,501,747	5,776,635	7,282,221
Interest income	200,207	79,363	241,282
Interest expense	(1,423,523)	(772,927)	(213,303)
Income before income taxes	5,278,431	5,083,071	7,310,200
Income tax expense	(2,851,420)	(2,024,192)	(2,543,951)
Net income	2,427,011	3,058,879	4,766,249
Net loss at subsidiary attributable to noncontrolling interests	29,669	32,536	—
Net income attributable to common shareholders	$ 2,456,680	$ 3,091,415	$ 4,766,249
Earnings per share attributable to common shareholders			
Basic	$ 0.12	$ 0.22	$ 0.47
Diluted	$ 0.12	$ 0.17	$ 0.29
Weighted-average shares outstanding			
Basic	20,333,932	14,199,479	10,142,807
Diluted	21,058,577	18,234,171	16,539,662

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31, 2010, 2009 and 2008	2010	2009	2008
Cash flows from operating activities:			
Net income	$ 2,427,011	$ 3,058,879	$ 4,766,249
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on early extinguishment of other long-term obligations	—	—	(38,577)
Depreciation and amortization expense	978,398	816,499	786,597
Deferred tax (benefit) expense	(332,349)	(525,467)	683,914
Nonemployee stock granted for services received	37,121	210,740	106,558
Nonemployee stock option grant expense	43,101	845,661	58,646
Stock-based compensation – employee stock options	688,408	606,395	397,500
Excess tax benefit derived from exercise of stock options	(3,874,966)	(3,968,894)	(398,529)
Noncash interest expense	352,484	128,800	71,933
Net changes in assets and liabilities affecting operating activities:			
Accounts receivable	1,031,091	(3,047,238)	(755,810)
Inventory	(2,860,969)	(3,060,097)	(813,667)
Prepaid, other current assets and other assets	1,342,032	(721,464)	(163,274)
Accounts payable and other accrued liabilities	201,725	6,572,098	1,652,911
Other long-term obligations	313,575	(510,942)	42,501
Net cash provided by operating activities	346,662	404,970	6,396,952
Cash flows from investing activities:			
Additions to property and equipment	(577,159)	(601,802)	(67,572)
Additions to trademarks and patents	(191,483)	(110,541)	(66,576)
Net cash used in investing activities	(768,642)	(712,343)	(134,148)
Cash flows from financing activities:			
Proceeds from initial public offering of common stock	—	85,000,000	—
Costs of initial public offering	—	(7,479,011)	(687,977)
Proceeds from borrowings on long-term debt	—	18,000,000	4,083,340
Principal payments on note payable	(12,666,667)	(5,000,000)	(1,833,336)
Net borrowings on line of credit	—	—	500,000
Payment of other long-term obligations	—	—	(2,760,000)
Costs of financing for long-term debt and credit facility	(110,000)	(189,660)	(29,491)
Payments made in connection with repurchase of common shares	(4,846,791)	(27,295,808)	(4,999,995)
Proceeds from exercise of stock options	1,362,760	175,089	81,159
Excess tax benefit derived from exercise of stock options	3,874,966	3,968,894	398,529
Net cash (used in) provided by financing activities	(12,385,732)	67,179,504	(5,247,771)
Net (decrease) increase in cash and cash equivalents	(12,807,712)	66,872,131	1,015,033
Cash and cash equivalents, beginning of year	78,701,682	11,829,551	10,814,518
Cash and cash equivalents, end of year	$65,893,970	$78,701,682	$11,829,551
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 814,373	$ 677,387	$ 221,000
Income taxes	52,136	196,187	1,486,991
Noncash investing and financing activities:			
Reclass of redeemable common stock to (from) equity	1,930,000	(1,930,000)	—
Deferred financing costs	—	335,075	125,000

Corporate Information

BOARD OF DIRECTORS

A.J. Kazimi
Chairman

Dr. Gordon R. Bernard

Martin E. Cearnal

Dr. Robert G. Edwards

Dr. Lawrence W. Greer

Jonathan I. Griggs

Joey A. Jacobs

James R. Jones

Thomas R. Lawrence

MANAGEMENT TEAM

A.J. Kazimi
Chief Executive Officer

Martin E. Cearnal
Senior Vice President and Chief Commercial Officer

Jean W. Marstiller
Senior Vice President, Administrative Services and Corporate Secretary

Leo Pavliv, R.Ph.
Senior Vice President, Operations

David L. Lowrance
Vice President, Finance & Accounting and Chief Financial Officer

James L. Herman
Senior Director, National Accounts and Corporate Compliance Officer

Amy D. Rock, Ph.D.
Senior Director, Regulatory & Scientific Affairs

Dr. Arthur P. Wheeler
Director, Medical Affairs

Barry L. Lee
Product Director, Caldolor®

Kelly Menzel
Director, Hospital Sales

Cindy Patton
Director, Sales & Marketing

Todd Anthony
Director, Sales Training & Development

COMPANY HEADQUARTERS

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STOCK LISTING

NASDAQ Global Select Market
Ticker Symbol: CPIX

ANNUAL MEETING

10:00 a.m. Central Time
Tuesday, April 19, 2011
Vanderbilt University Student Life Center
310 25th Avenue South
Nashville, Tennessee 37240

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
401 Commerce Street
Suite 1000
Nashville, Tennessee 37219
(615) 244-1602

TRANSFER AGENT AND REGISTRAR

Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
(800) 509-5586
(212) 509-4000
cstmail@continentalstock.com

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements regarding expected future results of the company. A variety of factors could cause actual results to differ materially from expected results. Please see the risk factors more fully described in our Annual Report on Form 10-K for the year ended December 31, 2010, which is filed with the U.S. Securities and Exchange Commission.

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