AMERISOURCEBERGEN CORP
Form 10-K
November 26, 2013

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended September 30, 2013

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

AMERISOURCEBERGEN CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	I.R.S. Employer Identification Number
1-16671	AmerisourceBergen Corporation (a Delaware Corporation) 1300 Morris Drive Chesterbrook, PA 19087-5594 610-727-7000	23-3079390

Securities Registered Pursuant to Section 12(b) of the Act:
Common Stock, $0.01 par value per share
Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No þ

The aggregate market value of voting stock held by non-affiliates of the registrant on March 31, 2013 based upon the closing price of such stock on the New York Stock Exchange on March 31, 2013 was $10,325,295,935.

The number of shares of common stock of AmerisourceBergen Corporation outstanding as of October 31, 2013 was 230,032,094.

Documents Incorporated by Reference

Portions of the following document are incorporated by reference in the Part of this report indicated below:

Part III Registrant's Proxy Statement for the 2014 Annual Meeting of Stockholders.

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PART I

ITEM 1. ***BUSINESS***

As used herein, the terms "Company," "AmerisourceBergen," "we," "us," or "our" refer to AmerisourceBergen Corporation, a Delaware corporation.

AmerisourceBergen Corporation is one of the largest global pharmaceutical sourcing and distribution services companies, helping both healthcare providers and pharmaceutical and biotech manufacturers improve patient access to products and enhance patient care. We deliver innovative programs and services designed to increase the effectiveness and efficiency of the pharmaceutical supply chain. More specifically, we distribute a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, and related services to a wide variety of healthcare providers located in the United States and select global markets, including chain retail and independent pharmacies, mail order pharmacies, acute care hospitals and health systems, physician practices, medical and dialysis clinics, long-term care and other alternate site pharmacies, and other customers. We also provide pharmacy services to certain specialty drug patients. Additionally, we furnish healthcare providers and pharmaceutical manufacturers with an assortment of related services, including reimbursement and pharmaceutical consulting services, niche premium logistics services, inventory management, pharmacy automation, and pharmacy management.

Industry Overview

Pharmaceutical sales in the United States, as recently estimated by IMS Healthcare, Inc. ("IMS"), an independent third party provider of information to the pharmaceutical and healthcare industry, are expected to grow approximately 2.3% annually from 2013 through 2017. IMS expects that certain sectors of the market, such as biotechnology and other specialty and generic pharmaceuticals, will grow faster than the overall market.

In addition to general economic conditions, factors that impact the growth of the pharmaceutical industry in the United States, and other industry trends, include:

Aging Population. The number of individuals age 65 and over in the United States is expected to exceed 49 million by 2017 and is the most rapidly growing segment of the population. This age group suffers from more chronic illnesses and disabilities than the rest of the population and accounts for a substantial portion of total healthcare expenditures in the United States.

Introduction of New Pharmaceuticals. Traditional research and development, as well as the advent of new research, production and delivery methods such as biotechnology and gene therapy, continue to generate new pharmaceuticals and delivery methods that are more effective in treating diseases. We believe ongoing research and development expenditures by the leading pharmaceutical manufacturers will contribute to continued growth of the industry. In particular, we believe ongoing research and development of biotechnology and other specialty pharmaceutical drugs will provide opportunities for the continued growth of our specialty pharmaceuticals business.

Increased Use of Generic Pharmaceuticals. A number of patents for widely used brand-name pharmaceutical products will continue to expire during the next several years. In addition, increased emphasis by managed care and other third party payors on utilization of generics has accelerated their growth. We consider the increase in generic usage a favorable trend because generic pharmaceuticals have historically provided us with a greater gross profit margin opportunity than brand-name products, although their lower prices reduce revenue growth. Generic pharmaceuticals currently account for approximately 80% of the prescription volume in the United States.

Increased Use of Drug Therapies. In response to rising healthcare costs, governmental and private payors have adopted cost containment measures that encourage the use of efficient drug therapies to prevent or treat diseases. While national attention has been focused on the overall increase in aggregate healthcare costs, we believe drug therapy has had a beneficial impact on healthcare costs by reducing expensive surgeries and prolonged hospital stays. Pharmaceuticals currently account for approximately 12% of overall healthcare costs. Pharmaceutical manufacturers' continued emphasis on research and development is expected to result in the continuing introduction of cost-effective drug therapies and new uses for existing drug therapies.

Legislative Developments. In recent years, regulation of the healthcare industry has changed significantly in an effort to increase drug utilization and reduce costs. These changes included expansion of Medicare coverage for outpatient prescription drugs, the enrollment (beginning in 2006) of Medicare beneficiaries in prescription drug plans offered by private entities, and cuts in Medicare and Medicaid reimbursement rates. More recently, in March 2010, the federal government enacted major health reform legislation designed to expand access to health insurance, which would increase the number of people in the United States who are eligible to be reimbursed for all or a portion of

prescription drug costs. The health reform law provides for sweeping changes to Medicare and Medicaid policies (including drug reimbursement policies), expanded disclosure requirements regarding financial arrangements within the healthcare industry, enhanced enforcement authority to prevent fraud and abuse, and new taxes and fees on pharmaceutical and medical device manufacturers. These policies and other legislative developments may affect our businesses directly and/or indirectly (see Government Regulation on page 5 for further details).

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The Company

We currently serve our customers (healthcare providers, pharmaceutical manufacturers, and certain specialty drug patients) through a geographically diverse network of distribution service centers and other operations in the United States and selected global markets. In our pharmaceutical distribution business, we are typically the primary source of supply of pharmaceutical and related products to our healthcare provider customers. We offer a broad range of services to our customers designed to enhance the efficiency and effectiveness of their operations, which allows them to improve the delivery of healthcare to patients and to lower overall costs in the pharmaceutical supply channel.

Strategy

Our business strategy is focused on the global pharmaceutical supply channel where we provide value-added distribution and service solutions to healthcare providers (primarily pharmacies, health systems, medical and dialysis clinics, and physicians) and pharmaceutical manufacturers that increase channel efficiencies and improve patient outcomes. Implementing this disciplined, focused strategy has allowed us to significantly expand our business, and we believe we are well-positioned to continue to grow revenue and increase operating income through the execution of the following key elements of our business strategy:

Optimize and Grow Our Pharmaceutical Distribution and Service Businesses. We believe we are well-positioned in size and market breadth to continue to grow our distribution business as we invest to improve our operating and capital efficiencies. Distribution anchors our growth and position in the pharmaceutical supply channel, as we provide superior distribution services and deliver value-added solutions, which improve the efficiency and competitiveness of both healthcare providers and pharmaceutical manufacturers, thus allowing the pharmaceutical supply channel to better deliver healthcare to patients.

With the rapid growth of generic pharmaceuticals in the U.S. market, we have introduced strategies to enhance our position in the generic marketplace. We source generics globally, offer a value-added generic formulary program to our healthcare provider customers, and monitor our customers' compliance with our generics program. We also provide data and other valuable services to our generic manufacturing customers.

We believe we have one of the lowest cost operating structures among all pharmaceutical distributors. AmerisourceBergen Drug Corporation has a distribution facility network totaling 25 distribution facilities in the United States. We continue to seek opportunities to achieve productivity and operating income gains as we invest in and continue to implement warehouse automation technology, adopt "best practices" in warehousing activities, and increase operating leverage by increasing volume per full-service distribution facility. Furthermore, we believe that the investments we continue to make related to our information systems may reduce our operating expenses in the future (see Information Systems on page 4 for further details).

We offer value-added services and solutions to assist healthcare providers and pharmaceutical manufacturers to improve their efficiency and their patient outcomes. Services for manufacturers include: assistance with rapid new product launches, promotional and marketing services to accelerate product sales, product data reporting and logistical support.

Our provider solutions include: our Good Neighbor Pharmacy® program, which enables independent community pharmacies to compete more effectively through pharmaceutical benefit and merchandising programs; Good Neighbor Pharmacy Provider Network®, our managed care network, which connects our retail pharmacy customers to payor plans throughout the country and is the fourth-largest in the U.S.; generic product purchasing services; hospital pharmacy consulting designed to improve operational efficiencies; and packaging solutions for institutional and retail healthcare providers.

On March 18, 2013, we, Walgreen Co. ("Walgreens"), and Alliance Boots GmbH ("Alliance Boots") entered into various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and us, pursuant to which we will distribute branded and generic pharmaceutical products to Walgreens and an agreement that provides us the ability to access generics and related pharmaceutical products through Walgreens Boots Alliance Development GmbH, a global sourcing joint venture between Walgreens and Alliance Boots. The increased volume associated with the distribution agreement is expected to improve our distribution center efficiency and our access to the joint venture is expected to improve our purchasing power.

In an effort to supplement our organic growth, we continue to utilize a disciplined approach to seek acquisitions that will assist us with our strategic growth plans.

Optimize and Grow Our Specialty Distribution and Service Businesses. Our specialty pharmaceuticals business has a significant presence in this growing part of the pharmaceutical supply channel. With distribution and value-added services to physicians and other healthcare providers, including dialysis clinics, our specialty pharmaceuticals business is a well-developed platform for growth. We are the leader in distribution and services to community oncologists and have leading positions in other physician-administered products. We also distribute plasma and other blood products, injectible pharmaceuticals and vaccines. Additionally, we are well-positioned to service and support many of the new biotechnology therapies that will be coming to market in the near future. We continue to seek opportunities to expand our offerings in specialty distribution and services.

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Optimize and Grow Our Manufacturer Services Businesses. Our consulting service businesses help pharmaceutical and biotechnology manufacturers commercialize their products in the channel. We believe we are the largest provider of reimbursement services that assist pharmaceutical companies in supporting access to branded drugs. We also provide outcomes research, contract field staffing, patient assistance and copay assistance programs, adherence programs, risk mitigation services, and other market access programs to pharmaceutical companies. World Courier Group, Inc. ("World Courier"), is a leading global specialty transportation and logistics provider for the biopharmaceutical industry. World Courier further strengthens our service offerings to global pharmaceutical manufacturers and provides an established platform for the introduction of our specialty services outside North America. We continue to seek opportunities to expand our offerings in consulting and other services.

Divestitures. In order to allow us to concentrate on our strategic focus areas of pharmaceutical distribution and related services and specialty pharmaceutical distribution and related services, we have divested certain non-core businesses and may, from time to time, consider additional divestitures.
In May 2013, we completed the sale of AndersonBrecon, our former contract packaging and clinical trials services business in the United States and United Kingdom, and AmerisourceBergen Canada Corporation, our former Canadian pharmaceutical distribution business.

Operations

Operating Structure. We are organized based upon the products and services we provide to our customers. Our operations as of September 30, 2013 are comprised of the Pharmaceutical Distribution reportable segment and Other. Other consists of the AmerisourceBergen Consulting Services ("ABCS") operating segment and the World Courier operating segment.

Pharmaceutical Distribution Segment

The Pharmaceutical Distribution reportable segment is comprised of two operating segments, which include the operations of AmerisourceBergen Drug Corporation ("ABDC") and AmerisourceBergen Specialty Group ("ABSG"). Servicing healthcare providers in the pharmaceutical supply channel, the Pharmaceutical Distribution segment's operations provide drug distribution and related services designed to improve patient access to products and enhance patient care.

ABDC distributes a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, and related services to a wide variety of healthcare providers, including acute care hospitals and health systems, independent and chain retail pharmacies, mail order pharmacies, medical clinics, long-term care and other alternate site pharmacies, and other customers. ABDC also provides pharmacy management, staffing and other consulting services; scalable automated pharmacy dispensing equipment; and medication and supply dispensing cabinets. Additionally, ABDC delivers packaging solutions to institutional and retail healthcare providers.

ABSG, through a number of operating businesses, provides pharmaceutical distribution and other services primarily to physician practices who specialize in a variety of disease states, especially oncology, and to other healthcare providers, including dialysis clinics. ABSG also distributes plasma and other blood products, injectible pharmaceuticals and vaccines. Additionally, ABSG provides third party logistics and outcomes research, and other services for biotechnology and other pharmaceutical manufacturers.

Our use of the term "specialty" and "specialty pharmaceutical products" refers to drugs used to treat complex diseases, such as cancer, diabetes, and multiple sclerosis. Specialty pharmaceutical products are part of complex treatment regimens for serious conditions and diseases that generally require ongoing clinical monitoring. We believe the terms "specialty" and "specialty pharmaceutical products" are used consistently by industry participants and our competitors. However, we cannot be certain that other distributors of specialty products define these and other similar terms in exactly the same manner as we do.

Both ABDC and ABSG distribute specialty drugs to their customers, with the principal difference between these two operating segments being that ABSG operates distribution facilities that focus primarily on complex disease treatment regimens. Therefore, a product distributed from one of ABSG's distribution facilities results in revenue reported under ABSG, and a product distributed from one of ABDC's distribution centers results in revenue reported under ABDC. Essentially all of ABSG sales consist of specialty pharmaceutical products. ABDC sales of specialty pharmaceutical products are a relatively small component of its overall revenue.

Other

Other consists of the ABCS operating segment and the World Courier operating segment. World Courier was acquired on April 30, 2012. The results of operations of our ABCS and World Courier operating segments are not significant enough to require separate reportable segment disclosure, and therefore, have been included in "Other" for the purpose of our reportable segment presentation.

ABCS, through a number of operating businesses, provides commercialization support services, including reimbursement support programs, outcomes research, contract field staffing, patient assistance and copay assistance programs, adherence programs, risk mitigation services, and other market access programs to pharmaceutical and biotechnology manufacturers. World Courier, which operates in over 50 countries, is a leading global specialty transportation and logistics provider for the biopharmaceutical industry.

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Sales and Marketing. The majority of ABDC's sales force is organized regionally and specialized by either healthcare provider type or size. Customer service representatives are located in distribution facilities in order to respond to customer needs in a timely and effective manner. ABDC also has support professionals focused on its various technologies and service offerings. ABDC's national marketing organization designs and develops business management solutions for AmerisourceBergen healthcare provider customers. Tailored to specific groups, these programs can be further customized at the business unit or distribution facility level to adapt to local market conditions. ABDC's sales and marketing organization also serves national account customers through close coordination with local distribution centers and ensures that our customers are receiving service offerings that meet their needs. Our other operating segments each have independent sales forces and marketing organizations that specialize in their respective product and service offerings. In addition, we have a corporate marketing group that coordinates branding and other marketing activities across the Company.

Customers. We have a diverse customer base that includes institutional and retail healthcare providers as well as pharmaceutical manufacturers. Institutional healthcare providers include acute care hospitals, health systems, mail order pharmacies, long-term care and other alternate care pharmacies and providers of pharmacy services to such facilities, and physicians and physician group practices. Retail healthcare providers include national and regional retail drugstore chains, independent community pharmacies and pharmacy departments of supermarkets and mass merchandisers. We are typically the primary source of supply for our healthcare provider customers. Our manufacturing customers include branded, generic and biotechnology manufacturers of prescription pharmaceuticals, as well as over-the-counter product and health and beauty aid manufacturers. In addition, we offer a broad range of value-added solutions designed to enhance the operating efficiencies and competitive positions of our customers, thereby allowing them to improve the delivery of healthcare to patients and consumers.

Express Scripts, Inc., our largest customer in fiscal 2013, accounted for 24% of our revenue. Our top 10 customers, including governmental agencies, represented approximately 48% of fiscal 2013 revenue. In fiscal 2014, Walgreens will be our largest customer. In addition, we have contracts with group purchasing organizations ("GPOs"), each of which functions as a purchasing agent on behalf of its members, who are healthcare providers. Approximately 10% of our revenue in fiscal 2013 was derived from our three largest GPO relationships. The loss of any major customer or GPO relationship could adversely affect future revenue and results of operations.

Suppliers. We obtain pharmaceutical and other products from manufacturers, none of which accounted for 10% or more of our purchases in fiscal 2013. The loss of a supplier could adversely affect our business if alternate sources of supply are unavailable since we are committed to be the primary source of pharmaceutical products for a majority of our customers. We believe that our relationships with our suppliers are good. The 10 largest suppliers in fiscal 2013 accounted for approximately 47% of our purchases.

Information Systems. ABDC operates its full-service wholesale pharmaceutical distribution facilities in the U.S. on a centralized enterprise resource planning ("ERP") system. ABDC's ERP system provides for, among other things, electronic order entry by customers, invoice preparation and purchasing, and inventory tracking. As a result of electronic order entry, the cost of receiving and processing orders has not increased as rapidly as sales volume. ABDC's systems are intended to strengthen customer relationships by allowing the customer to lower its operating costs and by providing a platform for a number of the basic and value-added services offered to our customers, including marketing, product demand data, inventory replenishment, single-source billing, third party claims processing, computer price updates and price labels.

ABDC continues to expand its electronic interface with its suppliers and currently processes a substantial portion of its purchase orders, invoices and payments electronically. ABDC has a warehouse operating system, which is used to manage the majority of ABDC's transactional volume. The warehouse operating system has improved ABDC's productivity and operating leverage. ABDC will continue to invest in advanced information systems and automated warehouse technology.

A significant portion of our information technology activities relating to ABDC and our corporate functions are outsourced to IBM Global Services and other third party service providers.

We expect to continue to enhance and upgrade the ERP system, including PassPort, our web-based customer facing application. In addition, in an effort to comply with future pedigree and other supply chain custody requirements (see Risk Factor *Increasing governmental efforts to regulate the pharmaceutical supply channel may increase our costs and reduce our profitability)*, we expect to continue to make significant investments in our information systems.

ABSG operates the majority of its business on its own common, centralized ERP system resulting in operating efficiencies as well as the ability to rapidly deploy new capabilities.

Competition

We face a highly competitive global environment in the distribution of pharmaceuticals and related healthcare services. Our largest competitors are McKesson Corporation ("McKesson") and Cardinal Health, Inc. ("Cardinal"). ABDC competes with both McKesson and Cardinal, as well as national generic distributors and regional distributors within pharmaceutical distribution. In addition, we compete with manufacturers who sell directly to customers, chain drugstores who manage their own warehousing, specialty distributors, and packaging and healthcare technology companies. The distribution and related service businesses in which ABSG engages are also highly competitive. ABSG's operating businesses face competition from a variety of competitors, including McKesson, Cardinal, FFF Enterprises, Henry Schein, Inc., and UPS Logistics, among others. Our ABCS and World Courier businesses also face competition from a variety of competitors. In all areas, competitive factors include price, product offerings, value-added service programs, service and delivery, credit terms, and customer support.

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Intellectual Property

We use a number of trademarks and service marks. All of the principal trademarks and service marks used in the course of our business have been registered in the United States and, in some cases, in foreign jurisdictions or are the subject of pending applications for registration.

We have developed or acquired various proprietary products, processes, software and other intellectual property that are used either to facilitate the conduct of our business or that are made available as products or services to customers. We generally seek to protect such intellectual property through a combination of trade secret, patent and copyright laws and through confidentiality and other contractually imposed protections.

We hold patents and have patent applications pending that relate to certain of our products, particularly our automated pharmacy dispensing equipment, our medication and supply dispensing equipment, certain warehousing equipment and some of our proprietary packaging solutions. We seek patent protection for our proprietary intellectual property from time to time as appropriate.

Although we believe that our patents or other proprietary products and processes do not infringe upon the intellectual property rights of any third parties, third parties may assert infringement claims against us from time to time.

Employees

As of September 30, 2013, we had approximately 13,000 employees, of which approximately 12,000 were full-time employees. Approximately 2% of our employees are covered by collective bargaining agreements. We believe that our relationship with our employees is good. If any of our employees in locations that are unionized should engage in strikes or other such bargaining tactics in connection with the negotiation of new collective bargaining agreements upon the expiration of any existing collective bargaining agreements, such tactics could be disruptive to our operations and adversely affect our results of operations, but we believe we have adequate contingency plans in place to assure delivery of pharmaceuticals to our customers in the event of any such disruptions.

Government Regulation

We are subject to oversight by various federal and state governmental entities and we are subject to, and affected by, a variety of federal and state laws, regulations and policies.

The U.S. Drug Enforcement Administration ("DEA"), the U.S. Food and Drug Administration ("FDA") and various other federal and state regulatory authorities regulate the purchase, storage, and/or distribution of pharmaceutical products, including controlled substances. Wholesale distributors of controlled substances must hold valid DEA licenses, meet various security and operating standards and comply with regulations governing the sale, marketing, packaging, holding and distribution of controlled substances. The DEA, FDA and state regulatory authorities have broad enforcement powers, including the ability to suspend our distribution centers from distributing controlled substances, seize or recall products and impose significant criminal, civil and administrative sanctions. We have all necessary licenses or other regulatory approvals and believe that we are in compliance with all applicable pharmaceutical wholesale distribution requirements needed to conduct our operations.

We and our customers are subject to fraud and abuse laws, including the federal anti-kickback statute. The anti-kickback statute prohibits persons from soliciting, offering, receiving or paying any remuneration in order to induce the purchasing, leasing or ordering, induce a referral to purchase, lease or order, or arrange for or recommend purchasing, leasing or ordering items or services that are in any way paid for by Medicare, Medicaid, or other federal healthcare programs. The fraud and abuse laws and regulations are broad in scope and are subject to frequent and varied interpretation.

In recent years, some states have passed or proposed laws and regulations that are intended to protect the safety of the pharmaceutical supply channel. These laws and regulations are designed to prevent the introduction of counterfeit, diverted, adulterated or mislabeled pharmaceuticals into the distribution system. At the federal level, Congress has enacted legislation to regulate the pharmaceutical distribution system by establishing federal pedigree tracking standards requiring drugs to be labeled and tracked at the lot level. These and other requirements are expected to increase the cost of our operations.

Federal insurance and health care reform legislation known as the Affordable Care Act became law in March 2010. The Affordable Care Act is intended to expand health insurance coverage to more than 30 million uninsured Americans through a combination of insurance market reforms, an expansion of Medicaid, subsidies and health insurance mandates. When fully implemented, these provisions are expected to increase the number of people in the United States who have insurance coverage for at least a portion of their prescription drug costs. The Affordable Care Act contains many provisions designed to generate the revenues necessary to fund the coverage expansions and reduce the costs of Medicare and Medicaid. In addition, among other things, the Affordable Care Act changed the formula for federal upper limits for multiple

source drugs available for purchase by retail community pharmacies on a nationwide basis to no less than 175% of the weighted average manufacturer price. While certain provisions of the Affordable Care Act took effect immediately, others have delayed effective dates.

As a result of political, economic and regulatory influences, scrutiny of the healthcare delivery system in the United States can be expected to continue at both the state and federal levels. This process may result in additional legislation and/or regulation governing the delivery or pricing of pharmaceutical products, as well as additional changes to the structure of the present healthcare delivery system.

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Any future reductions in Medicare reimbursement rates could negatively impact our customers' businesses and their ability to continue to purchase drugs from us. We cannot predict what additional initiatives, if any, will be adopted, when they may be adopted, or what impact they may have on us.

The costs, burdens, and/or impacts of complying with federal and state regulations could be significant and the failure to comply with any such legal requirements could have a significant impact on our results of operations and financial condition.

See "Risk Factors" below for a discussion of additional regulatory developments that may affect our results of operations and financial condition.

Health Information and Privacy Practices

The Health Information Portability and Accountability Act of 1996 ("HIPAA") and its accompanying federal regulations set forth privacy and security standards in order to protect the privacy of and provide for the security of individually identifiable health information, as such term is defined under the HIPAA regulations. Our operations, depending on their location, may also be subject to state or foreign regulations affecting personal data protection and the manner in which information services or products are provided. Significant criminal and civil penalties may be imposed for violation of HIPAA standards and other such laws. We have a HIPAA compliance program to facilitate our ongoing effort to comply with the HIPAA regulations.

Enacted in 2009, the American Recovery and Reinvestment Act ("ARRA") strengthens federal privacy and security provisions to protect individually identifiable health information. A section of the ARRA known as the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") strengthened certain aspects of the HIPAA privacy and security rules, imposed new notification requirements related to health data security breaches, broadened the rights of the U.S. Department of Health and Human Services ("HHS") to enforce HIPAA, and directed HHS to publish more specific security standards. On January 25, 2013, the Office for Civil Rights of HHS published the HIPAA omnibus final rule ("HIPAA Final Rule"), which amended certain aspects of the HIPAA privacy, security and enforcement rules pursuant to the HITECH Act, extending certain HIPAA obligations to business associates and their subcontractors. Certain components of our business act as business associates within the meaning of HIPAA and are subject to new obligations under the HIPAA Final Rules.

Some of our businesses collect, maintain, and/or access other sensitive personal information that is subject to federal and state laws protecting such information, in addition to the requirements of HIPAA, the HITECH Act and the regulations implemented thereunder. Security and disclosure of personal information is also highly regulated in many other countries in which we operate.

There can be no assurances that compliance with these requirements (including new HIPAA Final Rule requirements) will not impose new costs on our business.

Available Information

For more information about us, visit our website at *www.amerisourcebergen.com*. The contents of the website are not part of this Form 10-K. Our electronic filings with the Securities and Exchange Commission (including all Forms 10-K, 10-Q and 8-K, and any amendments to these reports) are available free of charge through the "Investor Relations" section of our website immediately after we electronically file with or furnish them to the Securities and Exchange Commission and may also be viewed using their website at *www.sec.gov*.

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ITEM 1A. ***RISK FACTORS***

The following discussion describes certain risk factors that we believe could affect our business and prospects. These risk factors are in addition to those set forth elsewhere in this report.

Intense competition as well as industry consolidations may erode our profit margins.

The distribution of pharmaceuticals and related healthcare solutions is highly competitive. We compete with two national wholesale distributors of pharmaceuticals, McKesson and Cardinal; regional and local distributors of pharmaceuticals; national generic distributors; chain drugstores that warehouse their own pharmaceuticals; manufacturers that distribute their products directly to customers; specialty distributors; and packaging and healthcare technology companies (see "Competition" on page 4). Competition continues to increase in specialty distribution and services, where gross margins historically have been higher than in ABDC. Reflecting that increased competition, our two national competitors have continued to expand their footprint in the area of specialty distribution and services. If we were forced by competition to reduce our prices or offer more favorable payment or other terms, our results of operations or liquidity could be adversely affected. In addition, in recent years, the healthcare industry has been subject to increasing consolidation. If this trend continues among our customers and suppliers, it could give the resulting enterprises greater bargaining power, which may lead to greater pressure to reduce prices for our products and services.

Our results of operations continue to be subject to the risks and uncertainties of inflation in branded and generic pharmaceutical prices and deflation in generic pharmaceutical prices.

Certain distribution service agreements that we have entered into with branded and generic pharmaceutical manufacturers continue to have an inflation-based compensation component to them. Arrangements with a small number of branded manufacturers continue to be solely inflation-based. As a result, our gross profit from brand-name and generic manufacturers continues to be subject to fluctuation based upon the timing and extent of manufacturer price increases. If the frequency or rate of branded and generic pharmaceutical price increases slows, our results of operations could be adversely affected. In addition, generic pharmaceuticals are also subject to price deflation. If the frequency or rate of generic pharmaceutical price deflation accelerates, our results of operations could be adversely affected.

Declining economic conditions could adversely affect our results of operations and financial condition.

Our operations and performance depend on economic conditions in the United States and other countries where we do business. Deterioration in general economic conditions could adversely affect the amount of prescriptions that are filled and the amount of pharmaceutical products purchased by consumers and, therefore, reduce purchases by our customers, which would negatively affect our revenue growth and cause a decrease in our profitability. Interest rate fluctuations, financial market volatility or credit market disruptions may also negatively affect our customers' ability to obtain credit to finance their businesses on acceptable terms. Reduced purchases by our customers or changes in payment terms could adversely affect our revenue growth and cause a decrease in our cash flow from operations. Bankruptcies or similar events affecting our customers may cause us to incur bad debt expense at levels higher than historically experienced. Declining economic conditions may also increase our costs. If the economic conditions in the United States or in the regions outside the United States where we do business do not improve or deteriorate, our results of operations or financial condition could be adversely affected.

Our revenue, results of operations, and cash flows may suffer upon the loss of a significant customer.

Express Scripts accounted for 24% of our revenue in fiscal 2013. Our top ten customers, including governmental agencies, represented approximately 48% of fiscal 2013 revenue. In fiscal 2014, Walgreens will be our largest customer. We also have contracts with group purchasing organizations ("GPOs"), each of which functions as a purchasing agent on behalf of its members, who are hospitals, pharmacies or other healthcare providers. Approximately 10% of our revenue in fiscal 2013 was derived from our three largest GPO relationships. We may lose a significant customer or GPO relationship if any existing contract with such customer or GPO expires without being extended, renewed, renegotiated or replaced or is terminated by the customer or GPO prior to expiration, to the extent such early termination is permitted by the contract. A number of our contracts with significant customers or GPOs are typically subject to expiration each year and we may lose any of these customers or GPO relationships if we are unable to extend, renew, renegotiate or replace the contracts. The loss of any significant customer or GPO relationship could adversely affect our revenue, results of operations, and cash flows.

Our revenue and results of operations may suffer upon the bankruptcy, insolvency or other credit failure of a significant customer.

Most of our customers buy pharmaceuticals and other products and services from us on credit. Credit is made available to customers based on our assessment and analysis of creditworthiness. Although we often try to obtain a security interest in assets and other arrangements intended to protect our credit exposure, we generally are either subordinated to the position of the primary lenders to our customers or substantially unsecured. Volatility of the capital and credit markets, general economic conditions, and regulatory changes, including changes in

reimbursement, may adversely affect the solvency or creditworthiness of our customers. The bankruptcy, insolvency or other credit failure of any customer that has a substantial amount owed to us could have a material adverse effect on our operating revenue and results of operations. At September 30, 2013, our two largest trade receivable balances due from customers represented approximately 32% and 13% of accounts receivable, net.

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If Walgreen Co. ("Walgreens") and/or Alliance Boots GmbH ("Alliance Boots") exercise their rights to purchase our common stock pursuant to the warrants that we issued to them, the future issuances of shares of our common stock upon exercise of the warrants will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock.

In connection with our strategic relationship with Walgreens and Alliance Boots, we entered into a Framework Agreement with Walgreens and Alliance Boots, dated as of March 18, 2013 (the "Framework Agreement"), pursuant to which (i) Walgreens and Alliance Boots together were granted the right to purchase a minority equity position in AmerisourceBergen, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of our common stock (approximately 7% of our common stock on a fully diluted basis as of the date of issuance, assuming the exercise in full of the Warrants described below) in open market transactions, with the right to designate up to two members of our board of directors upon achieving specified ownership levels; (ii) Walgreens Pharmacy Strategies, LLC, a wholly owned subsidiary of Walgreens, was issued (a) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $51.50 per share exercisable during a six-month period beginning in March 2016, and (b) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $52.50 per share exercisable during a six-month period beginning in March 2017; and (iii) Alliance Boots Luxembourg S.à.r.l., a wholly owned subsidiary of Alliance Boots, was issued (a) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $51.50 per share exercisable during a six-month period beginning in March 2016 and (b) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $52.50 per share exercisable during a six-month period beginning in March 2017 (collectively, the "Warrants"). The Warrants collectively represent approximately 16% of our common stock on a fully diluted basis as of the date of issuance, assuming exercise in full of the Warrants. The number of shares which may be purchased in the open market is subject to increase in certain circumstances if the market price of our common stock is less than the exercise price of the first tranche of Warrants when those Warrants are exercisable in 2016. In such event, the incremental number of shares purchased in the open market would reduce share-for-share the number of shares exercisable pursuant to the first tranche of Warrants.

Future issuances of shares of our common stock upon exercise of the Warrants will dilute the ownership interests of our then-existing stockholders. In addition, the dilutive effect of the Warrants will be reflected in our diluted earnings per share during the period that the Warrants are outstanding. A decrease in our diluted earnings per share could, in turn, adversely affect the market value of our common stock. In addition, any sales in the public market of any common stock acquired pursuant to open market purchases by Walgreens and Alliance Boots or issuable upon the exercise of the Warrants could adversely affect prevailing market prices of our common stock.

Problems with the transition of Walgreens' business to us, our performance under the distribution agreement, and/or a disruption in our relationship with Walgreens could adversely affect our business and financial results.

In March 2013, we entered into a ten-year distribution agreement with Walgreens to act as its primary wholesale distribution source with respect to branded and generic prescription drugs. This agreement, when fully implemented, will significantly expand our relationship with Walgreens. Beginning September 1, 2013, we became the supplier of Walgreens' branded prescription drugs. Beginning in fiscal year 2014, Walgreens will, over time, move the supply of its generic prescription drug business to us. In order to transition the business, we will utilize unused capacity in our distribution network and will leverage prior investments in our new enterprise resource planning system. In the event there are any unanticipated delays, costs, fees, charges, expenses, capital expenditures or disruption of our business or operations relating to our transition to becoming the single branded and generic prescription drug wholesaler to Walgreens could adversely affect our business, financial condition and results of operations.

In addition, our business may be adversely affected by any operational, financial or regulatory difficulties that Walgreens experiences, including any disruptions of certain of Walgreens' existing distribution facilities or retail pharmacies resulting from ongoing inspections by the DEA and/or state regulatory agencies and possible revocation of the controlled substance registrations for those facilities and pharmacies. If Walgreens' operations are seriously disrupted for any reason, whether by natural disaster, labor disruption, regulatory or governmental action or otherwise, it could adversely affect our business and our sales and profitability.

If our operations are seriously disrupted for any reason, we may have an obligation to pay or credit Walgreens for failure to supply products. In addition, upon the expiration or termination of the agreement, there can be no assurance that we or Walgreens will be willing to renew the agreement or enter into a new agreement, on terms favorable to us or at all.

The anticipated strategic and financial benefits of our relationship with Walgreens may not be realized.

We entered into the arrangement with Walgreens and Alliance Boots with the expectation that the transactions contemplated thereby would result in various benefits including, among other things, growth in our revenues, earnings and earnings per share, cost savings and operating efficiencies, innovation and sharing of best practices. We currently anticipate earnings accretion from the agreement for fiscal year 2014, excluding any expenses related to the Warrants, certain non-recurring costs, and certain start-up expenses. This expectation is based on our preliminary estimates, which may materially change. The processes and initiatives needed to achieve these potential benefits are complex, costly and time-consuming. Many of the anticipated benefits and expenses that will be incurred, by their nature, are difficult to estimate accurately at

the present time. Achieving the anticipated benefits from the arrangement is subject to a number of significant challenges and uncertainties, including: the possibility of faulty assumptions underlying expectations, processes or initiatives, or the inability to realize and/or delays in realizing potential benefits, including improved generic drug pricing and terms, improved service fees from generic manufacturers, cost savings, innovations, or other benefits resulting from participation in Walgreens Boots Alliance Development, GmbH, a global sourcing joint venture between Walgreens and Alliance Boots, due to the inability of the joint venture to negotiate successfully with generic manufacturers or otherwise to perform as expected; the transition of Walgreens' generic prescription drug distribution to us; the potential disruption of our plans and operations as a result of this strategic arrangement, including any disruption of our cash flow and ability to return value to our stockholders in accordance with our past practices and any reduction in our operational, strategic or financial flexibility; the potential disruption resulting from supplier and customer reaction to the strategic transaction and potential changes in supplier and

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customer relationships and terms; unexpected or unforeseen costs, fees, expenses and charges incurred by us related to the transaction or the overall strategic relationship; and whether the unique corporate cultures of separate organizations will work collaboratively in an efficient and effective manner.

In addition, Walgreens and Alliance Boots have the right, but not the obligation, under the transactions contemplated by the Framework and Shareholder Agreements to invest in our common stock. We could also encounter unforeseen costs, circumstances, or issues existing or arising with respect to the transactions and collaboration we anticipate resulting from the Framework and Shareholder Agreements. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased benefits and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have a material adverse impact on our business, financial condition, and results of operations and the price of our common stock.

Our results of operations may suffer upon the bankruptcy, insolvency or other credit failure of a significant supplier.

Our relationships with pharmaceutical suppliers, including generic pharmaceutical manufacturers, give rise to substantial amounts that are due to us from the suppliers, including amounts owed to us for returned goods or defective goods, chargebacks, and amounts due to us for services provided to the suppliers. Volatility of the capital and credit markets, general economic conditions, and regulatory changes may adversely affect the solvency or creditworthiness of our suppliers. The bankruptcy, insolvency or other credit failure of any supplier at a time when the supplier has a substantial account payable balance due to us could have a material adverse effect on our results of operations.

Increasing governmental efforts to regulate the pharmaceutical supply channel may increase our costs and reduce our profitability.

The healthcare industry is highly regulated at the federal and state levels. Consequently, we are subject to the risk of changes in various federal and state laws, which include operating and security standards of the DEA, the FDA, various state boards of pharmacy and comparable agencies.

In recent years, some states have passed or proposed laws and regulations, including laws and regulations obligating pharmaceutical distributors to provide prescription drug pedigrees, that are intended to protect the safety of the supply channel but that also may substantially increase the costs and burden of pharmaceutical distribution. For example, Florida has adopted pedigree tracking requirements and California has enacted a law requiring chain of custody technology using an interoperable electronic system utilizing unique identification numbers on prescription drugs to create electronic pedigrees, which will be effective for us in July 2016.

At the federal level, final regulations issued pursuant to the Prescription Drug Marketing Act became effective in December 2006. The FDA regulations impose pedigree and other chain of custody requirements that increase the costs and/or burden to us of selling to other pharmaceutical distributors and handling product returns. In addition, the FDA Amendments Act of 2007 requires the FDA to establish standards and identify and validate effective technologies for the purpose of securing the pharmaceutical supply chain against counterfeit drugs. These standards may include track-and-trace and/or authentication technologies that leverage data carriers applied by the manufacturer to the sellable units and cases. The FDA is also required to develop a standardized numerical identifier ("SNI"). In March 2010, FDA issued guidance regarding the development of SNIs for prescription drug packages in which the FDA identified package-level SNIs, as an initial step in the FDA's development of additional measures to secure the drug supply chain. In November 2013, Congress passed the Drug Quality and Security Act ("DQSA"). The DQSA is expected to establish federal pedigree tracking standards requiring drugs to be labelled and tracked at the lot level, preempt state drug pedigree requirements, and require supply-chain stakeholders to participate in an electronic, interoperable prescription drug track and trace system.

The increased costs of complying with these pedigree and other supply chain custody requirements will increase our costs or otherwise significantly affect our results of operations.

The suspension or revocation by the United States Drug Enforcement Administration ("DEA") of any of the registrations that must be in effect for our distribution facilities to purchase, store and distribute controlled substances or the refusal by the DEA to issue a registration to any such facility that requires such registration may adversely affect our reputation, our business and our results of operations.

The DEA, FDA, and various other federal and state regulatory authorities regulate the distribution of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding and distribution of controlled substances. Government authorities may from time to time investigate whether we are in compliance with various security and operating standards applicable to the distribution of controlled substances including whether we are adequately detecting and preventing the illegal diversion of controlled substances. We have received, and may in the future receive, requests for information and subpoenas from the DEA, various United States Attorneys' Offices of the United States Department of Justice, and/or state regulatory agencies related to our distribution of

controlled substances or our order monitoring program, which is designed to prevent or detect the illegal diversion of controlled substances. We generally respond to such subpoenas and requests in a cooperative, thorough, and timely manner. These responses sometimes required time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil, criminal, or regulatory legal proceedings against the Company, as well as to settlements.

The DEA, FDA and other federal and state regulatory authorities have broad enforcement powers, including the ability to suspend our distribution centers' licenses to distribute pharmaceutical products (including controlled substances), seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

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Legal, regulatory and legislative changes reducing reimbursement rates for pharmaceuticals and/or medical treatments or services may adversely affect our business and results of operations.

Both our business and our customers' businesses may be adversely affected by laws and regulations reducing reimbursement rates for pharmaceuticals and/or medical treatments or services or changing the methodology by which reimbursement levels are determined.

Federal insurance and health care reform legislation known as the Affordable Care Act became law in March 2010. The Affordable Care Act is intended to expand health insurance coverage to more than 30 million uninsured Americans through a combination of insurance market reforms, an expansion of Medicaid, subsidies and health insurance mandates. When fully implemented, these provisions are expected to increase the number of people in the United States who have insurance coverage for at least a portion of prescription drug costs. The Affordable Care Act contains many provisions designed to generate the revenues necessary to fund the coverage expansions and reduce the costs of Medicare and Medicaid. While certain provisions of the Affordable Care Act took effect immediately, others have delayed effective dates. Given the scope of the changes made by the Affordable Care Act and the ongoing implementation efforts, we cannot predict the impact of every aspect of the new law on our operations.

The Affordable Care Act changed the formula for Medicaid federal upper limits for multiple source drugs available for purchase by retail community pharmacies on a nationwide basis to a limit of not less than 175% of the weighted average manufacturer price ("AMP"). The Centers for Medicare & Medicaid Services ("CMS") has released for review and comment a draft federal upper limit methodology and draft federal upper limits determined by using that methodology. While the draft federal upper limit prices released to date would represent a significant reduction from the federal upper limits currently in place, the impact of the CMS methodology cannot be determined until finalized. Any reduction in the Medicaid reimbursement rates to our customers for certain multisource pharmaceuticals may indirectly impact the prices that we can charge our customers for multisource pharmaceuticals and cause corresponding declines in our profitability.

The Affordable Care Act also amends the Medicaid rebate statute to increase minimum Medicaid rebates paid by pharmaceutical manufacturers and make other changes affecting Medicaid rebate amounts. The Affordable Care Act's redefinition of AMP is expected to result, in most instances, in a higher AMP. This higher AMP, coupled with the higher minimum Medicaid rebate percentage, is expected to result in increased Medicaid rebate payments by pharmaceutical manufacturers, which could indirectly impact our business. CMS issued proposed regulations to implement the Affordable Care Act's provisions regarding Medicaid rebates and Medicaid reimbursement to pharmacies, but the regulations have not been finalized to date. We are currently assessing the potential impact of these provisions on our business. The federal government and state governments could take other actions in the future that impact Medicaid reimbursement and rebate amounts. For example, a number of states have announced plans to use average acquisition cost to reimburse pharmacies for the cost of drugs. There can be no assurance that recent or future changes in prescription drug reimbursement policies will not have an adverse impact on our business. Unless we are able to develop plans to mitigate the potential impact of these legislative and regulatory changes, these changes in reimbursement and related reporting requirements could adversely affect our results of operations.

In February 2011, CMS announced that it would be conducting a national survey of pharmacies to create a national database of average actual pharmacy acquisition costs, the results of which states may use to determine state-specific pharmaceutical reimbursement rates. CMS will use pharmacies' invoiced drug acquisition costs as reported in the surveys to calculate the National Average Drug Acquisition Cost ("NADAC"). CMS released its draft methodology for calculating the NADAC in May 2012, and began collecting survey data in June 2012. CMS has released draft NADACs, but the methodologies and files have not yet been finalized. There can be no assurances that state pharmaceutical rates derived from this new survey data will not result in lower Medicaid reimbursement levels or lead to other payers reducing their reimbursement levels that could adversely impact our business.

Our revenue growth rate has been negatively impacted by a reduction in sales of certain anemia drugs, primarily those used in oncology, and may, in the future, be adversely affected by any further reductions in sales or restrictions on the use of anemia drugs or a decrease in Medicare reimbursement for these drugs. Several developments contributed to the decline in sales of anemia drugs, including expanded warning and product safety labeling requirements, more restrictive federal policies governing Medicare reimbursement for the use of these drugs to treat oncology patients with kidney failure and dialysis and more conservative guidelines for recommended dosage and use. Any further changes in the recommended dosage or use of anemia drugs or reductions in reimbursement for such drugs could result in slower growth or lower revenues. In addition, on January 1, 2011, CMS began implementing a prospective payment system for Medicare end-stage renal disease ("ESRD") services that provides a single bundled payment to dialysis facilities covering most ESRD services, including anemia drugs. There is a 4-year transition period to the new prospective payment system, and CMS continues to make refinements to the payment policy. We cannot at this time assess the impact this new payment system, when fully implemented, will have on our business.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 significantly expanded Medicare coverage for outpatient prescription drugs through the Medicare Part D program. The Part D Plan program has increased the use of pharmaceuticals in the supply channel, which has a positive impact on our revenues and profitability. There have been additional changes to the Part D program since its enactment. Notably, the Affordable Care Act provides additional assistance to beneficiaries who reach the Part D "coverage gap" (including a

manufacturer discount program), mandates additional medication therapy management services and reduces Part D subsidies for certain high-income beneficiaries. CMS continues to issue regulations and other guidance to implement these statutory changes and further refine Medicare Part D program rules. There can be no assurances that recent and future changes to the Part D program will not have an adverse impact on our business.

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The federal government may adopt measures in the future that would further reduce Medicare and/or Medicaid spending or impose additional requirements on health care entities. For instance, under the terms of the Budget Control Act of 2011 automatic federal spending cuts, known as sequestration, went into effect as a result of Congressional failure to adopt legislation meeting federal deficit reduction targets. Under this policy, a 2% cut is being made to Medicare provider and plan payments, generally effective for services provided on or after April 1, 2013. Any future reductions in Medicare reimbursement rates could negatively impact our customers' businesses and their ability to continue to purchase such drugs from us. At this time, we can provide no assurances that future Medicare and/or Medicaid payment or policy changes, if adopted, would not have an adverse effect on our business.

ABSG's business may be adversely affected in the future by the impact of declining reimbursement rates for pharmaceuticals and other economic factors.

ABSG sells specialty drugs directly to physicians and community oncology practices and provides a number of services to or through physicians. Drugs that are administered in a physician's office, such as drugs that are infused or injected, are typically covered under Medicare Part B. Declining reimbursement rates for Medicare Part B drugs and other economic factors have caused a number of physician practices, including some of our customers, to move from private practice to hospital settings, where they may purchase their specialty drugs under hospital prime vendor arrangements rather than from specialty distributors like ABSG. This trend may continue due to various factors, including legislative and regulatory requirements that affect how CMS calculates average sales price ("ASP") for Medicare Part B drugs. Medicare generally reimburses physicians for Part B drugs at the rate of ASP plus 6%. Federal changes in drug reimbursement policy have reduced and could continue to reduce Medicare reimbursement rates for some Part B drugs. For instance, the implementation of sequestration in 2013 pursuant to the Budget Control Act of 2011 has effectively reduced reimbursement below the ASP plus 6% level for the duration of sequestration (which lasts through fiscal year 2021 in the absence of additional legislation). These reductions could accelerate the trend of physician practices moving to or being acquired by hospitals, and could also indirectly impact the prices we can charge our customers for pharmaceuticals and result in corresponding declines in ABSG's profitability. Any future reductions in the rate of reimbursement for drugs covered under Medicare Part B or physician services under Medicare could negatively impact our customers' businesses and their ability to continue to purchase such drugs from us. At this time, we can provide no assurances that future Medicare reimbursement or policy changes, if adopted, would not have an adverse effect on our business.

Changes to the United States healthcare environment may negatively impact our business and our profitability.

Our products and services are intended to function within the structure of the healthcare financing and reimbursement system currently existing in the United States. In recent years, the healthcare industry has undergone significant changes in an effort to reduce costs and government spending. These changes include an increased reliance on managed care; cuts in certain Medicare funding affecting our healthcare provider customer base; consolidation of competitors, suppliers and customers; and the development of large, sophisticated purchasing groups. We expect the healthcare industry to continue to change significantly in the future. Some of these potential changes, such as a reduction in governmental funding at the state or federal level for certain healthcare services or adverse changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits, may cause healthcare industry participants to reduce the amount of our products and services they purchase or the price they are willing to pay for our products and services. We expect continued government and private payor pressure to reduce pharmaceutical pricing. Changes in pharmaceutical manufacturers' pricing or distribution policies could also significantly reduce our profitability.

If we fail to comply with laws and regulations in respect of healthcare fraud and abuse, we could suffer penalties or be required to make significant changes to our operations.

We are subject to extensive and frequently changing federal and state laws and regulations relating to healthcare fraud and abuse. The federal government continues to strengthen its scrutiny of practices potentially involving healthcare fraud affecting Medicare, Medicaid and other government healthcare programs. Our relationships with healthcare providers and pharmaceutical manufacturers subject our business to laws and regulations on fraud and abuse which, among other things, (i) prohibit persons from soliciting, offering, receiving or paying any remuneration in order to induce the referral of a patient for treatment or the ordering or purchasing of items or services that are in any way paid for by Medicare, Medicaid or other government-sponsored healthcare programs and (ii) impose a number of restrictions upon referring physicians and providers of designated health services under Medicare and Medicaid programs. Legislative provisions relating to healthcare fraud and abuse give federal enforcement personnel substantially increased funding, powers and remedies to pursue suspected fraud and abuse, and these enforcement authorities were further expanded by the Affordable Care Act. While we believe that we are in compliance with all applicable laws and regulations, many of the regulations applicable to us, including those relating to marketing incentives offered in connection with pharmaceutical sales, are vague or indefinite and have not been interpreted by the courts. They may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations. If we fail to comply with applicable laws and regulations, we could be subject to civil and criminal penalties, including the loss of licenses or our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

Our business and results of operations could be adversely affected by qui tam litigation.

Violations of various federal and state laws governing the marketing, sale and purchase of pharmaceutical products can result in criminal, civil, and administrative liability for which there can be significant financial damages, criminal and civil penalties, and possible exclusion from participation in federal and state health programs. Among other things, such violations can form the basis for qui tam complaints to be filed. The qui tam provisions of the federal and various state civil False Claims Acts authorize a private person, known as a relator, to file civil actions under these statutes on behalf of the federal and state governments. Under False Claims Acts, the filing of a qui tam complaint by a relator imposes obligations on government authorities to investigate the allegations and determine whether or not to intervene in the action. Such cases may involve allegations around the marketing, sale, purchase, and/or dispensing of branded and/or generic pharmaceutical products and wrongdoing in the marketing, sale, purchase and/or

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dispensing of such products. Such complaints are filed under seal and remain sealed until the applicable court orders otherwise. Our business and results of operations could be adversely affected if qui tam complaints are filed against us for alleged violations of any health laws and regulations and damages arising from resultant false claims, if government authorities decide to intervene in any such matters and/or if we are found liable for all or any portion of violations alleged in any such matters.

The Company has learned that there are filings in one or more federal district courts, including a qui tam complaint filed by one of our former employees, that are under seal and may involve allegations against the Company (and/or subsidiaries or businesses of the Company, including our group purchasing organization for oncologists and our oncology distribution business) relating to its distribution of certain pharmaceutical products to providers. With regard to any of these filings, our business and results of operations could be adversely affected if government authorities decide to intervene in any such pending cases and/or we are found liable for all or any portion of violations alleged in any such pending cases.

Our results of operations and financial condition may be adversely affected if we undertake acquisitions of businesses that do not perform as we expect or that are difficult for us to integrate.

We expect to continue to execute our growth strategy, in part, by acquiring companies. At any particular time, we may be in various stages of assessment, discussion and negotiation with regard to one or more potential acquisitions, not all of which will be consummated. We make public disclosure of pending and completed acquisitions when appropriate and required by applicable securities laws and regulations.

Acquisitions involve numerous risks and uncertainties. If we complete one or more acquisitions, our results of operations and financial condition may be adversely affected by a number of factors, including: the failure of the acquired businesses to achieve the results we have projected in either the near or long term; the assumption of unknown liabilities; the fair value of assets acquired and liabilities assumed are not properly estimated; the difficulties of imposing adequate financial and operating controls on the acquired companies and their management and the potential liabilities that might arise pending the imposition of adequate controls; the difficulties in the integration of the operations, technologies, services and products of the acquired companies; and the failure to achieve the strategic objectives of these acquisitions.

Our results of operations and our financial condition may be adversely affected by our global operations.

Our operations in jurisdictions outside of the U.S. are subject to various risks inherent in global operations. The acquisition of World Courier expanded our business globally, with operations in over 50 countries worldwide. We may consider additional foreign acquisitions in the future, which may carry operational risks in addition to the risks of acquisition (as described above). At any particular time, our global operations may be affected by local political changes and local economic environments, including inflation, recession, currency volatility, and competition. The realization of any of these factors could adversely affect our business, financial position, and results of operations.

Violations of anti-bribery, anti-corruption and/or international trade laws to which we are subject could have a material adverse effect on our business, financial position, and results of operations.

We are subject to laws concerning our business operations and marketing activities in foreign countries where we conduct business. For example, we are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), U.S. export control and trade sanction laws, and similar anti-corruption and international trade laws in certain foreign countries, such as the U.K. Bribery Act, any violation of which could create substantial liability for us and also cause a loss of reputation in the market. The FCPA generally prohibits U.S. companies and their officers, directors, employees, and intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment. The FCPA also requires that U.S. public companies maintain books and records that fairly and accurately reflect transactions and maintain an adequate system of internal accounting controls. If we are found to have violated the FCPA, we may face sanctions including civil and criminal fines, disgorgement of profits, and suspension or debarment of our ability to contract with government agencies or receive export licenses. From time to time, we may face audits or investigations by one or more domestic or foreign government agencies relating to our international business activities, compliance with which could be costly and time-consuming, and could divert our management and key personnel from our business operations. An adverse outcome under any such investigation or audit could subject us to fines or other penalties, which could adversely affect our business, financial position, and results of operations.

Risks generally associated with our sophisticated information systems may adversely affect our business and results of operations.

Our businesses rely on sophisticated information systems to obtain, rapidly process, analyze, and manage data to facilitate the purchase and distribution of thousands of inventory items from numerous distribution centers; to receive, process, and ship orders on a timely basis; to account for other product and service transactions with customers; to manage the accurate billing and collections for thousands of customers; and to process payments to suppliers. Our business and results of operations may be adversely affected if these systems are interrupted or damaged by unforeseen events or if they fail for any extended period of time, including due to the actions of third parties.

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Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber attacks. A failure in or breach of our operational or information security systems, or those of our third party service providers, as a result of cyber attacks or information security breaches could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. Although we believe that we have robust information security procedures and other safeguards in place, as cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

Third party service providers are responsible for managing a significant portion of our information systems. Our business and results of operations may be adversely affected if the third party service provider does not perform satisfactorily.

Certain of our businesses continue to make substantial investments in information systems. To the extent the implementation of these systems fail, our business and results of operations may be adversely affected.

Anticipated benefits generally associated with the implementation of an enterprise resource planning (ERP) system may not be fully realized.

We completed the implementation of an ERP system that handles the business and financial processes within ABDC's operations and our corporate and administrative functions, such as: (i) facilitating the purchase and distribution of inventory items from our distribution centers; (ii) receiving, processing, and shipping orders on a timely basis, (iii) managing the accuracy of billings and collections for our customers; (iv) processing payments to our suppliers; and (v) generating financial transactions and information. If the anticipated benefits from this implementation are not fully realized, our expected return on the ERP investment will not be achieved.

Our stock price and our ability to access credit markets may be adversely affected by financial market volatility and disruption.

The capital and credit markets could experience significant volatility and disruption. If the markets experience significant disruption and volatility in the future, there can be no assurance that we will not experience downward movement in our stock price without regard to our financial condition or results of operations or an adverse effect, which may be material, on our ability to access credit generally, and on our business, liquidity, financial condition and results of operations.

Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We are a large corporation with operations in the United States, Puerto Rico, and select global markets. As such, we are subject to tax laws and regulations of the United States federal, state and local governments and of various foreign jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions and/or our tax liabilities. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these initiatives. In addition, United States federal, state and local, as well as foreign, tax laws and regulations, are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

Natural disasters or other unexpected events may disrupt our operations and may adversely affect our results of operations and financial condition.

The occurrence of one or more unexpected events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods and other forms of severe weather in the U.S. or in other countries in which we operate or are located could adversely affect our operations and financial performance. Natural disasters, power outages or other unexpected events could result in physical damage to and complete or partial closure of one or more of distribution centers, temporary or long-term disruption in the supply of products, delay in the delivery of products to our distribution centers and/or disruption of our ability to deliver products to customers. Existing insurance arrangements may not provide protection for all of the costs that may arise from such events, particularly if such events are catastrophic in nature or occur in combination.

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ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

ITEM 2. ***PROPERTIES***

As of September 30, 2013, we conducted our business from office and operating facilities at owned and leased locations throughout the United States (including Puerto Rico) and select global markets. In the aggregate, our facilities occupy approximately 8 million square feet of office and warehouse space, which is either owned or leased under agreements that expire from time to time through 2040.

We lease approximately 174,000 square feet in Chesterbrook, Pennsylvania for our corporate and ABDC headquarters.

We have 25 full-service ABDC wholesale pharmaceutical distribution facilities in the United States, ranging in size from approximately 53,000 square feet to 310,000 square feet, with an aggregate of approximately 4.5 million square feet. Leased facilities are located in Puerto Rico plus the following states: Arizona, Colorado, Florida, Hawaii, Minnesota, New York, North Carolina, Utah, and Washington. Owned facilities are located in the following states: Alabama, California, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Missouri, Ohio, Pennsylvania, Texas and Virginia.

As of September 30, 2013, the Specialty Group's operations were conducted in 15 locations, two of which are owned, comprising approximately 1.0 million square feet. The Specialty Group's largest leased facility consisted of approximately 273,000 square feet. Its headquarters are located in Texas and it has significant operations in the states of Alabama, Kentucky, Nevada, and Ohio.

As of September 30, 2013, the Consulting Group's operations were conducted in 9 leased locations, comprising approximately 628,000 square feet. The Consulting Group's operations are primarily located in North Carolina and California.

As of September 30, 2013, World Courier's office and operating facilities are located in over 50 countries throughout the world. Most of the facilities are leased. Significant owned facilities are located in New York, and internationally in Germany, Japan, Singapore, and South Africa.

We consider all of our operating and office properties to be in satisfactory condition.

ITEM 3. ***LEGAL PROCEEDINGS***

Legal proceedings in which we are involved are discussed in Note 12 (Legal Matters and Contingencies) of the Notes to the Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

ITEM 4. ***MINE SAFETY DISCLOSURES***

None.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of our principal executive officers and their ages and positions as of November 15, 2013.

Name	Age	Current Position with the Company
Steven H. Collis	52	President and Chief Executive Officer
John G. Chou	57	Executive Vice President and General Counsel
June Barry	62	Senior Vice President, Human Resources
James D. Frary	41	Senior Vice President and President, AmerisourceBergen Specialty Distribution and Services
Tim G. Guttman	54	Senior Vice President and Chief Financial Officer
Peyton R. Howell	46	Senior Vice President and President, Global Sourcing and Manufacturer Relations
David W. Neu	56	Senior Vice President and President, AmerisourceBergen Drug Corporation

Unless indicated to the contrary, the business experience summaries provided below for our executive officers describe positions held by the named individuals during the last five years.

Mr. Collis has been President and Chief Executive Officer of the Company since July 2011. From November 2010 to July 2011, he served as President and Chief Operating Officer. He served as Executive Vice President and President of AmerisourceBergen Drug Corporation from September 2009 to November 2010. He was Executive Vice President and President of AmerisourceBergen Specialty Group from September 2007 to September 2009 and was Senior Vice President of the Company and President of AmerisourceBergen Specialty Group from August 2001 to September 2007. Mr. Collis has been employed by the Company or one of its predecessors for 19 years.

Mr. Chou has been General Counsel of the Company since January 2007 and Executive Vice President of the Company since August 2011. From January 2007 to August 2011, Mr. Chou was a Senior Vice President. He has served as Secretary of the Company from February 2006 to May 2012. He was Vice President and Deputy General Counsel from November 2004 to January 2007 and Associate General Counsel from July 2002 to November 2004. Mr. Chou has been employed by the Company for 11 years.

Ms. Barry joined the Company in February 2010 as Senior Vice President, Human Resources. Prior to joining the Company, she was the Senior Vice President of Human Resources for TD Bank, N.A., from 2006 to 2010.

Mr. Frary was named Senior Vice President and President, AmerisourceBergen Specialty Distribution and Services in April 2010. He was Regional Vice President, East Region, of AmerisourceBergen Drug Corporation from October 2007 to April 2010, and Associate Regional Vice President, East Region, from May 2007 to September 2007. Before joining the Company, Mr. Frary was a Principal in Mercer Management Consulting's Strategy Group.

Mr. Guttman was named Senior Vice President and Chief Financial Officer in May 2012. He served as Acting Chief Financial Officer from February 2012 to May 2012. He was Vice President and Corporate Controller from August 2002 to May 2012. Mr. Guttman has been employed by the Company for 11 years.

Ms. Howell has been Senior Vice President and President, Global Sourcing and Manufacturer Relations since December 2012. She served as Senior Vice President, Business Development and President of AmerisourceBergen Consulting Services from May 2010 to December 2012. She was President of Consulting Services and Health Policy, AmerisourceBergen Specialty Group from October 2007 to May 2010. She was President of Lash Group and AmerisourceBergen Specialty Group Manufacturer Services from November 1999 to October 2007. Ms. Howell has been employed by the Company or one of its predecessors for 22 years.

Mr. Neu was named Senior Vice President and President, AmerisourceBergen Drug Corporation in April 2011. He served as Senior Vice President, Drug Operations for AmerisourceBergen Drug Corporation from February 2010 to April 2011. He was Senior Vice President, Retail for AmerisourceBergen Drug Corporation from 2001 to 2010. Mr. Neu has been employed by the Company or one of its predecessors for 31 years.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The Company's common stock is traded on the New York Stock Exchange under the trading symbol "ABC." As of October 31, 2013, there were 3,119 record holders of the Company's common stock. The following table sets forth the high and low closing sale prices of the Company's common stock for the periods indicated.

PRICE RANGE OF COMMON STOCK

Fiscal Year Ended September 30, 2013	**High**	**Low**
First Quarter	$ 43.91	$ 38.99
Second Quarter	$ 51.45	$ 43.40
Third Quarter	$ 56.30	$ 51.64
Fourth Quarter	$ 62.23	$ 54.83
Fiscal Year Ended September 30, 2012		
First Quarter	$ 42.08	$ 35.57
Second Quarter	$ 40.09	$ 36.19
Third Quarter	$ 39.35	$ 35.95
Fourth Quarter	$ 39.85	$ 37.36

In November 2011, our board of directors increased the quarterly dividend by 13% from $0.115 per share to $0.13 per share. In November 2012, our board of directors increased the quarterly dividend by 62% from $0.13 to $0.21 per share. In November 2013, our board of directors increased the quarterly dividend by 12% from $0.21 to $0.235 per share. The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Company's board of directors and will depend upon the Company's future earnings, financial condition, capital requirements and other factors.

Computershare is the Company's transfer agent. Computershare can be reached at (mail) AmerisourceBergen Corporation c/o Computershare, P.O. Box 43078, Providence, RI 02940-3078; (telephone): Domestic 1-877-296-3711, Domestic TDD 1-800-231-5469, International 1-201-680-6578 or International TDD 1-201-680-6610; and (internet) *www.computershare.com*.

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ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth the total number of shares purchased, the average price paid per share, the total number of shares purchased as part of publicly announced programs, and the approximate dollar value of shares that may yet be purchased under the programs during each month in the fiscal year ended September 30, 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
October 1 to October 31	107,903	$	107,903	$ 96,902,533
November 1 to November 30	6,838,685	$ 41.60	6,838,685	$ 562,441,587
December 1 to December 31		$		$ 562,441,587
January 1 to January 31		$		$ 562,441,587
February 1 to February 28		$		$ 562,441,587
March 1 to March 31	98,864	$ 47.98		$ 562,441,587
April 1 to April 30	400,695	$ 53.90	400,470	$ 540,853,044
May 1 to May 31	1,383,532	$ 54.30	1,380,880	$ 465,874,132
June 1 to June 30	364,345	$ 54.39	363,899	$ 446,082,979
July 1 to July 31		$		$ 446,082,979
August 1 to August 31	1,452,547	$ 57.18	1,452,547	$ 1,113,019,673
September 1 to September 30	827	$ 60.12		$ 1,113,019,673
Total	10,647,398	$ 44.91	10,544,384	

(a)

In May 2012, the Company announced a program to purchase up to $750 million of its outstanding shares of common stock, subject to market conditions. During the fiscal year ended September 30, 2012, the Company purchased 16.9 million shares for $653.1 million under the program. During the fiscal year ended September 30, 2013, the Company purchased 2.3 million shares for $96.9 million to close this program.

(b)

In November 2012, the Company announced a program to purchase up to $750 million of its outstanding shares of common stock, subject to market conditions. During the fiscal year ended September 30, 2013, the Company purchased 8.1 million shares for $387.0 million under the program. The Company had $363.0 million remaining under this program as of September 30, 2013.

(c)

In August 2013, the Company announced a new program to purchase up to $750 million of its outstanding shares of common stock, subject to market conditions. There is no expiration date related to this program.

(d)

Employees surrendered 103,014 shares during the fiscal year ended September 30, 2013 to meet minimum tax-withholding obligations upon vesting of restricted stock.

(e)

In October 2012, the Company received 107,903 shares to settle an accelerated share repurchase transaction that was entered into during August 2012.

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STOCK PERFORMANCE GRAPH

This graph depicts the Company's five year cumulative total stockholder returns relative to the performance of the Standard and Poor's 500 Composite Stock Index, the S&P Health Care Index, and an index of peer companies selected by the Company from the market close on September 30, 2008 to September 30, 2013. The graph assumes $100 invested at the closing price of the common stock of the Company and of each of the other indices on the New York Stock Exchange on September 30, 2008. The points on the graph represent fiscal year-end index levels based on the last trading day in each fiscal quarter. The Peer Group index (which is weighted on the basis of market capitalization) consists of the following companies engaged primarily in wholesale pharmaceutical distribution and related services: McKesson Corporation and Cardinal Health, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

*
$100 invested on 9/30/08 in stock or index, including reinvestment of dividends.

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ITEM 6. ***SELECTED FINANCIAL DATA***

The following table should be read in conjunction with the consolidated financial statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 20.

	As of or for the Fiscal Year Ended September 30,				
	2013(a)	2012(b)	2011(c)	2010(d)	2009(e)
	(Amounts in thousands, except per share amounts)				
Statement of Operations Data:					
Revenue	$ 87,959,167	$ 78,080,806	$ 78,695,659	$ 76,496,106	$ 70,457,775
Gross profit	2,507,819	2,634,686	2,458,977	2,278,421	2,033,023
Operating expenses	1,609,420	1,331,071	1,269,457	1,191,083	1,157,307
Operating income	898,399	1,303,615	1,189,520	1,087,338	875,716
Interest expense, net	73,897	92,569	76,148	71,790	53,991
Income from continuing operations	493,435	761,361	697,495	626,939	509,130
Net income	433,707	718,986	706,624	636,748	503,397
Earnings per share from continuing operations diluted	$ 2.10	$ 2.96	$ 2.51	$ 2.18	$ 1.68
Earnings per share diluted	$ 1.84	$ 2.80	$ 2.54	$ 2.22	$ 1.66
Cash dividends declared per common share	$ 0.84	$ 0.52	$ 0.43	$ 0.32	$ 0.21
Weighted average common shares outstanding diluted	235,345	256,903	277,717	287,246	302,754
Balance Sheet Data:					
Cash and cash equivalents	$ 1,231,006	$ 1,066,608	$ 1,825,990	$ 1,658,182	$ 1,009,368
Accounts receivable, net	6,051,920	3,784,619	3,675,980	3,674,054	3,767,889
Merchandise inventories	6,981,494	5,472,010	5,320,220	5,103,719	4,871,368
Property and equipment, net	803,561	743,684	663,623	598,840	500,610
Total assets	18,918,638	15,442,256	14,983,398	14,434,790	13,574,157
Accounts payable	13,335,792	9,492,589	9,066,768	8,706,605	8,392,539
Long-term debt, including current portion	1,396,606	1,395,931	1,343,101	1,342,633	987,483
Stockholders' equity	2,319,745	2,454,842	2,867,585	2,954,244	2,717,886
Total liabilities and stockholders' equity	$ 18,918,638	$ 15,442,256	$ 14,983,398	$ 14,434,790	$ 13,574,157

(a)

Includes $169.8 million of LIFO expense, net of income tax benefit of $107.2 million, $76.3 million of Warrant expense, net of income tax benefit of $13.7 million, $14.7 million of employee severance, litigation and other costs, net of income tax benefit of $8.8 million and a $14.3 million gain from antitrust litigation settlements, net of income tax expense of $8.6 million.

(b)

Includes $26.5 million of employee severance, litigation and other costs, net of income tax benefit of $17.6 million and a $9.1 million gain from antitrust litigation settlements, net of income tax expense of $5.7 million.

(c)

Includes $16.6 million of employee severance, litigation and other costs, net of income tax benefit of $7.0 million, an intangible asset impairment charge of $4.1 million, net of income tax benefit of $2.4 million, and a $1.3 million gain from antitrust litigation settlements, net of income tax expense of $0.8 million.

(d)

Includes a $2.7 million litigation gain, net of income tax expense of $1.7 million, intangible asset impairment charges of $2.0 million, net of income tax benefit of $1.2 million, and a $12.8 million gain from antitrust litigation settlements, net of income tax expense of $7.9 million.

(e)

Includes $3.4 million of employee severance, litigation and other costs, net of income tax benefit of $2.0 million, intangible asset impairment charges of $7.3 million, net of income tax benefit of $4.5 million, and an influenza vaccine inventory write-down of $9.6 million, net of income tax benefit of $5.9 million.

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

Overview

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto contained herein.

We are one of the largest global pharmaceutical sourcing and distribution services companies, helping both healthcare providers and pharmaceutical and biotech manufacturers improve patient access to products and enhance patient care. We deliver innovative programs and services designed to increase the effectiveness and efficiency of the pharmaceutical supply chain. We are organized based upon the products and services we provide to our customers. Our operations are comprised of the Pharmaceutical Distribution reportable segment and Other.

Recent Developments

On March 18, 2013, we, Walgreens and Alliance Boots entered into various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and us pursuant to which Walgreens will source branded and generic pharmaceutical products from us; an agreement which provides us with the ability to access generics and related pharmaceutical products through Walgreens Boots Alliance Development GmbH, a global sourcing joint venture between Walgreens and Alliance Boots; opportunities to accelerate our efforts to grow our specialty and manufacturer services businesses domestically and internationally; and agreements and arrangements pursuant to which Walgreens and Alliance Boots together have the right, but not the obligation, to purchase a minority equity position in us and gain associated representation on our board of directors in certain circumstances. We were already distributing mail order and other pharmaceutical products for Walgreens. The ten-year distribution agreement, which was effective as of September 1, 2013, expanded our relationship to include the distribution of branded and generic pharmaceutical products for Walgreens. Branded pharmaceutical distribution began on September 1, 2013, and beginning in fiscal 2014, we expect our distribution for Walgreens to increasingly include generic pharmaceutical products that Walgreens currently self-distributes.

In connection with these arrangements, we entered into a Framework Agreement with Walgreens and Alliance Boots, dated as of March 18, 2013, pursuant to which (i) Walgreens and Alliance Boots together were granted the right to purchase a minority equity position in AmerisourceBergen Corporation, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of our common stock (approximately 7% of our common stock on a fully diluted basis as of the date of issuance, assuming the exercise in full of the Warrants, as defined below) in open market transactions, with the right to designate up to two members of our board of directors upon achieving specified ownership levels; (ii) Walgreens Pharmacy Strategies, LLC, a wholly owned subsidiary of Walgreens, was issued (a) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $51.50 per share exercisable during a six-month period beginning in March 2016, and (b) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $52.50 per share exercisable during a six-month period beginning in March 2017; and (iii) Alliance Boots Luxembourg S.à.r.l., a wholly owned subsidiary of Alliance Boots, was issued (a) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $51.50 per share exercisable during a six-month period beginning in March 2016 and (b) a warrant to purchase up to 11,348,456 shares of our common stock at an exercise price of $52.50 per share exercisable during a six-month period beginning in March 2017 (collectively, the "Warrants"). The Warrants collectively represented approximately 16% of our common stock on a fully diluted basis as of the date of issuance, assuming exercise in full of the Warrants. The number of shares which may be purchased in the open market is subject to increase in certain circumstances if the market price of our common stock is less than the exercise price of the first tranche of Warrants when those Warrants are exercisable in 2016. Future issuances of shares of our common stock upon exercise of the Warrants will dilute the ownership interests of our then existing shareholders. In addition, prior to the exercise of the Warrants, any dilutive effect of the Warrants will be reflected in our diluted earnings per share calculation. The parties and affiliated entities also entered into certain related agreements governing relations between and among the parties thereto, including the AmerisourceBergen Shareholders Agreement, dated as of March 18, 2013, among Walgreens, Alliance Boots and us, described in our Current Report on Form 8-K filed on March 20, 2013.

Please refer to our Current Report on Form 8-K filed on March 20, 2013 for more detailed information regarding these agreements and arrangements. We currently expect earnings accretion from the pharmaceutical distribution agreement and the generics and related pharmaceutical products global sourcing agreement for fiscal year 2014, excluding certain expenses and non-recurring costs related to the transaction. See "Cautionary Note Regarding Forward-Looking Statements" on page 33 and "Risk Factors" in Item 1A.

Pharmaceutical Distribution Segment

The Pharmaceutical Distribution reportable segment is comprised of two operating segments, which include the operations of AmerisourceBergen Drug Corporation ("ABDC") and AmerisourceBergen Specialty Group ("ABSG"). Servicing healthcare providers in the pharmaceutical supply channel, the Pharmaceutical Distribution segment's operations provide drug distribution and related services designed to reduce healthcare costs and improve patient outcomes.

ABDC distributes a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, and related services to a wide variety of healthcare providers, including acute care hospitals and health systems, independent and chain retail pharmacies, mail order pharmacies, medical clinics, long-term care and other alternate site pharmacies, and other customers. ABDC also provides pharmacy management, staffing and other consulting services; scalable automated pharmacy dispensing equipment; medication and supply dispensing cabinets; and supply management software to a variety of retail and institutional healthcare providers. Additionally, ABDC delivers packaging solutions to institutional and retail healthcare providers.

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ABSG, through a number of operating businesses, provides pharmaceutical distribution and other services primarily to physicians who specialize in a variety of disease states, especially oncology, and to other healthcare providers, including dialysis clinics. ABSG also distributes plasma and other blood products, injectible pharmaceuticals and vaccines. Additionally, ABSG provides third party logistics and outcomes research, and other services for biotechnology and other pharmaceutical manufacturers.

Our use of the term "specialty" and "specialty pharmaceutical products" refers to drugs used to treat complex diseases, such as cancer, diabetes, and multiple sclerosis. Specialty pharmaceutical products are part of complex treatment regimens for serious conditions and diseases that generally require ongoing clinical monitoring. We believe the terms "specialty" and "specialty pharmaceutical products" are used consistently by industry participants and our competitors. However, we cannot be certain that other distributors of specialty products define these and other similar terms in exactly the same manner as we do.

Both ABDC and ABSG distribute specialty drugs to their customers, with the principal difference between these two operating segments being that ABSG operates distribution facilities that focus primarily on complex disease treatment regimens. Therefore, a product distributed from one of ABSG's distribution facilities results in revenue reported under ABSG, and a product distributed from one of ABDC's distribution centers results in revenue reported under ABDC. Essentially all of ABSG sales consist of specialty pharmaceutical products. ABDC sales of specialty pharmaceutical products are a relatively small component of its overall revenue.

Other

Other consists of the AmerisourceBergen Consulting Services ("ABCS") operating segment and the World Courier Group, Inc. ("World Courier") operating segment. The results of operations of our ABCS and World Courier operating segments are not significant enough to require separate reportable segment disclosure, and, therefore, have been included in "Other" for the purpose of our reportable segment presentation.

ABCS, through a number of operating businesses, provides commercialization support services including reimbursement support programs, outcomes research, contract field staffing, patient assistance and copay assistance programs, adherence programs, risk mitigation services, and other market access programs to pharmaceutical and biotechnology manufacturers. World Courier, which operates in over 50 countries, is a leading global specialty transportation and logistics provider for the biopharmaceutical industry.

Results of Operations

Year ended September 30, 2013 compared with Year ended September 30, 2012

Revenue

(dollars in thousands)	Fiscal year ended September 30, 2013	2012	Change
Pharmaceutical Distribution	$ 86,387,950	$ 76,940,544	12.3%
Other	1,763,549	1,324,744	33.1%
Intersegment eliminations	(192,332)	(184,482)	4.3%
Revenue	$ 87,959,167	$ 78,080,806	12.7%

Revenue of $88.0 billion in fiscal 2013 increased 12.7% from the prior fiscal year. This increase was due to the revenue growth of both Pharmaceutical Distribution and Other.

We currently expect our revenue in fiscal 2014 to increase between 28% and 31%. Our expected growth rate is driven primarily by our new distribution contract with Walgreens, which became effective September 1, 2013. Fiscal 2014 will include eleven incremental months of brand drug distribution and the phase-in of generic drug distribution to Walgreens. We are also forecasting a modest increase in revenue from the implementation of the Affordable Care Act. Our future revenue growth will continue to be affected by various factors such as industry growth trends, including the likely increase in the number of generic drugs that will be available over the next few years as a result of the expiration of certain drug patents held by brand-name pharmaceutical manufacturers, general economic conditions in the United States, competition within the industry, customer consolidation, changes in pharmaceutical manufacturer pricing and distribution policies and practices, increased downward pressure on government and other third party reimbursement rates to our customers, and changes in Federal government rules and regulations.

Pharmaceutical Distribution Segment

The Pharmaceutical Distribution segment grew its revenue by 12.3% from the prior fiscal year. Intrasegment revenues between ABDC and ABSG have been eliminated in the presentation of total Pharmaceutical Distribution revenue. These revenues primarily consisted of ABSG sales directly to ABDC customer sites or ABSG sales to ABDC's facilities. Total intrasegment revenues were $3.4 billion and $2.6 billion in the fiscal years ended September 30, 2013 and 2012, respectively.

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ABDC's revenue of $72.1 billion increased 14.1% from the prior fiscal year (before intrasegment eliminations). The increase in ABDC's revenue was primarily due to increased sales to Express Scripts of $7.5 billion and Walgreens of $2.9 billion in the fiscal year ended September 30, 2013. The increased sales were offset in part by the loss of a food and drug retail group purchasing organization ("GPO") customer, which resulted in a $1.7 billion decrease in revenue in the fiscal year ended September 30, 2013. Additionally, revenue was favorably impacted by an increase in brand-name pharmaceutical prices and was unfavorably impacted by an increase in the use of lower priced generic pharmaceuticals. The increased use of generic pharmaceuticals was the result of over 30 brand to generic conversions in fiscal 2012.

ABSG's revenue of $17.6 billion in fiscal 2013 increased 7.6% from the prior fiscal year (before intrasegment eliminations) primarily due to the growth in its blood products, vaccine, and physician office distribution businesses, and its third party logistics business. The physician office distribution business benefitted from increased sales of an ophthalmology drug in fiscal 2013. ABSG's revenue growth was partially offset by a decline in sales to community oncology practices. The majority of ABSG's revenue is generated from the distribution of pharmaceuticals to physicians who specialize in a variety of disease states, especially oncology. Community oncologists and other specialty physicians that administer drugs under Medicare Part B experienced declining reimbursement rates for specialty pharmaceutical drugs in fiscal 2013. As a result, some physician practices consolidated or sold their businesses to hospitals. Under federal sequestration legislation, Medicare physician reimbursement rates for Part B drugs were further reduced on April 1, 2013. While we service the needs of many hospitals, the continuing shift in this service channel has reduced oncology revenue. (Refer to item 1A. *Risk Factors* for a more detailed description of this business risk.) ABSG's business may continue to be adversely impacted in the future by changes in medical guidelines and the Medicare reimbursement rates for certain pharmaceuticals, especially oncology drugs administered by physicians and anemia drugs. Since ABSG provides a number of services to or through physicians, any changes affecting this service channel could result in additional revenue reductions.

A number of our contracts with customers or group purchasing organizations ("GPOs") are typically subject to expiration each year. We may lose a significant customer or GPO relationship if any existing contract with such customer or GPO expires without being extended, renewed, or replaced. During the fiscal year ended September 30, 2013, no significant contracts expired. Over the next twelve months, there are no significant contracts scheduled to expire.

Other

Revenue in Other increased $438.8 million from the prior fiscal year primarily due to the $271.1 million incremental revenue contributions from World Courier, which was acquired in April 2012.

Gross Profit

	Fiscal year ended September 30,		
(dollars in thousands)	**2013**	**2012**	**Change**
Pharmaceutical Distribution	$ 2,050,207	$ 2,363,261	-13.2%
Other	457,612	271,425	68.6%
Gross profit	$ 2,507,819	$ 2,634,686	-4.8%

Gross profit decreased 4.8%, or approximately $126.9 million, from the prior fiscal year.

Our cost of goods sold includes a last-in, first-out ("LIFO") provision that is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Due to the additional branded inventory that we were required to purchase to service the Walgreens contract, approximately $1.3 billion, and the impact the branded inventory had on our annual inflation index, as well as higher brand drug price inflation and lower generic drug price deflation, we recorded a LIFO charge of $277.0 million in the fiscal year ended September 30, 2013. In fiscal 2014, our LIFO charge will also be impacted by the Walgreens on-boarding.

Pharmaceutical Distribution gross profit decreased 13.2%, or approximately $313.1 million, from the prior fiscal year. Excluding the fiscal 2013 LIFO charge, Pharmaceutical Distribution gross profit decreased by $36.1 million in the fiscal year ended September 30, 2013. Excluding the fiscal 2013 LIFO charge, this decrease was primarily due to the lower gross profit related to the Express Scripts contract, the loss of a food and drug retail GPO customer, the lower number of generic launches, and the reduced contribution from sales of certain specialty oncology drugs. This decrease was offset, in part, by stronger price appreciation related to generic drugs and the growth of our non-oncology specialty distribution businesses. In the current fiscal year, we recognized a gain of $22.9 million from antitrust litigation settlements with pharmaceutical manufacturers, in comparison to a gain of $14.8 million in the prior fiscal year. These gains were recorded as reductions to cost of goods sold. We are unable to estimate future gains, if any, that we will recognize as a result of antitrust litigation settlements (see Note 13 of the Notes to Consolidated Financial Statements).

As a percentage of revenue, Pharmaceutical Distribution gross profit margin of 2.37% in the fiscal year ended September 30, 2013 decreased 70 basis points from the prior fiscal year. Excluding the fiscal 2013 LIFO charge, Pharmaceutical Distribution gross profit margin of 2.69% in the fiscal year ended September 30, 2013 decreased 38 basis points from the prior fiscal year. Excluding the fiscal 2013 LIFO charge, the Pharmaceutical Distribution gross profit margin decline in the fiscal year ended September 30, 2013 was primarily due to lower gross profit margin related to the current Express Scripts contract, the loss of a food and drug retail GPO customer, and competitive pressures on customer margins.

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Gross profit in Other increased by $186.2 million in the fiscal year ended September 30, 2013. The increase in gross profit was primarily due to the $161.3 million incremental contributions made by our fiscal 2012 acquisition of World Courier. As a percentage of revenue, Other gross profit margin of 25.95% in the fiscal year ended September 30, 2013 increased from 20.49% in the prior fiscal year. This increase was primarily due to the gross profit contributions from our fiscal 2012 acquisition of World Courier.

Operating Expenses

(dollars in thousands)	Fiscal year ended September 30, 2013	2012	Change
Distribution, selling and administrative	$ 1,333,712	$ 1,152,556	15.7%
Depreciation and amortization	162,186	134,375	20.7%
Warrants	90,055		
Employee severance, litigation and other	23,467	44,140	-46.8%
Total operating expenses	$ 1,609,420	$ 1,331,071	20.9%

Distribution, selling and administrative expense in fiscal 2013 increased 15.7%, or approximately $181.2 million, from the prior fiscal year, primarily due to the incremental operating costs of our fiscal 2012 acquisition of World Courier and additional costs to support the on-boarding of our new distribution agreement with Walgreens.

Depreciation expense increased from the prior fiscal year due to our fiscal 2012 acquisition of World Courier and due to an increase in capital projects. Amortization expense increased from the prior fiscal year due to our fiscal 2012 acquisition of World Courier.

Warrant expense was $90.1 million in the fiscal year ended September 30, 2013. The Warrants were issued in March 2013 in connection with the agreements and arrangements that define our strategic relationship with Walgreens and Alliance Boots. Refer to the Critical Accounting Policies and Estimates Warrants on page 29 for a more detailed description of the accounting for the Warrants. Future Warrant expense could fluctuate significantly.

Employee severance, litigation and other for the fiscal year ended September 30, 2013 included $23.0 million of deal-related transaction costs (primarily related to professional fees with respect to the Walgreens and Alliance Boots transaction) and $0.5 million of employee severance and facility closure costs.

In fiscal 2012, we introduced a number of initiatives, some of which were made possible as a result of efficiencies gained through our ERP implementation, to improve our operating efficiency across many of our businesses and certain administrative functions. In connection with these initiatives, we recorded $33.0 million of employee severance and other related costs. Other costs included an estimated $10.3 million liability to exit our participation in a multi-employer pension plan resulting from a ABDC distribution facility closure in fiscal 2013. In addition, we incurred $11.1 million of deal-related transaction costs in connection with business combinations.

As a percentage of revenue, operating expenses were 1.83% in fiscal 2013, an increase of 13 basis points from the prior fiscal year. This increase was primarily due to the Warrant expense and the addition of our fiscal 2012 World Courier acquisition, which has higher operating expenses as a percentage of revenue. For the Pharmaceutical Distribution segment, as a percentage of revenue, operating expenses were down 10 basis points from the prior fiscal year.

Operating Income

(dollars in thousands)	Fiscal year ended September 30, 2013	2012	Change
Pharmaceutical Distribution	$ 919,455	$ 1,275,636	-27.9%
Other	92,466	72,119	28.2%
Warrants	(90,055)		
Employee severance, litigation and other	(23,467)	(44,140)	-46.8%
Operating income	$ 898,399	$ 1,303,615	-31.1%

Segment operating income is evaluated before Warrant expense and employee severance, litigation and other.

Pharmaceutical Distribution operating income decreased 27.9%, or approximately $356.2 million from the prior fiscal year. Excluding the fiscal 2013 LIFO charge, Pharmaceutical Distribution operating income decreased 6.2%, or approximately $79.2 million from the prior fiscal year. Excluding the fiscal 2013 LIFO charge, as a percentage of revenue, Pharmaceutical Distribution operating income margin was 1.38% and 1.66% in fiscal 2013 and 2012, respectively. The 28 basis point decline in Pharmaceutical Distribution operating margin from the prior fiscal year was due to decreased contributions from generic launches, a shift in customer mix towards lower margin business in ABDC (most notably the Express Scripts contract), the loss of a food and drug retail GPO customer, and a decline in the operating margin of our oncology business.

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Operating income in Other increased $20.3 million from the prior fiscal year due to the incremental contribution made by our fiscal 2012 World Courier acquisition and an increase in operating income from our ABCS businesses.

Interest expense, interest income, and the respective weighted average interest rates in fiscal 2013 and 2012 were as follows (in thousands):

	2013		2012	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Interest expense	$ 75,048	4.72%	$ 94,370	4.93%
Interest income	(1,151)	0.33%	(1,801)	0.22%
Interest expense, net	$ 73,897		$ 92,569	

Interest expense decreased from the prior fiscal year due to a decrease of $323.8 million in average borrowings, primarily due to the repayment of our $392 million, 5$^{5}/_{8}$% senior notes in September 2012, offset, in part, by the issuance of our $500 million 3$^{1}/_{2}$% senior notes in November 2011.

Our interest expense in future periods may vary significantly depending upon changes in net borrowings, interest rates, amendments to our current borrowing facilities, and strategic decisions to deploy our invested cash. We currently expect our interest expense to be higher in fiscal 2014 due to increased short-term borrowings to fund working capital needs associated with the on-boarding of the Walgreens business.

Income taxes in fiscal 2013 reflect an effective tax rate of 40.2%, compared to 37.4% in the prior fiscal year. Our effective tax rate is higher in fiscal 2013 because a portion of the Warrant expense is not tax deductible. Excluding the impact of Warrant expense, our effective tax rate in fiscal 2013 was 37.7%. Our future effective tax rate could fluctuate significantly depending upon the quarterly valuation of the Warrants for financial reporting purposes. Excluding the impact of Warrant expense, we expect that our effective tax rate in fiscal 2014 will be in the low 38% range.

Income from continuing operations of $493.4 million in the fiscal year ended September 30, 2013 decreased 35.2% from the prior fiscal year. Diluted earnings per share from continuing operations of $2.10 in the fiscal year ended September 30, 2013 decreased 29.1% from $2.96 in the prior fiscal year. Excluding the fiscal 2013 LIFO charge and Warrant expense, income from continuing operations was $739.5 million in the fiscal year ended September 30, 2013, a 2.9% decrease from the prior fiscal year. Diluted earnings per share from continuing operations, excluding the fiscal 2013 LIFO charge and Warrant expense, was $3.14 in the fiscal year ended September 30, 2013, a 6.1% increase from the prior fiscal year. Excluding the fiscal 2013 LIFO charge and Warrant expense, the percentage difference between the change in diluted earnings per share and the change in income from continuing operations for the fiscal year ended September 30, 2013 was due to the 8.4% reduction in weighted average common shares outstanding, primarily from purchases of our common stock in connection with our stock repurchase program (see Liquidity and Capital Resources), net of the impact of stock option exercises.

(Loss) income from discontinued operations, net of income taxes, for all periods presented includes the operating results of AndersonBrecon ("AB") and AmerisourceBergen Canada Corporation ("ABCC"). The loss before income taxes in the fiscal year ended September 30, 2013 includes an ABCC goodwill impairment charge and the loss on the sale of ABCC. This loss is net of a gain on the sale of AB.

Year ended September 30, 2012 compared with Year ended September 30, 2011

Revenue

(dollars in thousands)	Fiscal year ended September 30, 2012	2011	Change
Pharmaceutical Distribution	$ 76,940,544	$ 78,444,933	-1.9%
Other	1,324,744	302,012	338.6%
Intersegment eliminations	(184,482)	(51,286)	259.7%
Revenue	$ 78,080,806	$ 78,695,659	-0.8%

Revenue of $78.1 billion in fiscal 2012 decreased 0.8% from the prior fiscal year as ABDC's revenue declined 3%, and was partially offset by the 6% revenue increase of ABSG. Additionally, our fiscal 2012 acquisitions, with TheraCom and World Courier being the largest contributors, added 1% to our revenue growth in the fiscal year ended September 30, 2012.

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Pharmaceutical Distribution Segment

ABDC's revenue decreased 3% from the prior fiscal year. The decline in ABDC's revenue was primarily due to the increase in use of lower priced generics, a reduction in chain customer revenue primarily due to the previously announced loss of one of our larger retail customers, the former Long's Drugs, which was acquired by a customer of one of our competitors and did not renew its contract prior to September 30, 2011, and lower sales to its largest customer. The decrease in revenue was partially offset by an increase in brand-name pharmaceutical prices.

ABSG's revenue of $16.4 billion in fiscal 2012 increased 6% from the prior fiscal year primarily due to growth in its third party logistics business and growth in its vaccine and physician office distribution business, which has benefited from sales of a new ophthalmology drug. ABSG's revenue growth was partially offset by a decline in sales of certain specialty oncology drugs.

Other

Revenue in Other increased $1.0 billion from the prior fiscal year primarily due to the $959.9 million contribution from our TheraCom and World Courier acquisitions.

Gross Profit

	Fiscal year ended September 30,		
(dollars in thousands)	**2012**	**2011**	**Change**
Pharmaceutical Distribution	$ 2,363,261	$ 2,357,949	0.2%
Other	271,425	101,028	168.7%
Gross profit	$ 2,634,686	$ 2,458,977	7.1%

Gross profit in fiscal 2012 increased $175.7 million from the prior fiscal year.

Our cost of goods sold includes a last-in, first-out ("LIFO") provision that is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. We recorded a LIFO charge of $0.7 million and $34.7 million in fiscal 2012 and 2011, respectively. Our LIFO charge in fiscal 2012 was lower than the prior fiscal year charge due to higher brand inventory sales prior to the end of our fiscal year.

Pharmaceutical Distribution gross profit increased 0.2% or approximately $5.3 million from the prior fiscal year. This increase was due to the solid growth and profitability of our non-specialty generic programs and brand price increases, which were offset, in part, by the reduced contribution from the sales of certain specialty oncology drugs, and by competitive pressures on customer margins. As expected, in fiscal 2012, the gross profit contributions from the sales of Oxaliplatin, Gemcitabine, and Docetaxel (all generic oncology drugs) were approximately $132 million lower than the prior fiscal year. We had no sales of Oxaliplatin in fiscal 2012 until mid-August 2012 and; therefore, gross profit on the sale of Oxaliplatin was significantly lower than in fiscal 2011. In fiscal 2012, the gross profit decline from the above-mentioned three specialty generic drugs was partially offset by the gross profit contribution from over 30 ABDC brand to generic product conversions. In fiscal 2012, we recognized a gain of $14.8 million from antitrust litigation settlements with pharmaceutical manufacturers. This compared to a recognized gain of $2.1 million from antitrust litigation settlements with pharmaceutical manufacturers in the prior fiscal year. These gains were recorded as reductions to cost of goods sold. Additionally, in fiscal 2011, gross profit was impacted by a non-recurring $12 million benefit in connection with a customer being acquired by a third party.

As a percentage of revenue, Pharmaceutical Distribution gross profit margin of 3.07% in fiscal 2012 increased 6 basis points from the prior fiscal year. The gross profit margin increase was due to the solid growth and profitability of our non-specialty generic programs, which was partially offset by the decline in gross profit relating to the above mentioned specialty oncology generic drugs. Additionally, the gain on antitrust litigation settlements, as noted above, contributed 2 basis points to our gross profit margin in fiscal 2012.

Gross profit in Other increased by $170.4 million in fiscal 2012. The increase in gross profit was due to the contributions made by our fiscal 2012 acquisitions (primarily World Courier and TheraCom). As a percentage of revenue, Other gross profit margin of 20.49% in fiscal 2012 decreased from 33.45% in fiscal 2011. This decrease was primarily due to the lower gross profit margin of our fiscal 2012 acquisition of TheraCom.

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Operating Expenses

(dollars in thousands)	Fiscal year ended September 30, 2012	2011	Change
Distribution, selling and administrative	$ 1,152,556	$ 1,138,022	1.3%
Depreciation and amortization	134,375	101,362	32.6%
Employee severance, litigation and other	44,140	23,567	87.3%
Intangible asset impairments		6,506	
Total operating expenses	$ 1,331,071	$ 1,269,457	4.9%

Distribution, selling and administrative expense in fiscal 2012 increased 1.3% due to the operating costs of our recently acquired companies and was partially offset by a reduction in consulting expenses within our Pharmaceutical Distribution segment and a decrease in our bad debt expense.

Depreciation expense increased from the prior fiscal year primarily due to the implementation of our new ERP system. Amortization expense increased from the prior fiscal year primarily due to the newly acquired intangible assets resulting from the TheraCom and World Courier acquisitions.

In fiscal 2012, we introduced a number of initiatives, some of which were made possible as a result of efficiencies gained through our ERP implementation, to improve our operating efficiency across many of our businesses and certain administrative functions. In connection with these initiatives, we recorded $33.0 million of severance and other related costs. Other costs included an estimated $10.3 million liability to exit our participation in a multi-employer pension plan resulting from a planned ABDC distribution facility closure in fiscal 2013. In addition, we incurred $11.1 million of acquisition costs related to business combinations.

In fiscal 2011, we introduced our Energiz program, which encompassed a number of initiatives to maximize salesforce productivity, improve customer contractual compliance, and drive efficiency by linking our information technology capabilities more effectively with our operations. Employee severance, litigation and other for fiscal 2011 included employee severance costs of $4.4 million related to our Energiz program, a $16.0 million charge related to the preliminary settlement of a qui tam legal matter and $3.2 million of acquisition costs related to business combinations.

We incurred a $6.5 million charge related to intangible asset impairments in fiscal 2011.

As a percentage of revenue, operating expenses were 1.70% in fiscal 2012, up 9 basis points from the prior fiscal year. This was primarily due to our recent acquisitions. For the Pharmaceutical Distribution segment, as a percentage of revenue, operating expenses were down 9 basis points from the prior fiscal year.

Operating Income

(dollars in thousands)	Fiscal year ended September 30, 2012	2011	Change
Pharmaceutical Distribution	$ 1,275,636	$ 1,184,673	7.7%
Other	72,119	28,414	153.8%
Employee severance, litigation and other	(44,140)	(23,567)	87.3%
Operating income	$ 1,303,615	$ 1,189,520	9.6%

Segment operating income is evaluated before employee severance, litigation and other.

Pharmaceutical Distribution operating income increased $91.0 million from the prior fiscal year due to the decrease in its operating expenses, offset in part by a decrease in its gross profit. Operating income in Other increased $43.7 million from the prior fiscal year primarily due to the $24.6 million of contributions made by our recent acquisitions, primarily World Courier and TheraCom.

The net impact of the gain on antitrust litigation settlements, the costs relating to employee severance, litigation and other, and the asset impairments was to decrease operating income as a percentage of revenue by 4 basis points in both fiscal 2012 and 2011.

Other income of $5.8 million in fiscal 2012 and $4.6 million in fiscal 2011 primarily related to a gain resulting from payments received in excess of amounts accrued on a note receivable relating to a prior business disposition.

Interest expense, interest income, and their respective weighted average interest rates in fiscal 2012 and 2011 were as follows (in thousands):

	2012		2011	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Interest expense	$ 94,370	4.93%	$ 78,329	5.34%
Interest income	(1,801)	0.22%	(2,181)	0.19%
Interest expense, net	$ 92,569		$ 76,148	

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Interest expense increased from the prior fiscal year due to an increase of $389.8 million in average borrowings, primarily due to the November 2011 issuance of our new $500 million 3½% senior notes due 2021. In addition, interest costs capitalized related to our Business Transformation project of $0.5 million and $3.4 million in fiscal 2012 and 2011, respectively had the effect of reducing interest expense for those periods. Our average invested cash was $1.5 billion during both fiscal 2012 and 2011. Despite the similar levels of average cash, interest income was lower in fiscal 2012 due to an increase in the amount of cash held in non-interest bearing cash accounts. Cash held in these accounts partially offset bank fees.

Income taxes in fiscal 2012 reflect an effective tax rate of 37.4%, compared to 37.6% in the prior fiscal year.

Income from continuing operations of $761.4 million in fiscal 2012 increased 9% from the prior fiscal year due to the increase in operating income and was offset in part by the increases in interest expense and income taxes. Diluted earnings per share from continuing operations of $2.96 in fiscal 2012 increased 18% from $2.51 per share in the prior fiscal year. The difference between diluted earnings per share growth and the increase in income from continuing operations was primarily due to the 8% reduction in weighted average common shares outstanding, primarily from purchases of our common stock in connection with our stock repurchase program (see Liquidity and Capital Resources), net of the impact of stock option exercises.

(Loss) income from discontinued operations, net of income taxes, of $(42.4) million and $9.1 million, represents the operating results of AndersonBrecon and ABCC in both fiscal 2012 and 2011, respectively.

Critical Accounting Policies and Estimates

Critical accounting policies are those policies which involve accounting estimates and assumptions that can have a material impact on our financial position and results of operations and require the use of complex and subjective estimates based upon past experience and management's judgment. Actual results may differ from these estimates due to uncertainties inherent in such estimates. Below are those policies applied in preparing our financial statements that management believes are the most dependent on the application of estimates and assumptions. For a complete list of significant accounting policies, see Note 1 of Notes to the Consolidated Financial Statements.

Allowance for Doubtful Accounts

Trade receivables are primarily comprised of amounts owed to us for our pharmaceutical distribution and services activities and are presented net of an allowance for doubtful accounts and a reserve for customer sales returns. In determining the appropriate allowance for doubtful accounts, we consider a combination of factors, such as the aging of trade receivables, industry trends, and our customers' financial strength, credit standing, and payment and default history. Changes in the aforementioned factors, among others, may lead to adjustments in our allowance for doubtful accounts. The calculation of the required allowance requires judgment by our management as to the impact of these and other factors on the ultimate realization of our trade receivables. Each of our business units performs ongoing credit evaluations of its customers' financial condition and maintains reserves for probable bad debt losses based on historical experience and for specific credit problems when they arise. We write off balances against the reserves when collectability is deemed remote. Each business unit performs formal documented reviews of the allowance at least quarterly and our largest business units perform such reviews monthly. There were no significant changes to this process during the fiscal years ended September 30, 2013, 2012, and 2011 and bad debt expense was computed in a consistent manner during these periods. The bad debt expense for any period presented is equal to the changes in the period end allowance for doubtful accounts, net of write-offs, recoveries and other adjustments. Schedule II of this Form 10-K sets forth a rollforward of the allowance for doubtful accounts.

Bad debt expense for the fiscal years ended September 30, 2013, 2012, and 2011 was $20.1 million, $23.1 million, and $37.9 million, respectively. An increase or decrease of 0.1% in the 2013 allowance as a percentage of trade receivables would result in an increase or decrease in the provision on accounts receivable of approximately $6.1 million.

Supplier Reserves

We establish reserves against amounts due from our suppliers relating to various price and rebate incentives, including deductions or billings taken against payments otherwise due to them. These reserve estimates are established based on the judgment of management after carefully considering the status of current outstanding claims, historical experience with the suppliers, the specific incentive programs and any other pertinent information available to us. We evaluate the amounts due from our suppliers on a continual basis and adjust the reserve estimates when appropriate based on changes in factual circumstances. An increase or decrease of 0.1% in the 2013 supplier reserve balances as a percentage of trade payables would result in an increase or decrease in cost of goods sold by approximately $13.3 million. The ultimate outcome of any outstanding claim may be different from our estimate.

Loss Contingencies

In the ordinary course of business, we become involved in lawsuits, administrative proceedings, government subpoenas, and government investigations, including antitrust, commercial, environmental, product liability, intellectual property, regulatory, employment discrimination, and other matters. Significant damages or penalties may be sought in some matters, and some matters may require years to resolve. We record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. We also perform an assessment of the materiality of loss contingencies where a loss is either not probable or it is reasonably possible that a loss could be incurred in excess of amounts accrued. If a loss or an additional loss has at least a reasonable possibility of occurring and the impact on the financial statements would be material, we provide disclosure of the loss contingency in the footnotes to our financial statements. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or the range of the loss can be made.

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Merchandise Inventories

Inventories are stated at the lower of cost or market. Cost for approximately 83% and 82% of our inventories at September 30, 2013 and 2012, respectively, has been determined using the last-in, first-out ("LIFO") method. If we had used the first-in, first-out ("FIFO") method of inventory valuation, which approximates current replacement cost, inventories would have been approximately $533.7 million and $256.7 million higher than the amounts reported at September 30, 2013 and 2012, respectively. We recorded a LIFO charge of $277.0 million, $0.7 million, and $34.7 million in fiscal 2013, 2012, and 2011 respectively. The annual LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences, many of which are difficult to predict. Our LIFO charge in fiscal 2013 was significant due to the additional branded inventory we were required to purchase for the new Walgreens distribution contract and the impact the branded inventory had on our annual inflation index as well as higher brand drug price inflation and lower generic drug price deflation. In fiscal 2014, our LIFO charge will also be impacted by the Walgreens on-boarding.

Business Combinations

The purchase price of an acquired company, including the fair value of any contingent consideration, is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. We engage third party appraisal firms to assist management in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require management to make significant judgments, estimates and assumptions, especially with respect to intangible assets. Management makes estimates of fair value based upon assumptions it believes to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies, and are inherently uncertain. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from and economic lives of customer relationships, trade names, existing technology, and other intangible assets; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual events.

Goodwill and Intangible Assets

Goodwill and other intangible assets with indefinite lives, primarily trademarks and trade names, are not amortized; rather, they are tested for impairment at least annually. For the purpose of these impairment tests, we can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its reporting units and indefinite lived intangible assets are less than the respective carrying values of those reporting units and indefinite lived intangible assets. We elected to bypass performing the qualitative screen and went directly to performing the first step quantitative analysis of the goodwill and indefinite lived intangible asset impairment tests in the current year. We may elect to perform the qualitative analysis in future periods.

The first step in the quantitative process for the goodwill impairment test is to compare the carrying amount of the reporting unit's net assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step must be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. We would be required to record any such impairment losses.

We identify our reporting units at the operating segment level. Generally, goodwill arises from acquisitions of specific operating companies and is assigned to the reporting unit in which a particular operating company resides.

We utilize a combination of income and market-based approaches to valuation for its reporting units. The income approach to valuation relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. We believe that market participants would use a discounted cash flow analysis to determine the fair value of its reporting units in a sale transaction. The annual goodwill impairment test requires us to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins, depreciation, amortization and working capital requirements, which are based upon our long-range plan. The discount rate is an estimate of the overall after-tax rate of return required by a market participant whose weighted average cost of capital includes both equity and debt, including a risk premium. While we use the best available information to prepare our cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances. While there are always changes in assumptions to reflect changing business and market conditions, our overall methodology and the population of assumptions used have remained unchanged.

The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks and trade names) consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. We estimate the fair value of our indefinite-lived intangibles using the relief from royalty method. We believe the relief from royalty method is a widely used valuation technique for such assets. The fair value derived from the relief from royalty method is measured as the discounted cash flow savings realized from owning such trademarks and trade names and not having to pay a royalty for their use.

We completed our required annual impairment tests relating to goodwill and other intangible assets with indefinite lives in the fourth quarter of fiscal 2013, 2012, and 2011, and, as a result, recorded $6.5 million of impairment charges in fiscal 2011.

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Share-Based Compensation

We utilize a binomial option pricing model to determine the fair value of share-based compensation expense, which involves the use of several assumptions, including expected term of the option, expected volatility, risk-free interest rate, dividend yield, and forfeiture rate. The expected term of options represents the period of time that the options granted are expected to be outstanding and is based on historical experience. Expected volatility is based on historical volatility of our common stock as well as other factors, such as implied volatility.

Warrants

We account for the Warrants issued to Walgreens and Alliance Boots in accordance with the guidance for equity-based payments to non-employees. The various agreements and arrangements with Walgreens and Alliance Boots established various performance commitments that they must satisfy during the vesting periods of the Warrants, and if not fulfilled, we have the right to cancel the Warrants. Using a binomial lattice model approach, the fair value of the Warrants was initially measured at the date of issuance, and is being expensed over the three and four year vesting periods as an operating expense. The fair value of the Warrants are re-measured at the end of each quarterly reporting period, and an adjustment is recorded in the statement of operations to record the impact as if the newly measured fair value of the awards had been used in recognizing expense starting when the awards were originally issued and through the remeasurement date. In total, the Warrants were valued at $572.0 million as of September 30, 2013. The valuation of the Warrants considers our common stock price and various assumptions, such as the volatility of our common stock, the expected remaining life of the Warrants, the expected dividend yield, and the risk-free interest rate. As a result, future Warrant expense could fluctuate significantly.

A portion of the Warrant expense is not tax deductible; therefore, our future effective income tax rate could fluctuate significantly depending on the valuation of the Warrants for financial reporting purposes.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and uncertain tax positions reflect management's assessment of estimated future taxes to be paid on items in the financial statements. Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities, as well as net operating loss and tax credit carryforwards for tax purposes.

We have established a valuation allowance against certain deferred tax assets for which the ultimate realization of future benefits is uncertain. Expiring carryforwards and the required valuation allowances are adjusted annually. After application of the valuation allowances described above, we anticipate that no limitations will apply with respect to utilization of any of the other deferred income tax assets described above.

We prepare and file tax returns based on our interpretation of tax laws and regulations and record estimates based on these judgments and interpretations. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law resulting from legislation, regulation and/or as concluded through the various jurisdictions' tax court systems. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of the position.

We believe that our estimates for the valuation allowances against deferred tax assets and the amount of benefits recognized in our financial statements for uncertain tax positions are appropriate based on current facts and circumstances. However, others applying reasonable judgment to the same facts and circumstances could develop a different estimate and the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The significant assumptions and estimates described in the preceding paragraphs are important contributors to the ultimate effective tax rate in each year. If any of our assumptions or estimates were to change, an increase or decrease in our effective tax rate by 1% on income from continuing operations before income taxes would have caused income tax expense to change by $8.2 million in fiscal 2013.

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Liquidity and Capital Resources

The following table illustrates our debt structure at September 30, 2013, including availability under the multi-currency revolving credit facility, the receivables securitization facility, and the revolving credit note (in thousands):

	Outstanding Balance	Additional Availability
Fixed-Rate Debt:		
$500,000, 5 7/8% senior notes due 2015	$ 499,377	$
$400,000, 4 7/8% senior notes due 2019	397,803	
$500,000, 3 1/2% senior notes due 2021	499,426	
Total fixed-rate debt	1,396,606	
Variable-Rate Debt:		
Multi-currency revolving credit facility due 2018		1,399,962
Receivables securitization facility due 2016		950,000
Revolving credit note		45,000
Total variable-rate debt		2,394,962
Total debt	$ 1,396,606	$ 2,394,962

Along with our cash balances, our aggregate availability under our multi-currency revolving credit facility, our receivables securitization facility, and the revolving credit note provides us sufficient sources of capital to fund our working capital requirements.

We have a $1.4 billion multi-currency senior unsecured revolving credit facility, which is scheduled to expire in July 2018, (the "Multi-Currency Revolving Credit Facility") with a syndicate of lenders. Interest on borrowings under the Multi-Currency Revolving Credit Facility accrues at specified rates based on our debt rating and ranges from 68 basis points to 130 basis points over LIBOR/EURIBOR/Bankers Acceptance Stamping Fee, as applicable (90 basis points over LIBOR/EURIBOR/Bankers Acceptance Stamping Fee at September 30, 2013). Additionally, interest on borrowings denominated in Canadian dollars may accrue at the greater of the Canadian prime rate or the CDOR rate. We pay facility fees to maintain the availability under the Multi-Currency Revolving Credit Facility at specified rates based on our debt rating, ranging from 7 basis points to 20 basis points, annually, of the total commitment (10 basis points at September 30, 2013). We may choose to repay or reduce our commitments under the Multi-Currency Revolving Credit Facility at any time. The Multi-Currency Revolving Credit Facility contains covenants, including compliance with a financial leverage ratio test, as well as others that impose limitations on, among other things, indebtedness of excluded subsidiaries and asset sales, with which we are compliant as of September 30, 2013.

We have a commercial paper program whereby we may, from time to time, issue short-term promissory notes in an aggregate amount of up to $700 million at any one time. Amounts available under the program may be borrowed, repaid, and re-borrowed from time to time. The maturities on the notes will vary, but may not exceed 365 days from the date of issuance. The notes will bear interest rates, if interest bearing, or will be sold at a discount from their face amounts. The commercial paper program does not increase our borrowing capacity as it is fully backed by our Multi-Currency Revolving Credit Facility. There were no borrowings outstanding under our commercial paper program at September 30, 2013.

We have a $950 million receivables securitization facility ("Receivables Securitization Facility"), which is scheduled to expire in June 2016. We have available to us an accordion feature whereby the commitment on the Receivables Securitization Facility may be increased by up to $250 million, subject to lender approval, for seasonal needs during the December and March quarters. Interest rates are currently based on prevailing market rates for short-term commercial paper or LIBOR plus a program fee of 75 basis points. We currently pay an unused fee of 40 basis points, annually, to maintain the availability under the Receivables Securitization Facility. At September 30, 2013, there were no borrowings outstanding under the Receivables Securitization Facility, which contains similar covenants to the Multi-Currency Revolving Credit Facility.

In connection with the Receivables Securitization Facility, ABDC sells on a revolving basis certain accounts receivable to Amerisource Receivables Financial Corporation, a wholly owned special purpose entity, which in turn sells a percentage ownership interest in the receivables to commercial paper conduits sponsored by financial institutions. ABDC is the servicer of the accounts receivable under the Receivables Securitization Facility. After the maximum limit of receivables sold has been reached and as sold receivables are collected, additional receivables may be sold up to the maximum amount available under the facility. We use the facility as a financing vehicle because it generally

offers an attractive interest rate relative to other financing sources.

We have an uncommitted, unsecured line of credit available to us pursuant to a revolving credit note ("Revolving Credit Note") for an aggregate principal amount not to exceed $45 million. The Revolving Credit Note provides us with the ability to request short-term unsecured revolving credit loans from time to time in a principal amount not to exceed $45 million at any time outstanding.

We have $500 million of 5⅞% senior notes due September 15, 2015 (the "2015 Notes"), $400 million of 4⅞% senior notes due November 15, 2019 (the "2019 Notes"), and $500 million of 3½% senior notes due November 15, 2021 (the "2021 Notes"). The 2015 Notes were sold at 99.5% of the principal amount and have an effective yield of 5.94%. The 2019 Notes were sold in November 2009 at 99.174% of the principal amount and have an effective yield of 4.98%. The 2021 Notes were sold in November 2011 at 99.858% of the principal amount and have an effective yield of 3.52%. Interest on the 2015 Notes, the 2019 Notes and the 2021 Notes is payable semiannually in arrears. All of the senior notes rank pari passu to the Multi-Currency Revolving Credit Facility.

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Our operating results have generated cash flow, which, together with availability under our debt agreements and credit terms from suppliers, has provided sufficient capital resources to finance working capital and cash operating requirements, and to fund capital expenditures, acquisitions, repayment of debt, the payment of interest on outstanding debt, dividends, and repurchases of shares of our common stock.

Our primary ongoing cash requirements will be to finance working capital, fund the repayment of debt, fund the payment of interest on debt, fund repurchases of our common stock, fund the payment of dividends, finance acquisitions, and fund capital expenditures and routine growth and expansion through new business opportunities. In May 2012, our board of directors approved a program allowing us to purchase up to $750 million shares of our common stock, subject to market conditions. During the quarter ended December 31, 2012, we purchased $96.9 million of our common stock to complete our authorization under this $750 million share repurchase program. In November 2012, our board of directors approved a program allowing us to purchase up to $750 million shares of our common stock, subject to market conditions. During the fiscal year ended September 30, 2013, we purchased $387.0 million of our common stock under the share repurchase program. As of September 30, 2013, we had $363.0 million of availability remaining on the $750 million share repurchase program. On August 8, 2013, our board of directors approved a new program allowing us to purchase up to $750 million additional shares of our common stock, subject to market conditions. We currently expect to purchase approximately $500 million of our common stock in fiscal 2014, subject to market conditions. Future cash flows from operations and borrowings are expected to be sufficient to fund our ongoing cash requirements.

If Walgreens and/or Alliance Boots exercise their rights to purchase our common stock pursuant to the Warrants that we issued to them, the future issuances of shares of our common stock upon exercise of the Warrants will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock. We intend to mitigate the potentially dilutive effect that exercise of the Warrants could have by hedging a portion of our future obligation to deliver common stock with a financial institution and repurchasing additional shares of our common stock for our own account over time. In June 2013, we commenced our hedging strategy by entering into a contract with a financial institution pursuant to which it will execute a series of issuer capped call transactions ("Capped Calls"). The Capped Calls give us the right to buy approximately 60% of the shares of our common stock subject to the Warrants at specified prices at maturity, should the Warrants be exercised in 2016 and 2017 and assuming our future share price does not exceed the Capped Call limits. If our future share price at the exercise dates is lower than we expect, then our use of capital for the purchase of the Capped Calls would be ineffective. To the extent the Capped Calls do not mitigate the dilutive effect of the Warrants, we intend to consider repurchasing additional shares of our common stock. The amount of dilution that we would be able to mitigate will depend on the relative costs and benefits of such a transaction, considering factors such as: our financial performance, the current and future share price of our common stock, our expected cash flows, competing priorities for capital, and overall market conditions.

As of September 30, 2013, we purchased Capped Calls on 15.3 million shares of our common stock for a total premium of $163.4 million, of which $157.3 million was paid as of September 30, 2013 and the remainder is accrued as of that date. We believe that we have sufficient capital resources to fund the remaining cost of the hedge strategy.

Deterioration in general economic conditions could adversely affect the amount of prescriptions that are filled and the amount of pharmaceutical products purchased by consumers and, therefore, could reduce purchases by our customers. In addition, volatility in financial markets may also negatively impact our customers' ability to obtain credit to finance their businesses on acceptable terms. Reduced purchases by our customers or changes in the ability of our customers to remit payments to us could adversely affect our revenue growth, our profitability, and our cash flow from operations.

Following is a summary of our contractual obligations for future principal and interest payments on our debt, minimum rental payments on our noncancelable operating leases and minimum payments on our other commitments at September 30, 2013 (in thousands):

	Payments Due by Period				
	Total	Within 1 Year	1-3 Years	4-5 Years	After 5 Years
Debt, including interest payments	$ 1,734,250	$ 66,375	$ 603,375	$ 74,000	$ 990,500
Operating leases	284,018	54,506	91,545	61,995	75,972
Other commitments	102,694	67,553	34,995	146	
Total	$ 2,120,962	$ 188,434	$ 729,915	$ 136,141	$ 1,066,472

We have commitments to purchase product from influenza vaccine manufacturers through the 2014/2015 flu season. We are required to purchase doses at prices that we believe will represent market prices. We currently estimate our remaining purchase commitment under these agreements will be approximately $36.9 million as of September 30, 2013, of which $28.5 million represents our commitment in fiscal 2014. These influenza vaccine commitments are included in "Other commitments" in the above table.

We have outsourced to IBM Global Services ("IBM") a significant portion of our corporate and ABDC information technology activities. The remaining commitment under our 10-year arrangement, as amended, which expires in June 2015, is approximately $54.1 million as of September 30, 2013, of which $31.3 million represents our commitment in fiscal 2014, and is included in "Other commitments" in the above table.

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Our liability for uncertain tax positions was $55.4 million (including interest and penalties) as of September 30, 2013. This liability represents an estimate of tax positions that we have taken in our tax returns which may ultimately not be sustained upon examination by taxing authorities. Since the amount and timing of any future cash settlements cannot be predicted with reasonable certainty, the estimated liability has been excluded from the above contractual obligations table.

During fiscal 2013, our operating activities provided $788.1 million of cash in comparison to cash provided of $1,305.4 million in the prior fiscal year. Cash provided by operations in fiscal 2013 was principally the result of income from continuing operations of $493.4 million, an increase in accounts payable, accrued expenses and income taxes of $3,818.3 million and non-cash items of $346.5 million, offset, in part, by an increase in accounts receivable of $2,312.5 million and an increase in merchandise inventories of $1,486.6 million. Accounts receivable increased from September 30, 2012 as the result of increased volume associated with our current Express Scripts and Walgreens contracts. Additionally, while the payment terms in the current Express Scripts contract are favorable, they are less favorable than the payment terms in the previous Medco contract. As a result, there was a negative impact on our working capital in fiscal 2013. We also increased our merchandise inventories at September 30, 2013 to support the increased volume due to the current Express Scripts and Walgreens contracts. The $3,818.3 million increase in accounts payable, accrued expenses and income taxes was primarily driven by the increase in business volume and the timing of inventory purchases made and the related payments to our suppliers.

We use days sales outstanding, days inventory on hand, and days payable outstanding to evaluate our working capital performance. The increase in days sales outstanding from the prior fiscal year reflects the payment terms under the current Express Scripts contract.

	Fiscal year ended September 30,		
	2013	**2012**	**2011**
Days sales outstanding	18.9	18.0	16.9
Days inventory on-hand	26.6	25.6	24.3
Days payable outstanding	44.4	42.8	39.4

Our cash flows from operating activities can vary significantly from period to period based on fluctuations in our period end working capital. The on-boarding of the Walgreens business in September 2013 had a negative impact on our cash flow from operating activities and on our working capital in the amount of approximately $500 million. However, we benefitted in fiscal 2013 from certain inventory purchases in the fourth quarter having extended payment terms relating to our Walgreens contract, which will negatively impact the cash flow in the first quarter of fiscal 2014. Operating cash uses during fiscal 2013 included $68.5 million of interest payments and $313.7 million of income tax payments, net of refunds.

During fiscal 2012, our operating activities provided $1,305.4 million of cash in comparison to cash provided of $1,167.9 million in fiscal 2011. Cash provided by operations in fiscal 2012 was principally the result of income from continuing operations of $761.4 million, an increase in accounts payable, accrued expenses and income taxes of $416.1 million and non-cash items of $241.6 million, offset, in part, by an increase in merchandise inventories of $116.2 million. Non-cash items included the provision for deferred income taxes of $61.3 million, which represented a $133.5 million decline from fiscal 2011. Deferred income taxes were significantly higher in fiscal 2011 due to the larger income tax deductions associated with merchandise inventories and tax bonus depreciation resulting from our Business Transformation capital expenditures. The $416.1 million increase in accounts payable, accrued expenses and income taxes was primarily driven by the timing of inventory purchases made and the related payments to our suppliers. Merchandise inventories increased $116.2 million from the September 30, 2011 balance due to the timing of inventory purchases.

Capital expenditures in fiscal 2013, 2012, and 2011 were $202.5 million, $133.3 million, and $156.1 million, respectively. Significant capital expenditures in fiscal 2013 included the purchase of one of our leased distribution facilities, technology initiatives including costs related to the further development of our ERP system, technology-related costs to on-board the incremental Walgreens' distribution volume, and expansion costs related to one of ABDC's facilities. Our most significant capital expenditures in fiscal 2012 and 2011 related principally to our Business Transformation project, which included a new ERP system for our corporate office and for our ABDC operations. Significant capital expenditures in fiscal 2012 also included ABDC and ABCS facility expansions and improvements. Other capital expenditures in fiscal 2012 and 2011 included ABDC purchases of machinery and equipment, which were previously sold to financial institutions and leased back by us, and other technology initiatives.

We currently expect to spend approximately $300 million for capital expenditures during fiscal 2014. Several of the larger 2014 capital expenditures include the replacement of a distribution center, the creation of a national distribution center, the implementation of track-and-trace authentication technology, and information system investments to support increased order volume and future growth.

In May 2013, we divested AB and received $306.5 million of cash, net of a working capital adjustment, and divested ABCC and received $23.5 million of cash. The ABCC divestiture continues to be subject to a final purchase price working capital adjustment.

In April 2012, we acquired World Courier for a purchase price of $518.0 million, net of a working capital adjustment. In November 2011, we acquired TheraCom for a purchase price of $257.2 million, net of a working capital adjustment. Additionally, in fiscal 2012, we finalized working capital adjustments relating to our September 2011 acquisitions of IntrinsiQ, LLC ("IntrinsiQ") and Premier Source ("Premier"), totaling $0.5 million, net.

In September 2011, we acquired IntrinsiQ for a purchase price of $34.3 million, net of a working capital adjustment. Additionally, in September 2011, we acquired Premier for a purchase price of $11.1 million, net of cash acquired.

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Net cash used in financing activities in fiscal 2013, 2012, and 2011, included the purchase of $484.2 million, $1,162.2 million, and $840.6 million, respectively, of our common stock in connection with our share repurchase programs.

During the fiscal year ended September 30, 2013, we paid $157.3 million to purchase Capped Calls to hedge the potential dilution associated with the Warrants upon their exercise.

Fiscal 2012 included $499.3 million of proceeds received related to the November 2011 issuance of our 2021 Notes and the repayments of $392.3 million of senior notes due September 15, 2012 and $55 million due under a terminated credit facility.

Our board of directors approved the following quarterly dividend increases:

	Dividend Increases Per Share		
Date	**New Rate**	**Old Rate**	**% Increase**
November 2010	$ 0.100	$ 0.080	25%
May 2011	$ 0.115	$ 0.100	15%
November 2011	$ 0.130	$ 0.115	13%
November 2012	$ 0.210	$ 0.130	62%
November 2013	$ 0.235	$ 0.210	12%

We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of our board of directors and will depend upon our future earnings, financial condition, capital requirements and other factors.

Market Risk

We have market risk exposure to interest rate fluctuations relating to our debt. We manage interest rate risk by using a combination of fixed-rate and variable-rate debt. At September 30, 2013, we had no variable rate debt outstanding. The amount of variable-rate debt fluctuates during the year based on our working capital requirements. We periodically evaluate financial instruments to manage our exposure to fixed and variable interest rates. However, there are no assurances that such instruments will be available in the combinations we want and on terms acceptable to us. There were no such financial instruments in effect at September 30, 2013.

We also have market risk exposure to interest rate fluctuations relating to our cash and cash equivalents. We had $1.2 billion in cash and cash equivalents at September 30, 2013, none of which was invested in money market accounts at financial institutions. The unfavorable impact of a hypothetical decrease in interest rates on cash and cash equivalents would be partially offset by the favorable impact of such a decrease on variable-rate debt. For every $100 million of cash invested that is in excess of variable-rate debt, a 10 basis point decrease in interest rates would increase our annual net interest expense by $0.1 million.

We are exposed to foreign currency and exchange rate risk from our non-U.S. operations. Our largest exposure to foreign exchange rates exists primarily with the Canadian Dollar, the Euro, and the U.K. Pound Sterling. We may utilize foreign currency denominated forward contracts to hedge against changes in foreign exchange rates. We may use derivative instruments to hedge our foreign currency exposure, but not for speculative or trading purposes. As of September 30, 2013, we had one foreign currency denominated contract outstanding that hedges the foreign currency exchange risk of a C$50.0 million note that we received in conjunction with the sale of ABCC.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and elsewhere in this report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "expect," "likely," "outlook," "forecast," "would," "could," "should," "can," "will," "project," "intend," "plan," "continue," "sustain," "synergy," "on track," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and change in circumstances. These statements are not guarantees of future performance and are based on assumptions that could prove incorrect or could cause actual results to vary materially from those indicated. Among the factors that could cause actual results to differ materially from those projected, anticipated, or implied are the following: changes in pharmaceutical market growth rates; the loss of one or more key customer or supplier relationships; the retention of key customer or supplier relationships under less favorable economics; changes in customer mix; customer delinquencies, defaults or insolvencies; supplier defaults or insolvencies; changes in branded and/or generic pharmaceutical manufacturers' pricing and distribution policies or practices; adverse resolution of any contract or other dispute with customers or suppliers; federal and state government enforcement initiatives to detect and prevent

suspicious orders of controlled substances and the diversion of controlled substances, federal and state prosecution of alleged violations of related laws and regulations, and any related litigation, including shareholder derivative lawsuits; qui tam litigation for alleged violations of fraud and abuse laws and regulations and/or any other laws and regulations governing the marketing, sale, purchase and/or dispensing of pharmaceutical products or services and any related litigation, including shareholder derivative lawsuits; changes in federal and state legislation or regulatory action affecting pharmaceutical product pricing or reimbursement policies, including under Medicaid and Medicare, and the effect of such changes on our customers; changes in regulatory or clinical medical guidelines and/or labeling for the pharmaceutical products we distribute, including certain anemia

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products; price inflation in branded pharmaceuticals and price deflation in generics; greater or less than anticipated benefit from launches of the generic versions of previously patented pharmaceutical products; significant breakdown or interruption of our information technology systems; our inability to realize the anticipated benefits of the implementation of an enterprise resource planning (ERP) system; interest rate and foreign currency exchange rate fluctuations; risks associated with international business operations, including non-compliance with the U.S. Foreign Corrupt Practices Act, anti-bribery laws and economic sanctions and import laws and regulations; economic, business, competitive and/or regulatory developments outside of the United States; risks associated with the strategic, long-term relationship among Walgreen Co., Alliance Boots GmbH, and AmerisourceBergen, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of the transaction documents among the parties (including, among others, the distribution agreement or the generics agreement), an impact on our earnings per share resulting from the issuance of the Warrants, an inability to realize anticipated benefits (including benefits resulting from participation in the Walgreens Boots Alliance Development GmbH joint venture), the disruption of AmerisourceBergen's cash flow and ability to return value to its stockholders in accordance with its past practices, disruption of or changes in vendor, payer and customer relationships and terms, and the reduction of AmerisourceBergen's operational, strategic or financial flexibility; the acquisition of businesses that do not perform as we expect or that are difficult for us to integrate or control; our inability to successfully complete any other transaction that we may wish to pursue from time to time; changes in tax laws or legislative initiatives that could adversely affect our tax positions and/or our tax liabilities or adverse resolution of challenges to our tax positions; increased costs of maintaining, or reductions in our ability to maintain, adequate liquidity and financing sources; volatility and deterioration of the capital and credit markets; natural disasters or other unexpected events that affect our operations; and other economic, business, competitive, legal, tax, regulatory and/or operational factors affecting our business generally. Certain additional factors that management believes could cause actual outcomes and results to differ materially from those described in forward-looking statements are set forth elsewhere in this MD&A, in Item 1A (Risk Factors), Item 1 (Business) and elsewhere in this report.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

The Company's most significant market risks are the effects of changing interest rates and foreign currency risk. See discussion on page 33 under the heading "Market Risk," which is incorporated by reference herein.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of AmerisourceBergen Corporation

We have audited the accompanying consolidated balance sheets of AmerisourceBergen Corporation and subsidiaries as of September 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of AmerisourceBergen Corporation and subsidiaries at September 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), internal control over financial reporting of AmerisourceBergen Corporation and subsidiaries as of September 30, 2013, based on criteria established in Internal Control-Integrated Framework (1992 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 26, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
November 26, 2013

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2013	September 30, 2012
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,231,006	$ 1,066,608
Accounts receivable, less allowances for returns and doubtful accounts: 2013 $358,161; 2012 $338,245	6,051,920	3,784,619
Merchandise inventories	6,981,494	5,472,010
Prepaid expenses and other	129,231	72,374
Assets held for sale		662,853
Total current assets	14,393,651	11,058,464
Property and equipment, at cost:		
Land	37,538	33,009
Buildings and improvements	324,150	324,264
Machinery, equipment and other	1,109,731	942,604
Total property and equipment	1,471,419	1,299,877
Less accumulated depreciation	(667,858)	(556,193)
Property and equipment, net	803,561	743,684
Goodwill and other intangible assets	3,499,713	3,523,432
Other assets	221,713	116,676
TOTAL ASSETS	$ 18,918,638	$ 15,442,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,335,792	$ 9,492,589
Accrued expenses and other	532,564	570,210
Deferred income taxes	1,002,279	963,081
Liabilities held for sale		239,706
Total current liabilities	14,870,635	11,265,586
Long-term debt	1,396,606	1,395,931
Other liabilities	331,652	325,897
Stockholders' equity:		
Common stock, $0.01 par value authorized, issued and outstanding: 600,000,000 shares, 267,789,992 shares and 229,994,216 shares at September 30, 2013, respectively, and 600,000,000 shares, 262,542,659 shares and 235,394,281 shares at September 30, 2012, respectively	2,678	2,625
Additional paid-in capital	2,360,992	2,252,470
Retained earnings	1,508,414	1,270,423
Accumulated other comprehensive loss	(35,483)	(32,657)
Treasury stock, at cost: 2013 37,795,776 shares; 2012 27,148,378 shares	(1,516,856)	(1,038,019)
Total stockholders' equity	2,319,745	2,454,842

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	18,918,638	$	15,442,256

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended September 30,		
	2013	2012	2011
	(In thousands, except per share data)		
Revenue	$ 87,959,167	$ 78,080,806	$ 78,695,659
Cost of goods sold	85,451,348	75,446,120	76,236,682
Gross profit	2,507,819	2,634,686	2,458,977
Operating expenses:			
Distribution, selling and administrative	1,333,712	1,152,556	1,138,022
Depreciation	135,047	112,828	88,760
Amortization	27,139	21,547	12,602
Warrants	90,055		
Employee severance, litigation and other	23,467	44,140	23,567
Intangible asset impairments			6,506
Operating income	898,399	1,303,615	1,189,520
Other loss (income)	44	(5,827)	(4,617)
Interest expense, net	73,897	92,569	76,148
Income from continuing operations before income taxes	824,458	1,216,873	1,117,989
Income taxes	331,023	455,512	420,494
Income from continuing operations	493,435	761,361	697,495
(Loss) income from discontinued operations, net of income tax expense of $9,638, $4,841, and $3,523 for fiscal 2013, 2012, and 2011, respectively	(59,728)	(42,375)	9,129
Net income	$ 433,707	$ 718,986	$ 706,624
Earnings per share:			
Basic earnings per share:			
Continuing operations	$ 2.14	$ 3.01	$ 2.56
Discontinued operations	(0.26)	(0.17)	0.03
Total	$ 1.88	$ 2.84	$ 2.59
Diluted earnings per share:			
Continuing operations	$ 2.10	$ 2.96	$ 2.51
Discontinued operations	(0.25)	(0.16)	0.03
Rounding	(0.01)		
Total	$ 1.84	$ 2.80	$ 2.54
Weighted average common shares outstanding:			
Basic	231,067	252,906	272,471
Diluted	235,345	256,903	277,717

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended September 30,		
	2013	2012	2011
	(in thousands)		
Net income	$ 433,707	$ 718,986	$ 706,624
Other comprehensive (loss) income:			
Net change in foreign currency translation adjustments	(14,181)	15,838	(4,521)
Benefit plan funded status adjustments net of tax of $7,992, $1,096, and $5,472, respectively	11,216	1,538	(3,139)
Other	139	108	108
Total other comprehensive (loss) income	(2,826)	17,484	(7,552)
Total comprehensive income	$ 430,881	$ 736,470	$ 699,072

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	(In thousands, except per share data)					
September 30, 2010	$ 4,898	$ 3,899,381	$ 3,465,886	$ (42,589)	$ (4,373,332)	$ 2,954,244
Net income			706,624			706,624
Other comprehensive loss				(7,552)		(7,552)
Cash dividends, $0.43 per share			(117,624)			(117,624)
Exercise of stock options	64	115,756				115,820
Excess tax benefit from exercise of stock options		39,711				39,711
Share-based compensation expense		28,365				28,365
Common stock purchases for employee stock purchase plan		(232)				(232)
Purchases of common stock					(848,614)	(848,614)
Employee tax withholdings related to restricted share vesting					(3,935)	(3,935)
Other	3	(3)	778			778
September 30, 2011	4,965	4,082,978	4,055,664	(50,141)	(5,225,881)	2,867,585
Net income			718,986			718,986
Other comprehensive income				17,484		17,484
Cash dividends, $0.52 per share			(132,760)			(132,760)
Exercise of stock options	45	89,476				89,521
Excess tax benefit from exercise of stock options		25,703				25,703
Share-based compensation expense		26,645				26,645
Common stock purchases for employee stock purchase plan		(299)				(299)
Treasury stock retirement	(2,388)	(1,972,030)	(3,371,467)		5,345,885	
Purchases of common stock					(1,154,208)	(1,154,208)
Employee tax withholdings related to restricted share vesting					(3,815)	(3,815)
Other	3	(3)				
September 30, 2012	2,625	2,252,470	1,270,423	(32,657)	(1,038,019)	2,454,842
Net income			433,707			433,707
Other comprehensive loss				(2,826)		(2,826)
Cash dividends, $0.84 per share			(195,716)			(195,716)
Exercise of stock options	50	114,441				114,491
Excess tax benefit from exercise of stock options		41,222				41,222
Share-based compensation expense		36,751				36,751
Settlement of accelerated stock repurchase agreement		(10,312)				(10,312)
Common stock purchases for employee stock purchase plan		(260)				(260)
Warrants		90,055				90,055
Purchases of capped call options		(163,372)				(163,372)
Purchases of common stock					(473,864)	(473,864)
Employee tax withholdings related to restricted share vesting					(4,973)	(4,973)
Other	3	(3)				
September 30, 2013	$ 2,678	$ 2,360,992	$ 1,508,414	$ (35,483)	$ (1,516,856)	$ 2,319,745

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30,		
	2013	2012	2011
		(In thousands)	
OPERATING ACTIVITIES			
Net income	$ 433,707	$ 718,986	$ 706,624
Loss (income) from discontinued operations	59,728	42,375	(9,129)
Income from continuing operations	493,435	761,361	697,495
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation, including amounts charged to cost of goods sold	138,690	113,765	89,659
Amortization, including amounts charged to interest expense	32,103	26,750	17,310
Provision for doubtful accounts	20,118	23,058	37,878
Provision for deferred income taxes	25,573	61,278	194,797
Warrants	90,055		
Share-based compensation	36,275	25,954	27,279
Loss on disposal of property and equipment	1,663	249	855
Other, including intangible asset impairments	2,064	(9,433)	5,758
Changes in operating assets and liabilities, excluding the effects of acquisitions:			
Accounts receivable	(2,312,518)	71,510	(23,934)
Merchandise inventories	(1,486,572)	(116,174)	(228,303)
Prepaid expenses and other assets	(169,745)	49,716	(26,284)
Accounts payable, accrued expenses, and income taxes	3,818,288	416,100	388,687
Other liabilities	12,559	(7,177)	(3,799)
Net cash provided by operating activities-continuing operations	701,988	1,416,957	1,177,398
Net cash provided by (used in) operating activities-discontinued operations	86,137	(111,508)	(9,450)
NET CASH PROVIDED BY OPERATING ACTIVITIES	788,125	1,305,449	1,167,948
INVESTING ACTIVITIES			
Capital expenditures	(202,450)	(133,292)	(156,142)
Cost of acquired companies, net of cash acquired		(775,670)	(45,380)
Proceeds from sales of property and equipment	1,402	23	868
Proceeds from sales of businesses	329,980		
Net cash provided by (used in) investing activities-continuing operations	128,932	(908,939)	(200,654)
Net cash used in investing activities-discontinued operations	(11,672)	(39,010)	(11,764)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	117,260	(947,949)	(212,418)
FINANCING ACTIVITIES			
Long-term debt borrowings		499,290	
Long-term debt repayments		(447,326)	
Borrowings under revolving and securitization credit facilities	2,330,000	60,500	35,026
Repayments under revolving and securitization credit facilities	(2,330,000)	(60,500)	(35,068)
Purchases of common stock	(484,176)	(1,162,246)	(840,577)
Exercises of stock options, including excess tax benefits of $41,222, $25,703, and $39,711, in fiscal 2013, 2012, and 2011, respectively	155,713	115,224	155,531
Cash dividends on common stock	(195,716)	(132,760)	(117,624)
Purchases of capped call options	(157,295)		
Debt issuance costs and other	(8,975)	(10,658)	(7,439)
Net cash used in financing activities-continuing operations	(690,449)	(1,138,476)	(810,151)

Net cash (used in) provided by financing activities-discontinued operations	(50,538)	21,594	22,429
NET CASH USED IN FINANCING ACTIVITIES	(740,987)	(1,116,882)	(787,722)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,398	(759,382)	167,808
Cash and cash equivalents at beginning of year	1,066,608	1,825,990	1,658,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,231,006	$ 1,066,608	$ 1,825,990

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013

Note 1. Summary of Significant Accounting Policies

AmerisourceBergen Corporation (the "Company") is one of the largest global pharmaceutical sourcing and distribution services companies, helping both healthcare providers and pharmaceutical and biotech manufacturers improve patient access to products and enhance patient care. The Company delivers innovative programs and services designed to increase the effectiveness and efficiency of the pharmaceutical supply chain.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as of the dates and for the fiscal years indicated. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimated amounts due to uncertainties inherent in such estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness.

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Business Combinations

The purchase price of an acquired company, including the fair value of contingent consideration, is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. The results of operations of the acquired businesses are included in the Company's operating results from the dates of acquisition (see Note 2).

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Concentrations of Credit Risk and Allowance for Doubtful Accounts

The Company sells its merchandise inventories to a large number of customers in the healthcare industry that include institutional and retail healthcare providers. Institutional healthcare providers include acute care hospitals, health systems, mail order pharmacies, long-term care and other alternate care pharmacies and providers of pharmacy services to such facilities, and physician offices. Retail healthcare providers include national and regional retail drugstore chains, independent community pharmacies and pharmacy departments of supermarkets and mass merchandisers. The financial condition of the Company's customers can be affected by changes in government reimbursement policies as well as by other economic pressures in the healthcare industry.

The Company's trade accounts receivable are exposed to credit risk, but the risk is moderated because the Company's customer base is diverse and geographically widespread primarily within the U.S. The Company generally does not require collateral for trade receivables. In determining the appropriate allowance for doubtful accounts, the Company considers a combination of factors, such as the aging of trade receivables, industry trends, its customers' financial strength, credit standing, and payment and default history. Changes in these factors, among others, may lead to adjustments in the Company's allowance for doubtful accounts. The calculation of the required allowance requires judgment by Company management as to the impact of those and other factors on the ultimate realization of its trade receivables. Each of the Company's business units performs ongoing credit evaluations of its customers' financial condition and maintains reserves for probable bad debt losses based on historical experience and for specific credit problems when they arise. There were no significant changes to this process during the fiscal years ended September 30, 2013, 2012, and 2011 and bad debt expense was computed in a consistent manner during these periods. The bad debt expense for any period presented is equal to the changes in the period end allowance for doubtful accounts, net of write-offs, recoveries and other adjustments. Schedule II of this Form 10-K sets forth a rollforward of the allowance for doubtful accounts. The Company's largest customer in fiscal 2013, Express Scripts, Inc., accounted for 24% of revenue and represented approximately 13% of accounts receivable, net as

of September 30, 2013. Walgreen Co. ("Walgreens"), the Company's second largest customer in fiscal 2013, represented approximately 32% of accounts receivable net as of September 30, 2013.

The Company maintains cash and cash equivalents with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand, and are maintained with financial institutions with reputable credit, and, therefore, bear minimal credit risk. The Company seeks to mitigate such risks by monitoring the risk profiles of these counterparties. The Company also seeks to mitigate risk by monitoring the investment strategy of money market accounts that it is invested in, which are classified as cash equivalents.

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Contingencies

Loss Contingencies: In the ordinary course of its business, the Company becomes involved in lawsuits, administrative proceedings, government subpoenas, and government investigations, including antitrust, commercial, environmental, product liability, intellectual property, regulatory, employment discrimination, and other matters. Significant damages or penalties may be sought from the Company in some matters, and some matters may require years for the Company to resolve. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. The Company also performs an assessment of the materiality of loss contingencies where a loss is either not probable or it is reasonably possible that a loss could be incurred in excess of amounts accrued. If a loss or an additional loss has at least a reasonable possibility of occurring and the impact on the financial statements would be material, the Company provides disclosure of the loss contingency in the footnotes to its financial statements. The Company reviews all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or the range of the loss can be made (see Note 12).

Gain Contingencies: The Company records gain contingencies when they are realized. Gains from antitrust litigation settlements are realized upon the receipt of cash and recorded as a reduction to cost of goods sold because they represent a recovery of amounts historically paid to manufacturers to originally acquire the pharmaceuticals that were the subject of the antitrust litigation settlements (see Note 13).

Derivative Financial Instruments

The Company records all derivative financial instruments on the balance sheet at fair value and complies with established criteria for designation and effectiveness of hedging relationships. The Company's policy prohibits it from entering into derivative financial instruments for speculative or trading purposes.

As of September 30, 2013, the Company had one foreign currency denominated contract outstanding that hedges the foreign currency exchange risk of the C$50.0 million note that the Company received in conjunction with the sale of AmerisourceBergen Canada Corporation (see Note 3).

As of September 30, 2012, there were no outstanding derivative financial instruments.

Equity Investments

The Company uses the equity method of accounting for its investments in entities in which it has significant influence; generally, this represents an ownership interest of between 20% and 50%. The Company's investments in marketable equity securities in which the Company does not have significant influence are classified as "available for sale" and are carried at fair value within the Other Assets line item on the consolidated balance sheet, with unrealized gains and losses excluded from earnings and reported in the accumulated other comprehensive loss component of stockholders' equity. Unrealized losses that are determined to be other-than-temporary impairment losses are recorded as a component of earnings in the period in which that determination is made.

Foreign Currency

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted average exchange rates for the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive loss within stockholders' equity.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives, primarily trademarks and trade names, are not amortized; rather, they are tested for impairment at least annually. For the purpose of these impairment tests, the Company can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its reporting units and indefinite lived intangible assets are less than the respective carrying values of those reporting units and indefinite lived intangible assets. The Company elected to bypass performing the qualitative screen and went directly to performing the first step quantitative analysis of the goodwill and indefinite lived intangible asset impairment tests in the current year. The Company may elect to perform the qualitative analysis in future periods.

The first step in the quantitative process for the goodwill impairment test is to compare the carrying amount of the reporting unit's net assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step must be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss occurs if the amount of the recorded

goodwill exceeds the implied goodwill. The Company would be required to record any such impairment losses.

The Company identifies its reporting units at the operating segment level. Generally, goodwill arises from acquisitions of specific operating companies and is assigned to the reporting unit in which a particular operating company resides.

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The Company utilizes a combination of income and market-based approaches to valuation for its reporting units. The income approach to valuation relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. The Company believes that market participants would use a discounted cash flow analysis to determine the fair value of its reporting units in a sale transaction. The annual goodwill impairment test requires the Company to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins, depreciation, amortization and working capital requirements, which are based upon the Company's long-range plan. The discount rate is an estimate of the overall after-tax rate of return required by a market participant whose weighted average cost of capital includes both equity and debt, including a risk premium. While the Company uses the best available information to prepare its cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances. While there are always changes in assumptions to reflect changing business and market conditions, the Company's overall methodology and the population of assumptions used have remained unchanged.

The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks and trade names) consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. The Company estimates the fair value of its indefinite-lived intangibles using the relief from royalty method. The Company believes the relief from royalty method is a widely used valuation technique for such assets. The fair value derived from the relief from royalty method is measured as the discounted cash flow savings realized from owning such trademarks and trade names and not having to pay a royalty for their use.

The Company completed its required annual impairment tests relating to goodwill and other intangible assets in the fiscal years ended September 30, 2013, 2012, and 2011, and, as a result, recorded $6.5 million of impairment charges in fiscal 2011.

Income Taxes

The Company accounts for income taxes using a method that requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities (commonly known as the asset and liability method). In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Tax benefits associated with uncertain tax positions that have met the recognition criteria are measured and recorded based on the highest probable outcome that is more than 50% likely to be realized after full disclosure and resolution of a tax examination.

Manufacturer Incentives

The Company accounts for fees and other incentives received from its suppliers, relating to the purchase or distribution of inventory, as a reduction to cost of goods sold. The Company considers these fees and other incentives to represent product discounts, and as a result, they are capitalized as product costs and relieved through cost of goods sold upon the sale of the related inventory.

Merchandise Inventories

Inventories are stated at the lower of cost or market. Cost for approximately 83% and 82% of the Company's inventories at September 30, 2013 and 2012, respectively, has been determined using the last-in, first-out (LIFO) method. If the Company had used the first-in, first-out (FIFO) method of inventory valuation, which approximates current replacement cost, inventories would have been approximately $533.7 million and $256.7 million higher than the amounts reported at September 30, 2013 and 2012, respectively. The Company recorded a LIFO charge of $277.0 million, $0.7 million, and $34.7 million in fiscal 2013, 2012, and 2011, respectively. The annual LIFO provision is affected by changes in inventory quantities, product mix, and manufacturing pricing practices, which may be impacted by market and other external influences, many of which are difficult to predict. The Company's LIFO charge in fiscal 2013 was significant due to the additional branded inventory it was required to purchase for the new Walgreens distribution contract and the impact the branded inventory had on the Company's annual inflation index, as well as higher brand drug price inflation and generic drug price deflation.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years for buildings and improvements and from 3 to 10 years for machinery, equipment and other. The costs of repairs and maintenance are charged to expense as incurred.

The Company capitalizes project costs relating to computer software developed or obtained for internal use when the activities related to the project reach the application development stage. Costs that are associated with preliminary stage activities, training, maintenance, and all other post-implementation stage activities are expensed as they are incurred. Software development costs are depreciated using the straight-line method over the estimated useful lives, which range from 3 to 10 years.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, product has been delivered or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue as reflected in the accompanying consolidated statements of operations is net of estimated sales returns and allowances.

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The Company's customer sales return policy generally allows customers to return products only if the products can be resold at full value or returned to suppliers for full credit. The Company records an accrual for estimated customer sales returns at the time of sale to the customer. At September 30, 2013 and 2012, the Company's accrual for estimated customer sales returns was $275.8 million and $252.5 million, respectively.

The Company reports the gross dollar amount of bulk deliveries to customer warehouses in revenue and the related costs in cost of goods sold. Bulk delivery transactions are arranged by the Company at the express direction of the customer, and involve either drop shipments from the supplier directly to customers' warehouse sites or cross-dock shipments from the supplier to the Company for immediate shipment to the customers' warehouse sites. The Company is a principal to these transactions because it is the primary obligor and has the ultimate and contractual responsibility for fulfillment and acceptability of the products purchased, and bears full risk of delivery and loss for products, whether the products are drop-shipped or shipped via cross-dock. The Company also bears full credit risk associated with the creditworthiness of any bulk delivery customer. As a result, the Company records bulk deliveries to customer warehouses as gross revenues. Gross profit earned by the Company on bulk deliveries was not material in any year presented.

Share-Based Compensation

The Company accounts for the compensation cost of all share-based payments at fair value and reports the related expense within distribution, selling and administrative expenses to correspond with the same line item as the cash compensation paid to employees. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow ($41.2 million, $25.7 million, and $39.7 million for the fiscal years ended September 30, 2013, 2012, and 2011, respectively).

Shipping and Handling Costs

Shipping and handling costs include all costs to warehouse, pick, pack and deliver inventory to customers. These costs, which were $267.3 million, $259.1 million and $270.2 million for the fiscal years ended September 30, 2013, 2012, and 2011, respectively, are included in distribution, selling and administrative expenses.

Supplier Reserves

The Company establishes reserves against amounts due from its suppliers relating to various price and rebate incentives, including deductions or billings taken against payments otherwise due them from the Company. These reserve estimates are established based on the judgment of Company management after carefully considering the status of current outstanding claims, historical experience with the suppliers, the specific incentive programs and any other pertinent information available to the Company. The Company evaluates the amounts due from its suppliers on a continual basis and adjusts the reserve estimates when appropriate based on changes in factual circumstances. The ultimate outcome of any outstanding claim may be different than the Company's estimate.

Warrants

The Company accounts for the Warrants issued to subsidiaries of Walgreens and Alliance Boots GmbH ("Alliance Boots") in accordance with the guidance for equity-based payments to non-employees. The various agreements and arrangements with Walgreens and Alliance Boots established various performance commitments that they must satisfy during the vesting periods of the Warrants, and if not fulfilled, the Company has the right to cancel the Warrants. Using a binomial lattice model approach, the fair value of the Warrants was initially measured at the date of issuance, and is being expensed over the three and four year vesting periods as an operating expense. The fair value of the Warrants are re-measured at the end of each quarterly reporting period, and an adjustment is recorded in the statement of operations to record the impact as if the newly measured fair value of the awards had been used in recognizing expense starting when the awards were originally issued and through the remeasurement date. In total, the Warrants were valued at $572.0 million as of September 30, 2013. The valuation of the Warrants considers the Company's Common Stock price and various assumptions, such as the volatility of the Company's Common Stock, the expected remaining life of the Warrants, the expected dividend yield, and the risk-free interest rate. As a result, future Warrant expense could fluctuate significantly (see Note 7).

Note 2. Acquisitions

TheraCom, LLC

In November 2011, the Company acquired TheraCom, LLC ("TheraCom"), a former subsidiary of CVS Caremark Corporation, for a purchase price of $257.2 million, net of a working capital adjustment. TheraCom is a leading provider of commercialization support services for the biotechnology and pharmaceutical industry, specifically providing reimbursement and patient support services. TheraCom's capabilities

complement those of the Lash Group, a business within ABCS, and significantly increase the size and scope of its consulting services. The majority of TheraCom's revenues are provided by the specialized distribution component of the integrated reimbursement support services for certain unique prescription products. For segment presentation, TheraCom is included in Other.

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their fair values at the date of the acquisition. The purchase price exceeded the fair value of the net tangible and intangible assets acquired by $180.2 million, which was allocated to goodwill. The fair values of significant tangible assets acquired and liabilities assumed were as follows: accounts receivable of $119.3 million, merchandise inventories of $41.7 million, and accounts payable of $153.2 million. The fair value of intangible assets acquired of $68.8 million consists of customer relationships of $57.1 million, software technology of $7.9 million, and trade names of $3.8 million. The Company is amortizing the fair values of the acquired customer relationships over their remaining useful lives of 15 years, and amortizing the fair values of software technology and trade names over their remaining useful lives of 5 years. All of the goodwill resulting from the acquisition is expected to be deductible for income tax purposes.

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World Courier

In April 2012, the Company acquired World Courier for a purchase price of $518.0 million, net of a working capital adjustment. World Courier is a leading global specialty transportation and logistics provider for the biopharmaceutical industry. World Courier further strengthens the Company's service offerings to global pharmaceutical manufacturers and provides an established platform for the introduction of the Company's specialty services outside North America. It operates in over 50 countries and has approximately 2,400 employees. For segment presentation, World Courier is included in Other.

The purchase price has been allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. The purchase price exceeded the fair value of the net tangible and intangible assets acquired by $266.7 million, which was allocated to goodwill. The fair value of intangible assets acquired of $250.0 million consists of a trade name of $110.5 million, customer relationships of $130.5 million, and software technology of $9.0 million. The trade name has been determined to have an indefinite life. The Company is amortizing the estimated fair values of the acquired customer relationships and software technology over the remaining estimated useful lives of 16 years and 5 years, respectively. Goodwill resulting from the acquisition is not expected to be deductible for income tax purposes.

Note 3. Discontinued Operations

In May 2013, the Company completed the divestiture of its packaging and clinical trials services business, AndersonBrecon ("AB"), and completed the divestiture of AmerisourceBergen Canada Corporation ("ABCC"). The Company has classified AB and ABCC's assets and liabilities as held for sale in the accompanying fiscal 2012 consolidated balance sheet and classified AB and ABCC's operating results, net of tax, as discontinued operations in the accompanying consolidated statements of operations for all periods presented. Prior to being classified within discontinued operations, AB was included in Other and ABCC was included in Pharmaceutical Distribution for segment reporting. AB and ABCC's revenue and (loss) income before income taxes were as follows:

	Fiscal Year Ended September 30,		
(in thousands)	**2013**	**2012**	**2011**
Revenue	$ 1,181,231	$ 1,639,684	$ 1,521,899
(Loss) income before income taxes	$ (50,090)	$ (37,534)	$ 12,652

The loss before income taxes in the fiscal year ended September 30, 2013 includes an ABCC goodwill impairment charge of $26.9 million and a $143.7 million loss on the sale of ABCC. The loss is net of a $114.1 million gain on the sale of AB.

The gain on the sale of AB and the loss on the sale of ABCC include the reclassification of $9.3 million of cumulative foreign currency translation losses previously included within accumulated other comprehensive income. The tax loss on the sale of ABCC more than offsets the tax gain on the sale of AB. There is no impact on income tax expense, as a valuation allowance on the excess capital tax loss was recorded.

The Company sold AB for $306.5 million, net of a final purchase price working capital adjustment, and sold ABCC for $67.9 million, including a C$50.0 million note due from the buyer, with interest accruing at 3% annually, and scheduled monthly payments to be made over a seven-year term that commenced in June 2013. The Company entered into a foreign currency denominated contract to hedge the foreign currency exchange risk associated with the Canadian Note. The ABCC divestiture continues to be subject to a final purchase price working capital adjustment.

The following table summarizes the assets and liabilities of AB and ABCC when they were classified as held for sale (in thousands):

	September 30, 2012
Assets:	
Accounts receivable	$ 187,179
Merchandise inventories	249,463
Property and equipment, net	131,907
Goodwill and other intangible assets	85,163
Other assets	9,141
Assets held for sale	662,853
Liabilities:	
Accounts payable	152,110

Accrued expenses and other		16,554
Other liabilities		71,042
Liabilities held for sale		239,706
Net assets	$	423,147

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Note 4. Income Taxes

The following illustrates domestic and foreign income from continuing operations before income taxes (in thousands):

	Fiscal year ended September 30,		
	2013	2012	2011
Domestic	$ 793,137	$ 1,193,047	$ 1,105,481
Foreign	31,321	23,826	12,508
Total	$ 824,458	$ 1,216,873	$ 1,117,989

The income tax provision is as follows (in thousands):

	Fiscal Year Ended September 30,		
	2013	2012	2011
Current provision:			
Federal	$ 259,457	$ 356,843	$ 194,816
State and local	37,602	32,438	26,527
Foreign	8,391	4,953	4,354
	305,450	394,234	225,697
Deferred provision:			
Federal	29,189	47,348	174,412
State and local	(3,375)	11,959	20,462
Foreign	(241)	1,971	(77)
	25,573	61,278	194,797
Provision for income taxes	$ 331,023	$ 455,512	$ 420,494

A reconciliation of the statutory U.S. federal income tax rate to the effective income tax rate is as follows:

	Fiscal Year Ended September 30,		
	2013	2012	2011
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
State and local income tax rate, net of federal tax benefit	3.0	2.3	1.7
Foreign	(0.3)	(0.1)	
Warrants	2.3		
Other	0.2	0.2	0.9
Effective income tax rate	40.2%	37.4%	37.6%

In March 2013, the Company issued Warrants in connection with various agreements and arrangements with Walgreens and Alliance Boots. See Note 7 for further details. As of the date of issuance, the Warrants were valued at $242.4 million, which approximates the amount that will be deductible for tax purposes. The fair value of the Warrants as of September 30, 2013 was $572.0 million. The excess of the fair value as of September 30, 2013 over the initial value of $242.4 million is not tax deductible. As a result, the Company's current effective income tax rate is higher than its historic rate. This increase in the income tax rate is reflected in Warrants in the above effective income tax rate reconciliation.

Deferred income taxes reflect the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts. Significant components of the Company's deferred tax liabilities (assets) are as follows (in thousands):

	September 30,	
	2013	2012

Merchandise inventories	$ 1,016,522	$ 985,571
Property and equipment	128,289	132,732
Goodwill and other intangible assets	260,357	249,913
Other	1,322	705
Gross deferred tax liabilities	1,406,490	1,368,921
Net operating loss and tax credit carryforwards	(61,726)	(59,994)
Capital loss carryforwards	(297,806)	(230,395)
Allowance for doubtful accounts	(30,073)	(30,856)
Accrued expenses	(16,731)	(9,651)
Employee and retiree benefits	(4,884)	(17,392)
Stock options	(29,356)	(28,197)
Other	(66,537)	(57,596)
Gross deferred tax assets	(507,113)	(434,081)
Valuation allowance for deferred tax assets	327,546	254,182
Deferred tax assets, net of valuation allowance	(179,567)	(179,899)
Net deferred tax liabilities	$ 1,226,923	$ 1,189,022

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The following tax carryforward information is presented as of September 30, 2013. The Company had $14.5 million of potential tax benefits from federal net operating loss carryforwards expiring in 8 to 18 years, $59.8 million of potential tax benefits from state net operating loss carryforwards expiring in 1 to 20 years and $6.4 million of potential tax benefits from foreign net operating loss carryforwards, which have varying expiration dates. Included in the state net operating loss carryforwards is $9.3 million of potential tax benefits that if realized would be an increase to additional paid-in-capital. The Company had $297.8 million of potential tax benefits from capital loss carryforwards expiring in 1 to 5 years. The Company had $5.9 million of foreign tax credit carryforwards expiring in 5 to 10 years. The Company had $1.4 million of state tax credit carryforwards.

In connection with the acquisition of World Courier, the Company acquired net operating loss carryforwards totaling approximately $78 million. The Company agreed with the sellers of World Courier to reimburse them for the Company's utilization of all U.S. net operating loss carryforwards and certain foreign net operating loss carryforwards that existed as of the acquisition date and will be realized by the Company through 2017. As such, the Company recorded a deferred tax asset, net of valuation allowance, for the net operating losses expected to be realized and an offsetting liability for the amount to be repaid to the sellers as part of the purchase price allocation for World Courier.

In fiscal 2013, the Company increased the valuation allowance on deferred tax assets by $73.4 million primarily due to the addition of capital loss carryforwards resulting from the sale of ABCC. In fiscal 2012, the Company increased the valuation allowance on deferred tax assets by $4.3 million primarily due to the addition of certain foreign net operating loss carryforwards.

In fiscal 2013, 2012, and 2011, tax benefits of $41.2 million, $25.7 million, and $39.7 million, respectively, related to the exercise of employee stock options and lapse of restricted shares, were recorded as additional paid-in capital.

Income tax payments, net of refunds, were $313.7 million, $302.1 million and $214.6 million in the fiscal years ended September 30, 2013, 2012 and 2011, respectively.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years before 2009.

As of September 30, 2013 and 2012, the Company had unrecognized tax benefits, defined as the aggregate tax effect of differences between tax return positions and the benefits recognized in the Company's financial statements, of $55.4 million and $43.3 million, respectively, ($39.1 million and $30.1 million, net of federal benefit, respectively). If recognized, these tax benefits would reduce income tax expense and the effective tax rate. As of September 30, 2013 and 2012, included in these amounts are $9.1 million and $6.3 million of interest and penalties, respectively, which the Company records in income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, in fiscal 2013, 2012, and 2011 is as follows (in thousands):

Balance at September 30, 2010	$	36,830
Additions of tax positions of the current year		5,866
Additions of tax positions of the prior years		3,592
Reductions of tax positions of the prior years		(386)
Settlements with taxing authorities		(7,136)
Expiration of statutes of limitations		(2,963)