

AMERISOURCEBERGEN CORP

Form 10-K

November 20, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended September 30, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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AMERISOURCEBERGEN CORPORATION

(Exact name of registrant as specified in its charter)

Commission Registrant, State of Incorporation I.R.S. Employer

File Number Address and Telephone Number Identification Number

1-16671 AmerisourceBergen Corporation 23-3079390

(a Delaware Corporation)

1300 Morris Drive

Chesterbrook, PA 19087-5594

610-727-7000

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value per share Registered on New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

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

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  No

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

Indicate by check mark whether the registrant has submitted electronically, 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 such files). Yes  No

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.

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

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Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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  No

The aggregate market value of voting stock held by non-affiliates of the registrant on March 31, 2018 based upon the closing price of such stock on the New York Stock Exchange on March 31, 2018 was \$11,568,943,708.

The number of shares of common stock of AmerisourceBergen Corporation outstanding as of October 31, 2018 was 211,933,493.

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 2019 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 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 in both human and animal health. More specifically, we distribute a comprehensive offering of brand-name, specialty brand-name, and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, and related services to a wide variety of healthcare providers located in the United States and select global markets, including acute care hospitals and health systems, independent and chain retail pharmacies, mail order pharmacies, medical clinics, long-term care and alternate site pharmacies, physician practices, medical and dialysis clinics, veterinarians, and other customers. Additionally, we furnish healthcare providers and pharmaceutical manufacturers with an assortment of related services, including data analytics, outcomes research, reimbursement and pharmaceutical consulting services, niche premium logistics services, inventory management, pharmacy automation, pharmacy management, and packaging solutions.

Industry Overview

Pharmaceutical sales in the United States, as recently estimated by IQVIA, an independent third-party provider of information to the pharmaceutical and healthcare industry, are expected to grow at a compound annual growth rate of approximately 5.5% from 2017 through 2022, and the growth rate is dependent, in part, on pharmaceutical manufacturer price increases.

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 59 million by 2022 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 90% 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.



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Legislative Developments. In 2010, the federal government enacted major health reform legislation designed to expand access to health insurance, which increased 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 (including potential revisions to or repeal of any portions of the health reform legislation) may affect our businesses directly and/or indirectly (see Government Regulation on page 6 for further details).

Other economic conditions and certain risk factors could adversely affect our business and prospects (see Item 1A. Risk Factors on page 8).

### The Company

We serve our customers (healthcare providers and pharmaceutical and biotech manufacturers) through a geographically diverse network of distribution service centers and other operations in the United States and select global markets. In our pharmaceutical distribution business, we are typically the primary supplier 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 allow 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 global commercialization services to healthcare providers (primarily pharmacies, health systems, medical and dialysis clinics, physicians, and veterinarians) and pharmaceutical manufacturers that increase channel efficiencies and improve patient outcomes. Implementing this disciplined, focused strategy in a seamless and unified way has allowed us to significantly expand our business, and we believe we are well-positioned 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 Strategic Global Sourcing Businesses.** We believe we are well-positioned in size and market breadth to continue to grow our distribution businesses as we invest to improve our operating and capital efficiencies. Distribution, including specialty pharmaceuticals, 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.

We are a leader in distribution and services to community oncologists and have leading positions in other physician-administered products. We distribute plasma and other blood products, injectable pharmaceuticals, vaccines, and other specialty products. We are well positioned to service and support many of the new biotechnology therapies that are expected to be coming to market in the near future.

With the continued growth of generic pharmaceuticals in the U.S. market, we have introduced strategies to enhance our position in the generic marketplace, including our generic product private label program based in Ireland. 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 manufacturer customers, which includes our international presence in Switzerland where we lead our global manufacturer relations and commercialization strategy.

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; Elevate Provider Network®, our managed care network, which connects our retail pharmacy customers to payor plans

throughout the country and is one of the largest in the United States; generic product purchasing and private label services; hospital pharmacy consulting designed to improve operational efficiencies; and packaging solutions for institutional and retail healthcare providers.

We believe we have one of the lowest cost operating structures among all pharmaceutical distributors. Our robust distribution facility network includes a national distribution center in Columbus, OH, which offers pharmaceutical

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manufacturers a single shipping destination. We continue to seek opportunities to achieve increased 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. We continue to seek opportunities to expand our offerings in our Pharmaceutical Distribution and Strategic Global Sourcing businesses.

Optimize and Grow Our Global Commercialization Services and Animal Health Businesses. Our consulting service businesses help global pharmaceutical and biotechnology manufacturers commercialize their products. 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 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. MWI Animal Health ("MWI") sells pharmaceuticals, vaccines, parasiticides, diagnostics, micro feed ingredients, and various other products to customers in both the companion animal and production animal markets. MWI also offers its customers a variety of value-added services, including its e-commerce platform, technology management systems, pharmacy fulfillment, inventory management system, equipment procurement consultation, special order fulfillment, and educational seminars, which we believe closely integrate MWI with its customers' day-to-day operations and provide them with meaningful incentives to continue doing business with MWI. We continue to seek opportunities to expand our offerings in our Global Commercialization Services and Animal Health businesses.

Acquisitions. In order to grow our core strategic offerings and to enter related markets, we have acquired and invested in businesses and will continue to consider additional acquisitions and investments.

In fiscal 2018, we acquired Northeast Veterinary Supply Company ("NEVSCO"). NEVSCO was an independent, regional distributor of veterinary pharmaceuticals and medical supplies serving primarily the northeast region of the United States and is expected to strengthen MWI's support of independent veterinary practices and provide even greater value and care to current and future animal health customers.

In fiscal 2018, we acquired H.D. Smith Holding Company ("H.D. Smith"). H.D. Smith was the largest independent pharmaceutical wholesaler in the United States and provides full-line distribution of brand, generic, and specialty drugs, as well as high-value services and solutions for manufacturers and healthcare providers. H.D. Smith's customers include retail pharmacies, specialty pharmacies, long-term care facilities, institutional/hospital systems, and independent physicians and clinics.

In fiscal 2018, we made additional investments in Profarma Distribuidora de Produtos Farmaceuticos S.A. ("Profarma"), a leading pharmaceutical wholesaler in Brazil, and a joint venture with Profarma to provide specialty distribution and services in the Brazilian marketplace.

Divestitures. In order to allow us to concentrate on our strategic focus areas, we have divested certain non-core businesses and may, from time to time, consider additional divestitures.

### Operations

Operating Structure. We are organized based upon the products and services we provide to our customers. Our operations as of September 30, 2018 are comprised of the Pharmaceutical Distribution Services reportable segment and other operating segments that are not significant enough to require separate reportable segment disclosure, and, therefore, have been included in Other for the purpose of reportable segment presentation.

### Pharmaceutical Distribution Services Segment



Servicing healthcare providers in the pharmaceutical supply channel, the Pharmaceutical Distribution Services segment's operations provide drug distribution, strategic global sourcing, and related services designed to reduce healthcare costs and improve patient outcomes.

The Pharmaceutical Distribution Services reportable segment distributes a comprehensive offering of brand-name, specialty brand-name and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, 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

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alternate site pharmacies, and other customers. Through a number of operating businesses, the Pharmaceutical Distribution Services reportable segment provides pharmaceutical distribution (including plasma and other blood products, injectible pharmaceuticals, vaccines, and other specialty pharmaceutical products) and additional services to physicians who specialize in a variety of disease states, especially oncology, and to other healthcare providers, including hospitals and dialysis clinics. Additionally, the Pharmaceutical Distribution Services reportable segment provides data analytics, outcomes research, and additional services for biotechnology and pharmaceutical manufacturers. The Pharmaceutical Distribution Services reportable segment also provides pharmacy management, staffing and additional consulting services, and supply management software to a variety of retail and institutional healthcare providers. Additionally, it delivers packaging solutions to institutional and retail healthcare providers.

**Other**

Other consists of operating segments that focus on global commercialization services and animal health and includes AmerisourceBergen Consulting Services ("ABCS"), World Courier, and MWI.

ABCS, through a number of operating businesses, provides a full suite of integrated manufacturer services that range from clinical trial support to product post-approval and commercialization support. World Courier, which operates in more than 50 countries, is a leading global specialty transportation and logistics provider for the biopharmaceutical industry. MWI is a leading animal health distribution company in the United States and in the United Kingdom. MWI sells pharmaceuticals, vaccines, parasiticides, diagnostics, micro feed ingredients, and various other products to customers in both the companion animal and production animal markets. Additionally, MWI offers demand-creating sales force services to manufacturers.

**Sales and Marketing.** The majority of Pharmaceutical Distribution Services' sales force is led nationally, with geographic focus and specialized by either healthcare provider type or size. Customer service representatives are centralized in order to respond to customer needs in a timely and effective manner. Pharmaceutical Distribution Services also has support professionals focused on its various technologies and service offerings. Pharmaceutical Distribution Services' sales teams also serve national account customers through close coordination with local distribution centers and ensure that our customers are receiving service offerings that meet their needs. Our other operating segments each have independent sales forces that specialize in their respective product and service offerings. In addition, we have an enterprise-wide marketing group that coordinates branding and all 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, physicians, and physician group practices. Retail healthcare providers include national and regional retail drugstore chains, independent community pharmacies, pharmacy departments of supermarkets and mass merchandisers, and veterinarians. We are typically the primary source of supply for our healthcare provider customers. Our manufacturer 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.

Our two largest customers, Walgreens Boots Alliance, Inc. ("WBA") and Express Scripts, Inc. ("Express Scripts"), accounted for approximately 33% and approximately 13%, respectively, of revenue in the fiscal year ended September 30, 2018. Our top 10 customers, including governmental agencies and group purchasing organizations ("GPO"), represented approximately 68% of revenue in the fiscal year ended September 30, 2018. The loss of any major customer or GPO relationship could adversely affect future revenue and results of operations. If those contracts are not renewed or are renewed at less favorable terms, they may negatively impact our revenue, results of operations, and cash flows.

**Suppliers.** We obtain pharmaceutical and other products from manufacturers, none of which accounted for 10% or more of our purchases in the fiscal year ended September 30, 2018. 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 strong. The 10 largest suppliers in fiscal year ended September 30, 2018 accounted for approximately 46% of our purchases.

Information Systems. The Pharmaceutical Distribution Services operating segment operates its full-service wholesale pharmaceutical distribution facilities in the United States on two primary enterprise resource planning ("ERP") systems. Pharmaceutical Distribution Services' ERP systems provide for, among other things, electronic order entry by customers, invoice preparation and purchasing, and inventory tracking. All of our other operating segments operate the majority of their businesses on their own common ERP systems resulting in the ability to rapidly deploy new capabilities. We are currently making significant investments to enhance and upgrade the ERP systems utilized by our other operating segments.

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Additionally, we are improving our entity-wide infrastructure environment to drive efficiency, capabilities, and speed to market.

We will continue to invest in advanced information systems and automated warehouse technology. For example, 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 and pharmaceutical compounding may increase our costs and reduce our profitability), we expect to continue to make significant investments in our secure supply chain information systems.

Pharmaceutical Distribution Services has made significant investments in its electronic ordering systems.

Pharmaceutical Distribution Services' systems are intended to strengthen customer relationships by helping customers to reduce operating costs and by providing a platform for a number of the basic and value-added services offered to our customers, including product demand data, inventory replenishment, single-source billing, third-party claims processing, real-time price and incentive updates, and price labels.

Pharmaceutical Distribution Services processes a substantial portion of its purchase orders, invoices, and payments electronically, and it continues to make substantial investments to expand its electronic interface with its suppliers.

Pharmaceutical Distribution Services has warehouse operating systems, which are used to manage the majority of Pharmaceutical Distribution Services' transactional volume. The warehouse operating systems have improved Pharmaceutical Distribution Services' productivity and operating leverage.

A significant portion of our data center operations is outsourced to third-party service providers.

### Competition

We face a highly competitive global environment in the distribution of pharmaceuticals and related healthcare services. Our largest competitors are McKesson Corporation ("McKesson"), Cardinal Health, Inc. ("Cardinal"), FFF Enterprises, Henry Schein, Inc., and UPS Logistics, among others. Pharmaceutical Distribution Services 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. Our ABCS, World Courier, and MWI businesses also face competition from a variety of businesses. In all areas, competitive factors include price, product offerings, value-added service programs, service and delivery, credit terms, and customer support.

### 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, 2018, we had approximately 21,000 employees, of which approximately 20,000 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. However, we believe we have adequate contingency plans in place to assure delivery of pharmaceuticals to our customers in the event of any such disruptions.

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Government Regulation

We are subject to extensive 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"), the U.S. Department of Justice ("DOJ"), and various other federal and state authorities regulate the compounding, purchase, storage, and/or distribution of pharmaceutical products, including controlled substances. Wholesale distributors of controlled substances and entities that compound pharmaceuticals that contain controlled substances must hold valid DEA licenses, meet various security and operating standards, and comply with regulations governing the sale, marketing, compounding, packaging, holding, and distribution of controlled substances. Our Section 503B outsourcing facilities must comply with current Good Manufacturing Practices ("GMPs") and are inspected by the FDA periodically to determine that we are complying with such GMPs. DEA, FDA, DOJ, and state authorities have broad enforcement powers, including the ability to suspend our distribution centers or Section 503B outsourcing facilities from distributing pharmaceutical products (including controlled substances), seize or recall products, and impose significant criminal, civil, and administrative sanctions. We continue to be in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding the ongoing compliance efforts of our subsidiary PharMEDium, including efforts to resume commercial distribution at the Memphis, Tennessee 503B outsourcing facility where we voluntarily suspended production activities in December 2017. Representatives of the Company and PharMEDium have had an initial meeting with DOJ and FDA to discuss potential resolution of ongoing matters and whether a consent decree is necessary (see Item 1A. Risk Factors on page 8). Further discussions are anticipated, including with regard to the possible entry of a consent decree.

We and our customers are subject to fraud and abuse laws, including the federal anti-kickback statute and False Claims Act. 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 False Claims Act prohibits knowingly submitting, or causing the submission, of false or fraudulent claims for payment to the government, and authorizes treble damages and substantial civil penalties in the case of violations. 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, the supply chain security legislation known as the Drug Quality and Security Act ("DQSA") became law in 2013. The DQSA establishes federal traceability standards requiring drugs to be labeled and tracked at the lot level, preempts state drug pedigree requirements, and will eventually require all supply-chain stakeholders to participate in an electronic, interoperable prescription drug traceability system. The DQSA also establishes new requirements for drug wholesale distributors and third-party logistics providers, including licensing requirements applicable in states that had not previously licensed third-party logistics providers. We expect that the FDA, and eventually comparable state agencies, will promulgate implementing regulations governing wholesale distributor and third-party logistics providers. In addition, the DQSA created 503B outsourcing facilities as a new category for providers of compounded sterile preparations ("CSPs"), allowing such facilities to voluntarily register with the FDA. Our CSP business locations have registered with the FDA as Section 503B outsourcing facilities and have implemented policies and procedures to achieve compliance with current federal and state requirements for such facilities. There can be no assurance that we are fully compliant with the new DQSA requirements, or with additional related state regulatory and licensing requirements, and any failure to comply may result in suspension or delay of certain operations and additional costs to bring our operations into compliance. These and other requirements will continue to increase the cost of our operations.

Federal insurance and health care reform legislation known as the Affordable Care Act (the "ACA") became law in 2010. The ACA is intended to expand health insurance, including coverage for at least a portion of drug costs, through a combination of insurance market reforms, an expansion of Medicaid, subsidies, and health insurance mandates. The

ACA contains many provisions designed to generate the revenues necessary to fund the coverage expansions and reduce the costs of Medicare and Medicaid. Among other things, the ACA changed the formula for Medicaid federal upper payment 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. Further, implementing regulations require state Medicaid programs to apply payment mechanisms for branded prescription drugs which are consistent with pharmacies' "actual acquisition costs" for drugs. These provisions could reduce prescription drug reimbursement levels under state Medicaid programs.

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 production, delivery, or pricing of pharmaceutical products, as well as additional changes to the structure of the present healthcare delivery system. In addition, changes in the interpretations of existing regulations may result in significant

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additional compliance costs or the discontinuation of our ability to continue to operate our distribution centers or Section 503B outsourcing facilities, which may have a material adverse effect on our financial condition and results of operations.

Any future reductions in Medicare or Medicaid 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.

We are subject to various federal, state, and local environmental laws, including with respect to the sale, transportation, storage, handling, and disposal of hazardous or potentially hazardous substances, as well as laws relating to safe working conditions and laboratory practices.

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" beginning on page 8 for a discussion of additional legal and regulatory developments, as well as enforcement actions or other litigation that may arise out of our failure to adequately comply with applicable laws and regulations that may negatively 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 implementing regulations set forth privacy and security standards designed to protect the privacy of and provide for the security of protected health information, as defined under the HIPAA regulations. Some of our businesses collect, maintain, and/or access protected health information and are subject to 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 efforts to comply with the HIPAA regulations.

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act"), enacted as part of the 2009 American Recovery and Reinvestment Act ("ARRA"), strengthened federal privacy and security provisions governing protected health information. Among other things, the HITECH Act expanded 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 these additional obligations under the HIPAA Final Rule.

Some of our businesses collect, maintain, and/or access other personal information (including 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 implementing regulations. Personally identifiable information is also highly regulated in many other countries in which we operate. As such regulations continue to evolve, we need to comply with applicable privacy and security requirements of these countries, including but not limited to those in the European Union. Most notably certain aspects of our business are subject to the European Union's General Data Protection Regulation ("GDPR") which became effective on May 25, 2018. We have a GDPR compliance program to facilitate our ongoing efforts to comply with GDPR regulations. There can be no assurances that compliance with these requirements will not impose new costs on our business.

**Available Information**

For more information about us, visit our website at [www.amerisourcebergen.com](http://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 our website at [investor.amerisourcebergen.com](http://investor.amerisourcebergen.com) 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](http://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.

Our results of operations could be adversely impacted by manufacturer pricing changes and fewer generic pharmaceutical launches.

In fiscal 2018, we continued to experience an unfavorable brand and generic pharmaceutical pricing environment, which negatively impacted our Pharmaceutical Distribution Services reportable segment profit and our consolidated operating earnings. We expect this to continue in fiscal 2019, which could have a material and adverse effect on our results of operations.

Our contractual arrangements with pharmaceutical manufacturers for the purchase of brand pharmaceutical products generally use wholesale acquisition cost ("WAC") as the reference price. Similarly, we sell brand pharmaceutical products to many of our customers using WAC as the reference price. In May 2018, the Trump Administration announced a wide-ranging "Blueprint" to address concerns over drug pricing which listed, among other things, potential mechanisms to encourage manufacturers to limit increases in or to reduce the WAC of individual products. Although the Blueprint did not create legal or regulatory mandates, and no specific mandates have been passed or proposed thus far, some manufacturers announced price freezes or delays in WAC increases in the ensuing months. If the government enacts proposals to directly or indirectly regulate WAC list prices, or if manufacturers change their pricing policies or practices with regard to WAC, and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our results of operations could be adversely affected.

The pharmaceutical products that we purchase are also subject to price inflation and deflation. Additionally, certain distribution service agreements that we have entered into with brand and generic pharmaceutical manufacturers have a price appreciation component to them. As a result, our gross profit from brand-name and generic pharmaceuticals continues to be subject to fluctuation based upon the timing and extent of manufacturer price increases, which we do not control. If the frequency or rate of brand and generic pharmaceutical price increases slows, whether due to regulatory mandates, the implementation of any of the policy proposals noted in the Blueprint, or voluntary manufacturer actions, 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, the negative impact on our results of operations will be greater. A decline in the number of generic pharmaceutical launches, or launches that are less profitable than those in the past, could also adversely impact our results of operations.

Competition and industry consolidation may erode our profit.

As described in greater detail in the "Competition" section beginning on page 5, the industries in which we operate are highly competitive. In addition, in recent years the healthcare industry has been subject to increasing consolidation, including among pharmaceutical manufacturers, retail pharmacies, and health insurers, which may create further competitive pressures on our pharmaceutical distribution business. If we do not compete successfully, it could have a material and adverse effect on our business and results of operations. The impact on us will be greater if consolidation among our customers, suppliers, and competitors gives the resulting enterprises greater bargaining power, which could lead to greater pressure on us to reduce prices for our products and services.

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

The healthcare industry in the United States is highly regulated at the federal and state levels. There have been increasing efforts by Congress and state and federal agencies, including state boards of pharmacy, departments of health, and the FDA, to regulate the pharmaceutical distribution system and pharmacy compounding activities. Regulation of pharmaceutical distribution is intended to prevent diversion and the introduction of counterfeit, adulterated, and/or mislabeled drugs into the pharmaceutical distribution system. 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 that are intended to protect the safety and security of the supply channel but that also may substantially increase the costs and burden of pharmaceutical distribution and pharmaceutical compounding. At the federal level, the DQSA establishes federal traceability standards requiring drugs to be labeled and tracked at the lot level, preempts state drug pedigree requirements, and will eventually require all supply-chain stakeholders to participate in an electronic, interoperable prescription drug traceability system. The DQSA also established requirements for drug wholesale distributors and third-party logistics providers, including licensing requirements applicable in states that had not previously licensed third-party logistics providers. In addition, the DQSA established 503B outsourcing facilities as a category for providers of CSPs,

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allowing such facilities to voluntarily register with the FDA. Our CSP business locations have registered with the FDA as 503B outsourcing facilities and have implemented policies and procedures to achieve compliance with current federal and state requirements for such facilities.

There can be no assurance that we are fully compliant with the new DQSA requirements, or with additional related state regulatory and licensing requirements, and any failure to comply may result in suspension or delay of certain operations and additional costs to bring our facilities into compliance. Moreover, we expect that the FDA will continue to issue draft and final guidance and to promulgate regulations in its efforts to implement the requirements in the DQSA, including those relating to current good manufacturing practices ("GMPs") and other matters related to 503B outsourcing facilities, which may require changes to our business, some of which may be significant.

Complying with these and other chain of custody and pharmaceutical distribution and compounding requirements could result in suspension or delays in our production and distribution activities which may increase our costs and could otherwise adversely affect our results of operations.

Legal, regulatory and legislative changes with respect to reimbursement, pricing, and contracting may adversely affect our business and results of operations, including through declining reimbursement rates.

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, changing the methodology by which reimbursement levels are determined, or regulating pricing, contracting, and discounting practices with respect to medical products and services. Additionally, on occasion, price increases and pricing practices with respect to certain brand and generic pharmaceuticals have been the subject of U.S. Congressional inquiries. Any law or regulation impacting pharmaceutical pricing, including as a result of pricing controls or legislative efforts at the federal or state level, could adversely affect our operations.

Federal insurance and healthcare reform legislation known as the Affordable Care Act ("ACA") became law in March 2010, and included numerous reforms affecting reimbursement, pricing, and contracting for prescription drugs. Given the scope of the changes made by the ACA and continuing implementation controversies, we cannot predict the impact of every aspect of the law on our operations. Likewise, we cannot predict the impact of any efforts to change or repeal any provisions of the ACA.

The ACA changed the formula for Medicaid federal upper payment limits ("FULs") for multiple source drugs available for purchase by retail community pharmacies on a nationwide basis. The Centers for Medicare & Medicaid Services ("CMS") calculate FULs for multiple source drugs as 175% of the weighted average of average manufacturer price ("AMP"), with certain exceptions. In addition, CMS regulations require state Medicaid programs to implement payment methods for brand (non-multiple source) products designed to be consistent with the actual acquisition cost of such drugs, effective April 1, 2017. Medicaid reimbursement for drugs calculated under the final rule may reflect significant reductions from prior reimbursement levels, although the impact of the changes varies by state Medicaid program. Any reduction in the Medicaid reimbursement rates to our customers may indirectly impact the prices that we can charge our customers for multisource pharmaceuticals and cause corresponding declines in our profitability.

The ACA also amended the Medicaid rebate statute to increase minimum Medicaid rebate percentages and made other changes expected to result in increased Medicaid rebate payments by pharmaceutical manufacturers, which could indirectly impact our business. In addition, the Bipartisan Budget Act of 2015 extended to generic drugs inflation-based Medicaid drug rebates similar to those that are paid by manufacturers on brand drugs. The Bipartisan Budget Act of 2018 subsequently increased the rebate due with respect to line extensions of single source or innovator multiple source oral solid dosage form drugs. The federal government and state governments could take other actions in the future that impact Medicaid reimbursement and rebate amounts or the cost of drugs.

There can be no assurance that recent or future changes in Medicaid 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.

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 program has increased

the use of pharmaceuticals in the supply channel, which has had a positive impact on our revenues and profitability. There have been additional legislative and regulatory changes to the Part D program since its enactment. On August 29, 2018, CMS issued guidance which, beginning in 2020, would provide flexibility for Part D plans to implement "indication based" formularies that may restrict coverage of certain drugs for certain indications. 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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Our businesses also sell specialty and other drugs to physicians, hospitals, community oncology practices and other providers that are reimbursed under Part B of the Medicare program. 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. Although this trend has slowed down in the past several years, it could increase in the future due to various factors, including legislative and regulatory requirements that affect how CMS reimburses for Medicare Part B drugs, as well as the ability of certain hospitals to purchase drugs at significant, statutorily-mandated discounts pursuant to the federal 340B drug discount program for groups of patients. In addition, federal changes in drug reimbursement policy could reduce the rate of reimbursement for drugs covered under Medicare Part B or physician services under Medicare, which could negatively impact our customers' businesses and their ability to continue to purchase such drugs from us, and thereby result in corresponding declines in our profitability. For example, on September 20, 2017, CMS issued a request for information seeking recommendations for payment models, which could include prescription drug models under Medicare Parts B and D and state Medicaid programs. Additionally, CMS published a final rule on November 13, 2017 that reduces Medicare outpatient hospital reimbursement for separately payable drugs (other than vaccines) purchased through the 340B drug pricing program from average sales price ("ASP") plus 6% to ASP minus 22.5% (with certain exceptions), effective January 1, 2018. On July 27, 2018, CMS published a proposed rule that would reduce from 6% to 3% the "add-on" payment for new, separately-payable Part B drugs and biologicals that are paid based on WAC when ASP data during first quarter of sales is unavailable. CMS also included in its proposed 2019 hospital outpatient prospective system proposed rule, published July 31, 2018, a request for comments on a potential innovation model that would allow healthcare providers to acquire Part B drugs through value-based agreements with manufacturers administered by private-sector vendors. Finally, on August 7, 2018, CMS advised Medicare Advantage plans that they may implement prior authorization "step therapy" or similar utilization controls with respect to Part B drugs.

The federal government may adopt measures in the future that would further reduce Medicare and/or Medicaid spending or impose additional requirements on healthcare entities. For instance, under the "sequestration" provision of the Budget Control Act of 2011 (as amended), 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.

Finally, federal and state governments may adopt policies affecting drug pricing and contracting practices outside of the context of federal programs such as Medicare and Medicaid, which may adversely affect our business. For example, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increase and to report information relating to those price increases. On May 11, 2018 the Department of Health and Human Services requested comments on a "Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs," which outlines a wide range of proposals and policy considerations intended to improve competition; lower patient out-of-pocket costs; enhance negotiation; and provide incentives for lower manufacturer list prices. Some of the proposals would require Congressional approval, and others could be adopted administratively. There can be no assurances that future changes to Medicare and/or Medicaid prescription drug reimbursement policies, drug pricing and contracting practices, or government drug price regulation programs such as the Medicaid rebate or 340B program will not have an adverse impact on our business.

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 ACA. While we believe that we are in compliance with 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.

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Public concern over the abuse of opioid medications, including increased legal and regulatory action, could negatively affect our business.

Certain governmental and regulatory agencies, as well as state and local jurisdictions, are focused on the abuse of opioid medications in the United States. Federal, state and local governmental and regulatory agencies are conducting investigations of us and others in the supply chain, including pharmaceutical manufacturers and other pharmaceutical wholesale distributors, regarding the distribution of opioid medications. In addition, a significant number of lawsuits have been filed against us, other pharmaceutical wholesale distributors, and others in the supply chain. The lawsuits against us and other pharmaceutical wholesale distributors allege, among other claims, that we failed to provide effective controls and procedures to guard against the diversion of controlled substances, acted negligently by distributing controlled substances to pharmacies that serve individuals who abuse controlled substances, and failed to report suspicious orders of controlled substances in accordance with regulations. Additional governmental and regulatory entities have indicated an intent to sue and may conduct investigations of us in the future. We are deeply committed to diversion control efforts, have sophisticated systems in place to identify orders placed warranting further review to determine if they are suspicious (including through the use of data analytics), and engage in significant due diligence and ongoing monitoring of customers. While we are vigorously defending ourselves in these lawsuits, the allegations may negatively affect our business in various ways, including through increased costs and harm to our reputation. Since these matters are at an early stage, we are unable to predict the outcome. The adverse resolution of any of these lawsuits or investigations could have an adverse effect on our business, results of operations, and cash flows.

Legislative, regulatory or industry measures to address the misuse of prescription opioid medications may also affect our business in ways that we are not be able to predict. For example, in April 2018, the State of New York enacted the Opioid Stewardship Act (“OSA”), which went into effect on July 1, 2018 and established an aggregate \$100 million annual assessment on all entities that sell or distribute opioid medications in New York. In addition, other states are considering legislation that could require entities to pay an assessment or tax on the sale or distribution of opioid medications in those states and may vary in the assessment or tax amounts and the means of calculation from the OSA. If other state or local jurisdictions enact legislation similar to the OSA and we are not able to mitigate the impact on our business through operational changes or commercial arrangements, such legislation in the aggregate may have a material adverse effect on the Company's results of operations, cash flows, or financial condition.

Our business, results of operations, and cash flows could be adversely affected by legal proceedings.

We conduct our operations through a variety of businesses, including the distribution of pharmaceuticals, the dispensing of healthcare products and the provision of services to the pharmaceutical industry. Each of our businesses may cause us to become involved in legal disputes or proceedings involving healthcare fraud and abuse, the False Claims Act, antitrust, class action, commercial, employment, environmental, intellectual property, licensing, and various other claims, including claims related to opioid medications as discussed in the above risk factor. Litigation is costly, time-consuming and disruptive to ordinary business operations. The defense and resolutions of these current and future proceedings could have a material adverse effect on our results of operations and financial condition.

Violations of various federal and state laws, including with respect to the marketing, sale, purchase, and dispensing of pharmaceutical products and the provision of services to the pharmaceutical industry, 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. Any settlement, judgment or fine could adversely affect our results of operations.

Statutory and/or regulatory violations could also form the basis for qui tam complaints. 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 brand and/or generic pharmaceutical products or the provision of services to the pharmaceutical industry. 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 the litigation proceeds whether or not 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.

In fiscal 2018, we resolved potential civil claims and administrative action by entering into, among other things, a Corporate Integrity Agreement (see Note 13 of the Notes to Consolidated Financial Statements). The Corporate Integrity Agreement has a five-year term. Failure to comply with obligations under the Corporate Integrity Agreement could lead to monetary or other penalties.

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Our revenue, results of operations, and cash flows may suffer upon the loss, or renewal at less favorable terms, of a significant customer or group purchasing organization.

WBA accounted for approximately 33% of our revenue in the fiscal year ended September 30, 2018. Express Scripts accounted for approximately 13% of our revenue in the fiscal year ended September 30, 2018. Our top ten customers, including governmental agencies and GPOs, represented approximately 68% of revenue in the fiscal year ended September 30, 2018. 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. Additionally, from time to time, significant contracts may be renewed prior to their expiration date. If those contracts are renewed at less favorable terms, they may also negatively impact our revenue, results of operations, and cash flows.

The anticipated ongoing strategic and financial benefits of our relationship with WBA may not be realized. In May 2016, we extended to 2026 our strategic arrangement with WBA - specifically, our distribution agreement under which we distribute drugs to Walgreens pharmacies and our generics purchasing services arrangement under which Walgreens Boots Alliance Development GmbH ("WBAD") provides a variety of services, including negotiating acquisition pricing with generic manufacturers on our behalf. This reflected our expectation that partnering strategically with WBA would result in various benefits including, among other things, continued cost savings as a result of our generics purchasing services arrangement with WBAD, as well as the potential for exploring innovation together and sharing best practices. The processes and initiatives needed to achieve and maintain these benefits are complex, costly and time-consuming. Achieving the anticipated benefits from the arrangement on an ongoing basis is subject to a number of significant challenges and uncertainties, including: the potential inability to realize and/or delays in realizing potential benefits resulting from participation in our generics purchasing services arrangement with WBAD, including improved generic drug pricing and terms, improved service fees from generic manufacturers, cost savings, innovations, or other benefits due to its inability to negotiate successfully with generic manufacturers or otherwise to perform as expected; the potential disruption of our plans and operations as a result of the terms under which we extended the duration of the distribution agreement and generics purchasing services agreement, 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; potential changes in supplier relationships and terms; unexpected or unforeseen costs, fees, expenses and charges incurred by us related to the transaction or the overall strategic relationship; unforeseen changes in the economic terms under which we distribute pharmaceuticals to WBA; and any potential issues that could impede our ability to continue to work collaboratively with WBA in an efficient and effective manner in furtherance of the anticipated strategic and financial benefits of the relationship.

In addition, WBA has the right, but not the obligation, under the transactions contemplated by the Framework and Shareholder Agreements dated March 18, 2013 to make certain additional investments in our common stock. WBA also has the right to sell any of the shares of our common stock that it has acquired so long as WBA has held the shares beyond the requisite dates specified in the Shareholder Agreement. Any sales in the public market of common stock currently held by WBA or acquired by WBA pursuant to open market purchases could adversely affect prevailing market prices of our common stock. We could also encounter unforeseen costs, circumstances, or issues with respect to the transactions and collaboration we anticipate pursuing with WBA. 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 future 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.

A disruption in our distribution or generic purchasing services arrangements with WBA could adversely affect our business and financial results.

We are the primary distributor of pharmaceutical products for WBA. Our generic pharmaceutical program has also benefited from the generics purchasing services arrangement with WBA. If the operations of WBA 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 the generics purchasing services arrangement does not continue to be successful, our margins and results of operations could also be adversely affected.

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

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In addition, our business may be adversely affected by any operational, financial or regulatory difficulties that WBA experiences, including any disruptions of certain of its 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.

Tax legislation 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 and select global markets. As such, we are subject to tax laws and regulations of the U.S. federal, state and local governments, and of various foreign jurisdictions. From time to time, various legislative initiatives, such as the repeal of last-in, first-out ("LIFO") treatment, 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 legislation resulting from these initiatives. We believe that our historical tax positions are consistent with applicable laws, regulations, and existing precedent. In addition, U.S. 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.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was enacted and contains significant changes to U.S. income tax law. The 2017 Tax Act includes a broad range of tax reform provisions affecting businesses, including lower corporate tax rates, changes in business deductions, and international tax provisions. Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the 2017 Tax Act), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, material adjustments to our tax estimates may impact our provision for income taxes and our earnings per share, as well as our cash flows, in the period in which any such adjustments would be made.

The suspension or revocation by federal or state authorities of any of the registrations that must be in effect for our distribution and 503B outsourcing facilities to purchase, compound, store, and/or distribute pharmaceuticals and controlled substances, the refusal by such authorities to issue a registration to any such facility, or any enforcement action or other litigation that arises out of our failure to comply with applicable laws and regulations governing distribution and 503B outsourcing facilities may adversely affect our reputation, our business and our results of operations.

The DEA, FDA, DOJ, and various other federal and state authorities regulate the distribution of pharmaceuticals and controlled substances and the compounding of pharmaceuticals that contain 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 implementing regulations governing the sale, marketing, packaging, compounding, 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. Although we have procedures in place that are intended to ensure compliance with such laws and regulations, there can be no assurance that a regulatory agency or tribunal would conclude that our operations are compliant with applicable laws and regulations. If we were found to be non-compliant with such laws and regulations, federal and state authorities have broad enforcement powers, including (i) the ability to suspend our distribution centers' and 503B outsourcing facilities' licenses to distribute and compound pharmaceutical products (including controlled substances), (ii) seize or recall products, and (iii) impose significant criminal, civil and administrative sanctions for violations of these laws and regulations, each of which could have a material adverse effect on our reputation, business and results of operations. Specifically, enforcement actions may include the DOJ filing a civil complaint for a consent decree against our PharMEDium subsidiary.

We have received, and may in the future receive, requests for information, letters and subpoenas from the DEA, FDA, various U.S. Attorneys' Offices of the DOJ, and/or state attorneys general and state regulatory authorities and agencies

related to our distribution of controlled substances and our order monitoring program, which is designed to prevent and detect the illegal diversion of controlled substances, or other matters. We generally respond to subpoenas, requests, letters, and other authority and/or agency correspondence in a thorough and timely manner. These responses require time and effort and can result in considerable costs being incurred by us, such as costs related to addressing the observations listed on FDA Form 483 reports. Such subpoenas, requests and letters can also lead to the assertion of claims or the commencement of civil, criminal, or regulatory legal proceedings against us, as well as to settlements and the suspension or revocation of registrations required by our distribution and 503B outsourcing facilities, each of which could have a material adverse effect on our reputation, business and results of operations.

The FDA and other governmental entities enforce compliance with applicable current GMP requirements through periodic risk-based inspections. It is common for FDA Form 483 reports to be provided in connection with inspections of 503B outsourcing facilities, and FDA observations may be followed by warning letters or subsequent enforcement actions. Prior to our acquisition

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of the business, PharMEDium received a warning letter from the FDA in 2014 following the inspection of PharMEDium's Mississippi, New Jersey, Tennessee and Texas 503B outsourcing facilities in 2013. The FDA reinspected all of these facilities in 2015 and 2016 and issued FDA Form 483 reports at each of the facilities as well as at PharMEDium's headquarters in Lake Forest, Illinois. We cannot be assured that the FDA and DOJ will be satisfied with the sufficiency or timing of PharMEDium's corrective actions in response to the FDA's Form 483 reports, including PharMEDium's meeting with the FDA on November 18, 2016, and, as such, we cannot predict when or if the FDA will consider the agency's observations to be fully resolved.

In December 2017, following FDA inspections of our 503B outsourcing facilities, we voluntarily suspended production activities at our largest 503B outsourcing facility located in Memphis, Tennessee. We have not resumed commercial distribution at the Memphis facility. Through fiscal 2018, our results of operations were adversely impacted by the Memphis suspension and our results of operations will continue to be adversely impacted until the Memphis facility resumes commercial distribution. We will continue to assess how best to address the remediation needed at the Memphis facility and PharMEDium's other facilities and the impact of PharMEDium on our results of operations. We continue to be in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding the ongoing compliance efforts of PharMEDium, including efforts to resume commercial distribution at the Memphis facility. Representatives of the Company and PharMEDium have had an initial meeting with DOJ and FDA to discuss potential resolution of ongoing matters and whether a consent decree is necessary. Further discussions are anticipated, including with regard to the possible entry of a consent decree.

Separately, we have agreed in several state regulatory matters to consent orders or temporary licensing suspensions regarding certain of our 503B outsourcing facilities. Certain other states have requested information concerning the status of operations at some or all of our 503B outsourcing facilities. These state regulatory matters preclude us from commercially distributing into certain states, which could have an adverse impact on our results of operations.

A failure to adequately address observations identified by the FDA in Form 483 reports or warning letters issued by the FDA or observations identified by any other federal and state regulatory authority, including a failure to resolve the observations identified by the FDA in the 2014 warning letter and subsequent FDA Form 483 reports relating to PharMEDium's 503B outsourcing facilities, could lead to the suspension of facilities currently in operation, an enforcement action, monetary penalties and/or license revocation, each of which could have a material adverse effect on our reputation, business and results of operations.

The products compounded by our CSP business are administered by our customers to patients intravenously, and failures or errors in production, labeling or packaging could contribute to patient harm or death, which may subject us to significant liabilities and reputational harm.

The production, labeling, and packaging of CSPs is inherently risky. Our CSP business sells CSPs to acute care hospitals, freestanding hospital outpatient departments, and ambulatory surgery centers, who then administer the CSPs to patients intravenously or through other injectable routes of administration. There are a number of factors that could result in the injury or death of a patient who receives one of our CSPs, including quality issues, manufacturing or labeling flaws, improper packaging or unanticipated or improper uses of the products, any of which could result from human or other error. Any of these situations could lead to a recall of, or safety alert relating to, one or more of our products. In addition, in the ordinary course of business, we may voluntarily recall or retrieve products. Any recall or retrieval, whether voluntary or requested by the FDA or state regulatory authorities, could result in significant costs and negative publicity. Negative publicity, including regarding a quality or safety issue, whether accurate or inaccurate, could reduce market acceptance of our products, harm our reputation, decrease demand for our products, result in the loss of customers, lead to product withdrawals, and harm our ability to successfully launch new products and services. These problems could also result in enforcement actions by state and federal authorities or other healthcare self-regulatory bodies, or product liability claims or lawsuits, including those brought by individuals or groups seeking to represent a class or establish multidistrict litigation proceedings. Any such action, litigation, recall or reputational harm resulting from patient harm or death caused by CSPs prepared by a competitor or a hospital pharmacy could result in a material adverse effect on our business, results of operations, financial condition and liquidity. Our current or future insurance coverage may prove insufficient to cover any liability claims brought against

us. Because of the increasing cost of insurance coverage, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise.

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

As part of our strategy we seek to pursue acquisitions of and investments in other companies. At any particular time, we may be in various stages of assessment, discussion, and negotiation with regard to one or more potential acquisitions or investments, 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.

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Acquisitions involve numerous risks and uncertainties and may be of businesses in which we lack operational experience. If we complete one or more acquisitions, our results of operations and financial condition may be adversely affected by a number of factors, including: regulatory or compliance issues that could arise; changes in regulations and laws; 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, including litigation risks; the fair value of assets acquired and liabilities assumed not being 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 business and results of operations may be adversely affected if we fail to manage and complete divestitures.

We regularly evaluate our portfolio in order to determine whether an asset or business may no longer help us meet our objectives. When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our strategic objectives. The impact of a divestiture on our results of operations could also be greater than anticipated.

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.

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

Our operations in jurisdictions outside of the United States are subject to various risks inherent in global operations.

We currently have operations in over 50 countries. We may conduct business in additional foreign jurisdictions in the future, which may carry operational risks in addition to the risks of acquisition described above. At any particular time, our global operations may be affected by local changes in laws, regulations, and the political and economic environments, including inflation, recession, currency volatility, and competition. Changes or uncertainty in U.S. or foreign policy, including any changes or uncertainty with respect to U.S. or international trade policies or tariffs, also can disrupt our global operations, as well as our customers and suppliers, in a particular location and may require us to spend more money to source certain products or materials that we purchase. Any of these factors could adversely affect our business, financial position, and results of operations.

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

If the capital and credit 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. Although we believe that our



operating cash flow and existing credit arrangements give us the ability to meet our financing needs, there can be no assurance that disruption and volatility will not increase our costs of borrowing, impair our liquidity, or adversely impact our business.

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 upon 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

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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. As of September 30, 2018, our two largest trade receivable balances due from customers represented approximately 49% and 8% of accounts receivable, net.

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

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. Certain of our businesses continue to make substantial investments in data centers and information systems, including, but not limited to, automation of our offering and continuous enhancements to our online ordering system, ABC Order. Third-party service providers are also responsible for managing a significant portion of our information systems. To the extent our information systems are not successfully implemented or fail, our business and results of operations may be adversely affected. Our business and results of operations may also be adversely affected if a third-party service provider does not perform satisfactorily, or if the information systems are interrupted or damaged by unforeseen events, including due to the actions of third parties.

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 or personal data, 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.

Risks generally associated with data privacy regulation and the international transfer of personal data.

We are required to comply with increasingly complex and changing data privacy regulations both in the United States and beyond that regulate the collection, use and transfer of personal data, including particularly the transfer of personal data between or among countries. Many of these foreign data privacy regulations (including the General Data Protection Regulation, which went into effect in the European Union on May 25, 2018) are more stringent than those in the United States. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. An adverse outcome under any such investigation or audit could subject us to fines or other penalties. That or other circumstances related to our collection, use and transfer of personal data could cause a loss of reputation in the market and/or adversely affect our business and financial position. Our goodwill, indefinite-lived intangible assets, or long-lived assets may become impaired, which may require us to record a significant charge to earnings in accordance with generally accepted accounting principles.

U.S. generally accepted accounting principles ("GAAP") require us to test our goodwill and indefinite-lived intangible assets for impairment on an annual basis, or more frequently if indicators for potential impairment exist. Indicators that are considered include significant changes in performance relative to expected operating results, significant

negative industry or economic trends or a significant decline in our stock price and/or market capitalization for a sustained period of time. In addition, we periodically review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our long-lived assets may not be recoverable include slower growth rates, the loss of a significant customer, or divestiture of a business or asset for below its carrying value. The testing required by GAAP involves estimates and judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions, including a failure to

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meet business plans or other unanticipated events and circumstances such as a rise in interest rates, may affect the accuracy or validity of such estimates. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets, or long-lived assets is determined. Any such charge could have a material adverse impact on our results of operations.

Natural disasters or other unexpected events may disrupt our operations, adversely affect our results of operations and financial condition, and may not be covered by insurance.

The occurrence of one or more unexpected events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods, and other forms of severe hazards in the United States or in other countries in which we operate or are located could adversely affect our operations and financial performance. Extreme weather, 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 or outsourcing facilities, 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. Further, the long-term effects of climate change on general economic conditions and the pharmaceutical distribution industry in particular are unclear, and changes in the supply, demand or available sources of energy and the regulatory and other costs associated with energy production and delivery may affect the availability or cost of goods and services, including natural resources, necessary to run our businesses. Existing insurance arrangements may not provide protection for the costs that may arise from such events, particularly if such events are catastrophic in nature or occur in combination. Any long-term disruption in our ability to service our customers from one or more distribution centers or outsourcing facilities could have a material adverse effect on our operations.

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, could reduce purchases by our customers, which would negatively affect our revenue growth and cause a decrease in our profitability. Negative trends in the general economy, including interest rate fluctuations, financial market volatility or credit market disruptions, may also affect our customers' ability to obtain credit to finance their businesses on acceptable terms and reduce discretionary spending on health products. 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 countries where we do business do not improve or deteriorate, our results of operations or financial condition could be adversely affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

As of September 30, 2018, 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 15 million square feet of office and warehouse space, which is either owned or leased under agreements that expire from time to time. We lease approximately 185,000 square feet in Chesterbrook, Pennsylvania and approximately 106,000 square feet in Conshohocken, Pennsylvania for our corporate headquarters. Pharmaceutical Distribution Services has a robust distribution facility network in the United States, ranging in size from approximately 53,000 square feet to 408,000 square feet. The operations of Pharmaceutical Distribution Services comprise approximately 8.7 million square feet. Significant leased facilities are located in Puerto Rico plus the following states: Arizona, Colorado, Florida, Georgia, Hawaii, Indiana, Kentucky, Minnesota, Mississippi, New York, North Carolina, Utah, and Washington. Owned facilities are located in the following states: Alabama, California, Illinois, Massachusetts, Michigan, Missouri, Ohio, Pennsylvania, Texas, and Virginia.

As of September 30, 2018, the Consulting Group's operations were conducted in leased locations. Its headquarters are located in South Carolina and internationally in Canada.

As of September 30, 2018, World Courier's office and operating facilities are located in over 50 countries. Its headquarters are located in London, England. Most of the facilities are leased. Significant owned facilities are located in New York, and internationally in Germany, Japan, Singapore, and South Africa.

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As of September 30, 2018, MWI's operations were conducted in the United States and in the United Kingdom. Leased facilities are located in California, Colorado, Florida, Idaho, Indiana, Kansas, Massachusetts, Minnesota, North Carolina, Pennsylvania, Texas, Washington, and internationally in the United Kingdom. Significant owned facilities are located in Alabama, Idaho, Texas, and Virginia and internationally in the United Kingdom. Its headquarters are located in Idaho.

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 13 (Legal Matters and Contingencies) of the Notes to Consolidated Financial Statements appearing in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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## EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a list of our executive officers and their ages and positions as of November 15, 2018.

Name	Age	Current Position with the Company
Steven H. Collis	57	Chairman, President, and Chief Executive Officer
John G. Chou	62	Executive Vice President and Chief Legal & Business Officer
Gina K. Clark	61	Executive Vice President and Chief Communications & Administration Officer
James F. Cleary, Jr.	55	Executive Vice President and Chief Financial Officer
Dale Danilewitz	56	Executive Vice President and Chief Information Officer
Kathy H. Gaddes	55	Executive Vice President and Chief Compliance Officer
Robert P. Mauch	51	Executive Vice President and Group President, Pharmaceutical Distribution & Strategic Global Sourcing

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 and Chairman since March 2016. 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 24 years.

Mr. Chou has been Executive Vice President of the Company since August 2011 and became the Chief Legal & Business Officer in June 2017. He served as General Counsel of the Company from January 2007 to June 2017. From January 2007 to August 2011, Mr. Chou was a Senior Vice President. He 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 16 years.

Ms. Clark has been Executive Vice President since November 2014 and became Chief Communication & Administration Officer in June 2017. She served as Chief Marketing Officer from November 2014 to June 2017. Ms. Clark was named Senior Vice President and Chief Marketing Officer in June 2011. She previously served as Senior Vice President of Marketing and Business Development for AmerisourceBergen Specialty Group from January 2007 to June 2011. Prior to joining the Company, she worked in executive leadership roles at Premier Inc. and HealthSouth, including Senior Vice President of Marketing and Alliance Relations, Group Vice President of Relationship Management, and Senior Vice President of Managed Care and National Contracting.

Mr. Cleary has been Executive Vice President since March 2015 and became Chief Financial Officer in November 2018. He served as Group President, Global Commercialization Services & Animal Health from June 2017 to November 2018. He previously served as President, MWI Animal Health from March 2015 to June 2017. Prior to joining the Company, he was President and Chief Executive Officer of MWI Veterinary Supply, Inc. from June 2002.

Mr. Danilewitz became Executive Vice President and Chief Information Officer in November 2014. He served as Senior Vice President and Chief Information Officer from June 2012 to November 2014. He served as Chief Information Officer of AmerisourceBergen Specialty Group from March 1999 to May 2012. Prior to joining the Company, he held management positions within American Airlines and The Sabre Group. He also worked for Whirlpool Corporation in the Advanced Technology Group.

Ms. Gaddes became Executive Vice President and Chief Compliance Officer in October 2018. She served as Executive Vice President and Chief Human Resources Officer from April 2016 to October 2018. She served as Vice President, Group General Counsel and Secretary from May 2012 to April 2016. She served as Assistant General Counsel, Corporate and Securities from December 2011 to May 2012. Prior to joining the Company, Ms. Gaddes was Associate Corporate Secretary at ARCO Chemical Company.

Mr. Mauch has been Executive Vice President since February 2015 and became Group President, Pharmaceutical Distribution & Strategic Global Sourcing in June 2017. He served as President, AmerisourceBergen Drug Corporation from February 2015 to June 2017. He previously served as Senior Vice President Chief Operating Officer, AmerisourceBergen Drug Corporation from March 2014 to February 2015. He was Senior Vice President, Operations, AmerisourceBergen Drug Corporation from April 2012 to March 2014. He was Senior Vice President of Sales and Marketing, AmerisourceBergen Drug Corporation



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from April 2011 to April 2012. He was Senior Vice President, Alternate Care Sales and Marketing, AmerisourceBergen Drug Corporation from May 2010 to April 2011. Mr. Mauch has been employed by the Company or one of its predecessors for 24 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, 2018, there were 2,564 record holders of the Company's common stock.

In November 2016, our board of directors increased the quarterly dividend by 7% from \$0.340 per share to \$0.365 per share. In November 2017, our board of directors increased the quarterly dividend by 4% from \$0.365 per share to \$0.380 per share. In November 2018, our board of directors increased the quarterly dividend by 5% from \$0.380 per share to \$0.400 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 50500, Louisville, KY 40233-500; (telephone): Domestic 1-800-522-6645, International 1-201-680-6578, and (internet) [www.computershare.com/investor](http://www.computershare.com/investor).

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## ISSUER PURCHASES OF EQUITY SECURITIES

The following 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, 2018.

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	—	\$ —	—	\$788,906,335
November 1 to November 30	93,799	\$ 78.58	—	\$788,906,335
December 1 to December 31	251,815	\$ 89.33	251,786	\$766,413,737
January 1 to January 31	—	\$ —	—	\$766,413,737
February 1 to February 28	1,380	\$ 96.17	—	\$766,413,737
March 1 to March 31	400,442	\$ 94.16	400,442	\$728,709,857
April 1 to April 30	—	\$ —	—	\$728,709,857
May 1 to May 31	2,335,748	\$ 85.28	2,335,748	\$529,512,016
June 1 to June 30	773,375	\$ 85.36	773,058	\$463,524,420
July 1 to July 31	580,578	\$ 86.13	580,578	\$413,520,007
August 1 to August 31	1,727,572	\$ 83.61	1,719,621	\$269,785,073
September 1 to September 30	1,615,394	\$ 89.13	1,615,394	\$125,810,091
Total	7,780,103	\$ 86.29	7,676,627	

In November 2016, the Company's board of directors authorized a share repurchase program allowing the Company to purchase up to \$1.0 billion of its outstanding shares of common stock, subject to market conditions.

(a) During the fiscal year ended September 30, 2018, the Company purchased 7.7 million shares of its common stock for a total of \$663.1 million under this program, which included \$24.0 million of September 2018 purchases that cash settled in October 2018. As of September 30, 2018, the Company had \$125.8 million of availability remaining under the November 2016 share repurchase program.

(b) In October 2018, the Company's board of directors authorized a new share repurchase program allowing the Company to purchase up to \$1.0 billion of its outstanding shares of common stock, subject to market conditions.

(c) Employees surrendered 103,476 shares during the fiscal year ended September 30, 2018 to meet minimum tax-withholding obligations upon vesting of restricted stock.

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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, 2013 to September 30, 2018. 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, 2013. The points on the graph represent fiscal year-end index levels based upon 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.

\* \$100 invested on September 30, 2013 in stock or index, including reinvestment of dividends.

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## ITEM 6. SELECTED FINANCIAL DATA

The following 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 25.

As of or for the Fiscal Year Ended September 30,

(Amounts in thousands, except per share amounts)	2018(a)	2017(b)	2016(c)	2015(d)	2014(e)
<b>Statement of Operations Data:</b>					
Revenue	\$ 167,939,635	\$ 153,143,826	\$ 146,849,686	\$ 135,961,803	\$ 119,569,127
Gross profit	4,612,317	4,546,002	4,272,606	3,529,313	2,982,366
Operating expenses	3,168,632	3,485,660	2,746,832	3,107,093	2,200,275
Operating income	1,443,685	1,060,342	1,525,774	422,220	782,091
Interest expense, net	174,699	145,185	139,912	109,036	83,634
Income (loss) from continuing operations	1,615,892	364,484	1,427,929	(138,165)	) 281,776
Net income (loss)	1,615,892	364,484	1,427,929	(138,165)	) 274,230
Net income attributable to AmerisourceBergen Corporation	1,658,405	364,484	1,427,929	(138,165)	) 274,230
Earnings per share from continuing operations — diluted	\$ 7.53	\$ 1.64	\$ 6.32	\$ (0.63)	) \$ 1.20
Earnings per share — diluted	\$ 7.53	\$ 1.64	\$ 6.32	\$ (0.63)	) \$ 1.16
Cash dividends declared per common share	\$ 1.52	\$ 1.46	\$ 1.36	\$ 1.16	\$ 0.94
Weighted average common shares outstanding — diluted	220,336	221,602	225,959	217,786	235,405
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 2,492,516	\$ 2,435,115	\$ 2,741,832	\$ 2,167,442	\$ 1,808,513
Accounts receivable, net	11,314,226	10,303,324	9,175,876	8,222,951	6,312,883
Merchandise inventories	11,918,508	11,461,428	10,723,920	9,755,094	8,593,852
Property and equipment, net	1,892,424	1,797,945	1,530,682	1,192,510	1,044,831
Total assets	37,669,838	35,316,470	33,637,501	27,962,982	21,677,432
Accounts payable	26,836,873	25,404,042	23,926,320	20,886,439	15,592,834
Total debt	4,310,189	3,442,055	4,186,703	3,493,048	1,995,632
Total equity	3,049,961	2,064,461	2,129,404	616,386	1,943,043
Total liabilities and stockholders' equity	\$ 37,669,838	\$ 35,316,470	\$ 33,637,501	\$ 27,962,982	\$ 21,677,432

(a) Includes \$61.3 million of employee severance, litigation, and other costs, net of income tax benefit of \$122.2 million; a \$59.7 million goodwill impairment with no income tax benefit; \$48.6 million of LIFO expense, net of income tax benefit of \$18.7 million; \$47.8 million of PharMEDium remediation costs, net of income tax benefit of \$18.4 million; a \$42.3 million loss on consolidation of equity investments with no income tax benefit; a \$30.0 million impairment on a non-customer note receivable with no income tax benefit; a \$25.9 million gain from antitrust litigation settlements, net of income tax expense of \$10.0 million; a \$17.2 million loss on early retirement of debt, net of income tax benefit of \$6.6 million; and \$15.9 million of expense for an estimated assessment related to the New York State Opioid Stewardship Act, net of income tax benefit of \$6.1 million.

(b) Includes \$101.1 million of LIFO credit, net of income tax expense of \$56.7 million; a \$0.9 million gain from antitrust litigation settlements, net of income tax expense of \$0.5 million; and \$937.4 million of employee severance, litigation, and other costs, net of income tax benefit of \$21.9 million.

(c) Includes \$367.2 million of Warrants income, net of income tax benefit of \$507.5 million; \$120.9 million of LIFO expense, net of income tax benefit of \$79.3 million; an \$80.8 million gain from antitrust litigation settlements, net of income tax expense of \$53.0 million; \$62.1 million of employee severance, litigation, and other costs, net of

income tax benefit of \$40.8 million; and a \$28.7 million pension settlement charge, net of income tax benefit of \$18.9 million.

Includes \$887.5 million of Warrants expense, net of income tax benefit of \$25.3 million; \$336.2 million of LIFO expense, net of income tax benefit of \$206.6 million; a \$40.6 million gain from antitrust litigation settlements, net (d) of income tax expense of \$24.9 million; a \$30.6 million impairment charge on an equity investment, with no income tax benefit; and \$23.5 million of employee severance, litigation, and other costs, net of income tax benefit of \$14.4 million.

Includes \$397.5 million of Warrants expense, net of income tax benefit of \$25.2 million; \$214.6 million of LIFO expense, net of income tax benefit of \$133.4 million; \$20.3 million of loss on early retirement of debt, net of (e) income tax benefit of \$12.7 million; a \$15.1 million gain from antitrust litigation settlements, net of income tax expense of \$9.3 million; and \$5.1 million of employee severance, litigation, and other costs, net of income tax benefit of \$3.1 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 in both human and animal health. We are organized based upon the products and services we provide to our customers. Our operations are comprised of the Pharmaceutical Distribution Services reportable segment and other operating segments that 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.

Pharmaceutical Distribution Services Segment

The Pharmaceutical Distribution Services reportable segment distributes a comprehensive offering of brand-name, specialty brand-name and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, 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 alternate site pharmacies, and other customers. Through a number of operating businesses, the Pharmaceutical Distribution Services reportable segment provides pharmaceutical distribution (including plasma and other blood products, injectible pharmaceuticals, vaccines, and other specialty pharmaceutical products) and additional services to physicians who specialize in a variety of disease states, especially oncology, and to other healthcare providers, including hospitals and dialysis clinics. Additionally, the Pharmaceutical Distribution Services reportable segment provides data analytics, outcomes research, and additional services for biotechnology and pharmaceutical manufacturers. The Pharmaceutical Distribution Services reportable segment also provides pharmacy management, staffing and additional consulting services, and supply management software to a variety of retail and institutional healthcare providers. Additionally, it delivers packaging solutions to institutional and retail healthcare providers.

Other

Other consists of operating segments that focus on global commercialization services and animal health and includes ABCS, World Courier, and MWI.

ABCS, through a number of operating businesses, provides a full suite of integrated manufacturer services that range from clinical trial support to product post-approval and commercialization support. World Courier, which operates in over 50 countries, is a leading global specialty transportation and logistics provider for the biopharmaceutical industry. MWI is a leading animal health distribution company in the United States and in the United Kingdom. MWI sells pharmaceuticals, vaccines, parasiticides, diagnostics, micro feed ingredients, and various other products to customers in both the companion animal and production animal markets. Additionally, MWI offers demand-creating sales force services to manufacturers.

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## Executive Summary

This executive summary provides highlights from the results of operations that follow:

Revenue increased 9.7% from the prior fiscal year primarily due to the revenue growth of our Pharmaceutical Distribution Services segment;

Pharmaceutical Distribution Services' gross profit increased 8.9% from the prior fiscal year primarily due to the increase in revenue, the January 2018 consolidation of Profarma Distribuidora de Produtos Farmacêuticos S.A. ("Profarma"), a leading pharmaceutical wholesaler in Brazil (see Note 2 of the Notes to Consolidated Financial Statements), and the January 2018 acquisition of H.D. Smith, offset in part by a lower contribution from our pharmaceutical compounding operations as it shipped fewer units as we voluntarily suspended production in December 2017 at our Memphis facility pending execution of certain remedial measures. We have been in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding our ongoing compliance efforts at PharMEDium, and representatives of the Company and PharMEDium have had an initial meeting with the DOJ and the FDA to discuss potential resolution of ongoing matters and whether a consent decree is necessary (see Item 1A. Risk Factors on page 8). Further discussions are anticipated, including with regard to the possible entry of a consent decree. Gross profit in Other increased 4.6% from the prior fiscal year primarily due to World Courier and the January 2018 consolidation of the specialty joint venture in Brazil (see Note 2 of the Notes to Consolidated Financial Statements), offset in part by lower gross profit at ABCS, specifically the Lash consulting group. Total gross profit in the current fiscal year was negatively impacted by an increase in last-in, first-out ("LIFO") expense in comparison to the prior fiscal year;

Distribution, selling, and administrative expenses increased 15.6% from the prior fiscal year as the Pharmaceutical Distribution Services' segment expenses increased by 19.4% from the prior fiscal year primarily due to the January 2018 consolidation of Profarma, the January 2018 acquisition of H.D. Smith, and the duplicate costs resulting from the implementation of new information technology systems. Distribution, selling, and administrative expenses in Other increased by 8.2% in the current fiscal year primarily to support its revenue growth, the January 2018 consolidation of the specialty joint venture in Brazil, and due to duplicate costs resulting from the implementation of new information technology systems;

Operating income increased 36.2% in the current fiscal year primarily due to the decrease in employee severance, litigation, and other costs as we incurred significant litigation settlement charges in the prior fiscal year, offset in part by an increase in distribution, selling, and administration expenses and an increase in LIFO expense in the current fiscal year;

Our effective tax rates were (37.2)% and 60.3% in the fiscal years ended September 30, 2018 and 2017, respectively. Our effective tax rate in the fiscal year ended September 30, 2018 was primarily impacted by the effect of the Tax Cuts and Jobs Act (the "2017 Tax Act"). Our total income tax benefit in the fiscal year ended September 30, 2018 of \$438.5 million reflects \$612.6 million of tax benefits recognized and a reduction in the U.S. federal income tax rate from 35% to 21%, both resulting from the 2017 Tax Act. Additionally, during the fourth quarter of fiscal 2018, a portion of a 2017 legal settlement charge was determined to be deductible, which favorably impacted our effective tax rate for the fiscal year ended September 30, 2018. We expect that the federal corporate tax rate reduction as a result of the 2017 Tax Act will continue to favorably impact our effective tax rate compared to prior periods through fiscal 2019. The effective tax rate for the fiscal year ended September 30, 2017 was negatively impacted by non-deductible legal settlement charges. Our effective tax rates for the fiscal years ended September 30, 2018 and 2017 were favorably impacted by our international businesses in Switzerland and Ireland, which have lower income tax rates, and the benefit from stock option exercises and restricted stock vesting; and

Net income attributable to AmerisourceBergen Corporation was significantly higher in the current fiscal year primarily due to the 2017 Tax Act and legal settlement charges that were incurred in the prior fiscal year.



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## Results of Operations

Year ended September 30, 2018 compared to the Year ended September 30, 2017

## Revenue

(dollars in thousands)	Fiscal Year Ended		
	September 30,		
	2018	2017	Change
Pharmaceutical Distribution Services	\$ 161,699,343	\$ 147,453,495	9.7%
Other	6,332,730	5,747,863	10.2%
Intersegment eliminations	(92,438 )	(57,532 )	
Revenue	\$ 167,939,635	\$ 153,143,826	9.7%

We currently expect our revenue growth percentage to be in the mid-single digits in fiscal 2019. Our future revenue growth will continue to be affected by various factors, such as industry growth trends, including drug utilization, the introduction of new innovative brand therapies (including biosimilars), 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 and the rate of conversion from brand products to those generic drugs, price increases and price deflation, 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.

Revenue increased by 9.7% from the prior fiscal year primary due to the revenue growth of our Pharmaceutical Distribution Services segment.

The Pharmaceutical Distribution Services segment grew its revenue by 9.7% from the prior fiscal year, primarily due to the growth of some of its largest customers, overall market growth, and especially strong oncology product sales. In addition, revenue increased in the current fiscal year due to the January 2018 acquisition of H.D. Smith and the January 2018 consolidation of Profarma.

Revenue in Other increased 10.2% from the prior fiscal year, primarily due to the January 2018 consolidation of the specialty joint venture in Brazil, ABCS's growth in its Canadian operations, and increased revenue from MWI and World Courier, offset in part by a decrease in revenue at ABCS's Lash consulting group.

A number of our contracts with customers, including group purchasing organizations ("GPO"), are typically subject to expiration each year. We may lose a significant customer if any existing contract with such customer expires without being extended, renewed, or replaced. During the fiscal year ended September 30, 2018, no significant contracts expired. Over the next twelve months, there are no significant contracts scheduled to expire. Additionally, from time to time, other significant contracts may be renewed prior to their expiration dates. If those contracts are renewed at less favorable terms, they may also negatively impact our revenue, results of operations, and cash flows.

## Gross Profit

(dollars in thousands)	Fiscal Year Ended		
	September 30,		
	2018	2017	Change
Pharmaceutical Distribution Services	\$ 3,466,956	\$ 3,182,836	8.9%
Other	1,260,485	1,204,545	4.6%
Intersegment eliminations	(609 )	(556 )	
Gain from antitrust litigation settlements	35,938	1,395	
LIFO (expense) credit	(67,324 )	157,782	
PharMEDium remediation costs	(61,129 )	—	
New York State Opioid Stewardship Act	(22,000 )	—	
Gross profit	\$ 4,612,317	\$ 4,546,002	1.5%

Gross profit increased 1.5%, or \$66.3 million, from the prior fiscal year. Gross profit in the current fiscal year was favorably impacted by increases in gross profit in Pharmaceutical Distribution Services and Other and an increase in

gains from antitrust litigation settlements. Gross profit was negatively impacted by an increase in LIFO expense in comparison to the prior fiscal year, PharMEDium remediation costs, and an estimated assessment related to the New York State Opioid Stewardship Act.

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Our costs of goods sold includes a LIFO provision that is affected by manufacturer pricing practices, which may be impacted by market and other external influences, changes in inventory quantities, and product mix, many of which are difficult to predict. Changes to any of the above factors may have a material impact to our annual LIFO provision. LIFO expense in the current fiscal year was primarily driven by lower generic deflation and lower generic inventory levels, offset in part by lower brand inflation in comparison to the prior fiscal year.

After FDA inspections of our compounding facilities, we voluntarily suspended production activities in December 2017 at our largest compounding facility located in Memphis, Tennessee pending execution of certain remedial measures. The suspension of this production facility negatively impacted gross profit in the current fiscal year. We have been in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding our ongoing compliance efforts at PharMEDium, and representatives of the Company and PharMEDium have had an initial meeting with the DOJ and the FDA to discuss potential resolution of ongoing matters and whether a consent decree is necessary (see Item 1A. Risk Factors on page 8). Further discussions are anticipated, including with regard to the possible entry of a consent decree.

New York State ("NYS") enacted the Opioid Stewardship Act ("OSA"), which went into effect on July 1, 2018. The OSA established an annual \$100 million Opioid Stewardship Fund (the "Fund") and requires manufacturers, distributors, and importers licensed in NYS to ratably source the Fund. The ratable share of the assessment for each licensee is based upon opioids sold or distributed to or within NYS. The initial payment to NYS is due on January 1, 2019 for opioids sold or distributed during calendar year 2017, and future assessments, beginning with the 2018 calendar year, will be payable quarterly beginning on April 1, 2019. The OSA expires on June 30, 2024. In September 2018, we accrued \$22.0 million as an estimate of our liability under the OSA for the period from January 1, 2017 through September 30, 2018.

Pharmaceutical Distribution Services gross profit increased 8.9%, or \$284.1 million, from the prior fiscal year primarily due to the increase in revenue, the January 2018 consolidation of Profarma, and the January 2018 acquisition of H.D. Smith, offset in part by a lower contribution from our pharmaceutical compounding operations as it shipped fewer units as we voluntarily suspended production in December 2017 at our Memphis facility. As a percentage of revenue, Pharmaceutical Distribution Services gross profit margin of 2.14% in the current fiscal year decreased 2 basis points from the prior fiscal year. The decrease in gross profit margin from the prior fiscal year was primarily due to a lower contribution from our pharmaceutical compounding operations and due to increased sales to our larger customers, which typically have lower gross profit margins, offset in part by the January 2018 consolidation of Profarma and the January 2018 acquisition of H.D. Smith.

Gross profit in Other increased 4.6%, or \$55.9 million, from the prior fiscal year primarily due to World Courier and the January 2018 consolidation of the specialty joint venture in Brazil, offset in part by lower gross profit at ABCS, specifically the Lash consulting group. As a percentage of revenue, gross profit margin in Other of 19.90% in the current fiscal year decreased from 20.96% in the prior fiscal year. The decline in gross profit margin from the prior fiscal year was primarily due to the decrease in gross profit margin at ABCS, specifically the Lash consulting group. We recognized gains from antitrust litigation settlements with pharmaceutical manufacturers of \$35.9 million and \$1.4 million during the fiscal years ended September 30, 2018 and 2017, respectively. The gains were recorded as reductions to cost of goods sold (see Note 14 of the Notes to Consolidated Financial Statements).

## Operating Expenses

(dollars in thousands)	Fiscal Year Ended		
	2018	2017	Change
Distribution, selling, and administrative	\$2,460,301	\$2,128,730	15.6%
Depreciation and amortization	465,127	397,603	17.0%
Employee severance, litigation, and other	183,520	959,327	
Goodwill impairment	59,684	—	
Total operating expenses	\$3,168,632	\$3,485,660	(9.1)%

Distribution, selling, and administrative expenses increased 15.6%, or \$331.6 million, from the prior fiscal year as the Pharmaceutical Distribution Services' segment expenses increased by 19.4% from the prior fiscal year primarily due to the January 2018 consolidation of Profarma, the January 2018 acquisition of H.D. Smith, and the duplicate costs resulting from the implementation of new information technology systems. Distribution, selling, and administrative expenses in Other increased by 8.2% in the current fiscal year primarily to support its revenue growth, the January 2018 consolidation of the specialty joint venture in Brazil, and due to duplicate costs resulting from the implementation of new information technology systems. As a percentage of revenue, distribution, selling, and administrative expenses were 1.46% in the current fiscal year, and represents a 7 basis point

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increase compared to the prior fiscal year. The increase in expense as a percentage of revenue in comparison to the prior fiscal year was primarily due to the January 2018 consolidation of Profarma and the specialty joint venture in Brazil.

Depreciation expense increased 19.8% from the prior fiscal year due to an increase in the amount of property and equipment placed into service relating to our distribution infrastructure and various technology assets. Amortization expense increased 12.9% from the prior fiscal year primarily due to the amortization of intangible assets originating from our January 2018 acquisition of H.D. Smith and the January 2018 consolidation of Profarma.

Employee severance, litigation, and other in the fiscal year ended September 30, 2018 included \$36.7 million of employee severance costs primarily related to position eliminations resulting from our business transformation efforts and restructuring activities related to our consulting business. Litigation costs were \$61.5 million in the fiscal year ended September 30, 2018 and primarily related to opioid lawsuits, investigations, and related initiatives. Other costs in the fiscal year ended September 30, 2018 included \$33.9 million of acquisition-related deal and integration costs, \$33.0 million of other costs related to our business transformation efforts, and \$18.4 million of other restructuring initiatives.

Employee severance, litigation, and other in the fiscal year ended September 30, 2017 included \$7.8 million of employee severance costs primarily related to position eliminations as we began to reorganize to further align our organization to our customers' needs. Litigation costs were \$917.6 million in the fiscal year ended September 30, 2017 and primarily related to litigation settlements and accruals. Other costs in the fiscal year ended September 30, 2017 included \$17.0 million of acquisition-related deal and integration costs, \$13.3 million of other restructuring initiatives, and \$3.7 million related to our business transformation efforts.

We recorded a \$59.7 million goodwill impairment charge at our Profarma reporting unit in connection with our annual goodwill impairment assessment.

## Operating Income

(dollars in thousands)	Fiscal Year Ended		
	September 30,		
	2018	2017	Change
Pharmaceutical Distribution Services	\$1,626,748	\$1,643,629	(1.0)%
Other	355,091	373,797	(5.0)%
Intersegment eliminations	(609)	(556)	)
Total segment operating income	1,981,230	2,016,870	(1.8)%
Gain from antitrust litigation settlements	35,938	1,395	
LIFO (expense) credit	(67,324)	) 157,782	
PharMEDium remediation costs	(66,204)	) —	
New York State Opioid Stewardship Act	(22,000)	) —	
Acquisition-related intangibles amortization	(174,751)	) (156,378)	)
Employee severance, litigation, and other	(183,520)	) (959,327)	)
Goodwill impairment	(59,684)	) —	
Operating income	\$1,443,685	\$1,060,342	36.2%

Segment operating income is evaluated excluding gain from antitrust litigation settlements; LIFO (expense) credit; PharMEDium remediation costs; New York State Opioid Stewardship Act; acquisition-related intangibles amortization; employee severance, litigation, and other; and goodwill impairment.

Pharmaceutical Distribution Services operating income decreased 1.0%, or \$16.9 million, from the prior fiscal year primarily due to an increase in operating expenses, offset in part by an increase in gross profit. As a percentage of revenue, Pharmaceutical Distribution Services operating income margin decreased 10 basis points from the prior fiscal year primarily due to a lower contribution from our pharmaceutical compounding operations as it shipped fewer units as we voluntarily suspended production in December 2017 at our Memphis facility.

Operating income in Other decreased 5.0%, or \$18.7 million, from the prior fiscal year primarily due to a decrease in operating income at ABCS, specifically the Lash consulting group, offset in part by the operating income increase at World Courier.

We recorded a \$30.0 million impairment on a non-customer note receivable related to a start-up venture in Other Loss (Income) in the fiscal year ended September 30, 2018.

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Interest expense, net and the respective weighted average interest rates were as follows:

(dollars in thousands)	Fiscal Year Ended September 30,		2017	
	2018	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Interest expense	\$ 189,640	3.59%	\$ 149,042	2.99%
Interest income	(14,941 )	1.18%	(3,857 )	0.52%
Interest expense, net	\$ 174,699		\$ 145,185	

Interest expense, net increased 20.3%, or \$29.5 million, from the prior fiscal year. The increase in interest expense, net from the prior fiscal year was primarily due to the December 2017 issuance of senior notes to finance our January 2018 acquisition of H.D. Smith and the January 2018 consolidation of Profarma's debt and related interest expense. Average borrowings increased by \$519.8 million in the current fiscal year in comparison to the prior fiscal year. 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.

In connection with our incremental Brazil investments, we adjusted the carrying values of our previously held equity interests in Profarma and the specialty joint venture to equal their fair values. The adjustments resulted in a loss of \$42.3 million, which was comprised of foreign currency translation adjustments from Accumulated Other Comprehensive Loss of \$45.9 million, a \$12.4 million gain on the remeasurement of Profarma's previously held interest, and an \$8.8 million loss on the remeasurement of the specialty joint venture's previously held equity interest (see Note 2 of the Notes to Consolidated Financial Statements).

For the fiscal year ended September 30, 2018, we recorded a \$23.8 million loss on the early retirement of our \$400 million of 4.875% senior notes that were due in 2019 (see Note 6 of the Notes to Consolidated Financial Statements). The loss on the early retirement of the debt included a \$22.3 million prepayment premium and \$1.5 million of an unamortized debt discount and unamortized debt issuance costs.

Our effective tax rates were (37.2)% and 60.3% in the fiscal years ended September 30, 2018 and 2017, respectively. Our effective tax rate in the fiscal year ended September 30, 2018 was primarily impacted by the effect of the 2017 Tax Act. Our total income tax benefit in the fiscal year ended September 30, 2018 of \$438.5 million reflects \$612.6 million of tax benefits recognized and a reduction in the U.S. federal income tax rate from 35% to 21%, both resulting from the 2017 Tax Act. Additionally, during the fourth quarter of fiscal 2018, a portion of a 2017 legal settlement charge was determined to be deductible, which favorably impacted our effective tax rate for the fiscal year ended September 30, 2018. We expect that the federal corporate tax rate reduction as a result of the 2017 Tax Act will continue to favorably impact our effective tax rate compared to prior periods through fiscal 2019. The effective tax rate for the fiscal year ended September 30, 2017 was negatively impacted by non-deductible legal settlement charges. Our effective tax rates for the fiscal years ended September 30, 2018 and 2017 were favorably impacted by our international businesses in Switzerland and Ireland, which have lower income tax rates, and the benefit from stock option exercises and restricted stock vesting.

Net income attributable to AmerisourceBergen Corporation was significantly higher in the current fiscal year primarily due to the 2017 Tax Act and legal settlement charges that were incurred in the prior fiscal year.

Year ended September 30, 2017 compared to the Year ended September 30, 2016

## Revenue

(dollars in thousands)	Fiscal Year Ended		
	September 30,		Change
	2017	2016	
Pharmaceutical Distribution Services	\$ 147,453,495	\$ 141,701,997	4.1%
Other	5,747,863	5,207,095	10.4%
Intersegment eliminations	(57,532 )	(59,406 )	
Revenue	\$ 153,143,826	\$ 146,849,686	4.3%

Revenue increased by 4.3% from the prior fiscal year, primary due to the revenue growth of our Pharmaceutical Distribution Services segment.

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The Pharmaceutical Distribution Services segment grew its revenue by 4.1% from the prior fiscal year primarily due to growth in some of its largest customers, overall market growth within the retail customer segment, and strong growth in sales of oncology products, offset in part by a decline in sales of products that treat Hepatitis C.

Revenue in Other increased 10.4% from the prior fiscal year, primarily due to increased revenue from MWI due to strong growth in its companion animal business and ABCS due to its growth in manufacturer service programs.

## Gross Profit

(dollars in thousands)	Fiscal Year Ended		
	September 30,		
	2017	2016	Change
Pharmaceutical Distribution Services	\$3,182,836	\$3,232,873	(1.5)%
Other	1,204,545	1,106,309	8.9%
Intersegment eliminations	(556 )	(104 )	
Gain from antitrust litigation settlements	1,395	133,758	
LIFO credit (expense)	157,782	(200,230 )	
Gross profit	\$4,546,002	\$4,272,606	6.4%

Gross profit increased 6.4%, or \$273.4 million, from the prior fiscal year. The increase in gross profit from the prior fiscal year was primarily due to a decrease in LIFO expense of \$358.0 million and an increase in gross profit in Other, offset in part by a decrease in gains from antitrust litigation settlements of \$132.4 million and a decrease in gross profit in Pharmaceutical Distribution Services. The LIFO credit in the fiscal year ended September 30, 2017 was primarily driven by lower brand inflation and greater generic deflation in comparison to the prior fiscal year.

Pharmaceutical Distribution Services gross profit decreased 1.5%, or \$50.0 million, from the prior fiscal year. Gross profit in the fiscal year ended September 30, 2017 was adversely impacted primarily by the Kaiser Permanente contract renewal effective July 1, 2016 at less favorable terms, a GPO customer contract renewal effective April 1, 2016 at less favorable terms, lower price appreciation, and a lower contribution from PharMEDium as it shipped fewer units while we increased our investment in quality control and quality assurance systems to enhance product quality and patient safety and to meet all of PharMEDium's commitments to the FDA pursuant to the new federal requirements for outsourcing facilities, all of which were offset in part by an increase in revenue. As a percentage of revenue, Pharmaceutical Distribution Services gross profit margin of 2.16% in the fiscal year ended September 30, 2017 decreased 12 basis points from the prior fiscal year. The decrease from the prior fiscal year was primarily due to the above-mentioned contract renewals, lower price appreciation, and increased sales to some of our larger customers that typically have a lower gross profit margin.

Gross profit in Other increased 8.9%, or \$98.2 million, from the prior fiscal year. The increase was primarily due to revenue growth of ABCS and MWI. As a percentage of revenue, gross profit margin in Other of 20.96% in the fiscal year ended September 30, 2017 decreased from 21.25% in the prior fiscal year.

We recognized gains from antitrust litigation settlements with pharmaceutical manufacturers of \$1.4 million and \$133.8 million during the fiscal years ended September 30, 2017 and 2016, respectively.

## Operating Expenses

(dollars in thousands)	Fiscal Year Ended		
	September 30,		
	2017	2016	Change
Distribution, selling, and administrative	\$2,128,730	\$2,091,237	1.8%
Depreciation and amortization	397,603	364,735	9.0%
Warrants expense	—	140,342	
Employee severance, litigation, and other	959,327	102,911	
Pension settlement	—	47,607	
Total operating expenses	\$3,485,660	\$2,746,832	26.9%

Distribution, selling, and administrative expenses increased 1.8%, or \$37.5 million, from the prior fiscal year and as a percentage of revenue was 1.39% in the fiscal year ended September 30, 2017, a 3 basis point decline compared to the

prior fiscal year. The decrease in expenses as a percentage of revenue in comparison to the prior fiscal year was primarily due to initiatives taken in the second half of fiscal 2016 to improve operating efficiency across many of our businesses and certain administrative functions.

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Depreciation expense increased 11.7% from the prior fiscal year due to an increase in the amount of property and equipment placed into service relating to our distribution infrastructure and various technology assets. Amortization expense increased 5.3% from the prior fiscal year primarily due to the amortization of intangible assets originating from our November 6, 2015 acquisition of PharMEDium.

There was no Warrants expense in the fiscal year ended September 30, 2017 as the Warrants were exercised in the fiscal year ended September 30, 2016. Warrants expense in the fiscal year ended September 30, 2016 was \$140.3 million.

Employee severance, litigation, and other in the fiscal year ended September 30, 2017 included \$7.8 million of employee severance costs primarily related to position eliminations as we began to reorganize to further align our organization to our customers' needs. Litigation costs were \$917.6 million in the fiscal year ended September 30, 2017 and primarily related to litigation settlements and accruals. Other costs in the fiscal year ended September 30, 2017 included \$17.0 million of acquisition-related deal and integration costs, \$13.3 million of other restructuring initiatives, and \$3.7 million related to our business transformation efforts.

Employee severance, litigation, and other in the fiscal year ended September 30, 2016 included \$38.8 million of employee severance costs primarily related to position eliminations as we reorganized certain of our business units and corporate functions to improve operating efficiency, a \$17.1 million charge related to the transfer of surplus assets from our settled salaried defined benefit pension plan to its defined contribution 401(k) plan, \$13.0 million of costs related to customer contract extensions (primarily related to the settlement of certain disputed items), \$19.2 million of acquisition-related deal and integration costs, and \$14.7 million of other restructuring initiatives.

## Operating Income

(dollars in thousands)	Fiscal Year Ended		
	September 30,		Change
	2017	2016	
Pharmaceutical Distribution Services	\$1,643,629	\$1,702,725	(3.5)%
Other	373,797	327,746	14.1%
Intersegment eliminations	(556)	(103)	)
Total segment operating income	2,016,870	2,030,368	(0.7)%
Gain from antitrust litigation settlements	1,395	133,758	
LIFO credit (expense)	157,782	(200,230)	)
Acquisition-related intangibles amortization	(156,378)	(147,262)	)
Warrants expense	—	(140,342)	)
Employee severance, litigation, and other	(959,327)	(102,911)	)
Pension settlement	—	(47,607)	)
Operating income	\$1,060,342	\$1,525,774	(30.5)%

Segment operating income was evaluated excluding gain from antitrust litigation settlements; LIFO credit (expense); acquisition-related intangibles amortization; Warrants expense; employee severance, litigation, and other; and pension settlement.

Pharmaceutical Distribution Services operating income decreased 3.5%, or \$59.1 million, from the prior fiscal year primarily due to the decrease in gross profit. As a percentage of revenue, Pharmaceutical Distribution Services operating income margin of 1.11% decreased 9 basis points from the prior fiscal year primarily due to the prior year contract renewals at less favorable terms, lower price appreciation, and increased sales to some of our larger customers that typically have lower gross profit margin, offset in part by our initiatives to improve operating efficiency.

Operating income in Other increased 14.1%, or \$46.1 million, from the prior fiscal year primarily due to the gross profit increases of ABCS and MWI, offset in part by an increase in operating expenses.



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Interest expense, net and the respective weighted average interest rates were as follows:

(dollars in thousands)	Fiscal Year Ended September 30,		2016	
	2017	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Interest expense	\$ 149,042	2.99%	\$ 144,349	2.72%
Interest income	(3,857 )	0.52%	(4,437 )	0.45%
Interest expense, net	\$ 145,185		\$ 139,912	

Interest expense, net increased 3.8%, or \$5.3 million, from the prior fiscal year. The increase in interest expense, net from the prior fiscal year was primarily due to an increase in our financing obligations related to leased construction assets, offset in part by a decrease of approximately \$500 million in average borrowings from the prior fiscal year. Our effective tax rates were 60.3% and (2.7)% in the fiscal years ended September 30, 2017 and 2016, respectively. Our effective tax rate in the fiscal year ended September 30, 2017 was negatively impacted by legal settlements and accrual charges that we estimated to be non-deductible (see Note 13 of the Notes to Consolidated Financial Statements), offset in part by certain discrete items, the growth of our international businesses in Switzerland and Ireland that have significantly lower income tax rates, and the benefit from stock option exercises and restricted stock vesting. Prior to the fiscal year ended September 30, 2017, tax benefits resulting from share-based compensation were recorded as adjustments to Additional Paid-In Capital within Stockholders' Equity. Our effective tax rate in the fiscal year ended September 30, 2016 primarily benefited from the receipt of an Internal Revenue Service private letter ruling that entitled us to an income tax deduction equal to the fair value of the Warrants on the dates of exercise. Net income attributable to AmerisourceBergen Corporation was \$364.5 million and \$1,427.9 million in the fiscal years ended September 30, 2017 and 2016.

#### Critical Accounting Policies and Estimates

Critical accounting policies are those policies that 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 upon the application of estimates and assumptions. For a complete list of significant accounting policies, see Note 1 of the Notes to Consolidated Financial Statements.

#### Allowances for Returns and 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 customer sales returns and an allowance for doubtful accounts. Our 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. We record an accrual for estimated customer sales returns at the time of sale to the customer based upon historical customer return trends. The allowance for returns as of September 30, 2018 and 2017 was \$988.8 million and \$1,001.7 million, respectively.

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 upon 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, 2018, 2017, and 2016, 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.

Bad debt expense for the fiscal years ended September 30, 2018, 2017, and 2016 was \$16.7 million, \$8.9 million, and \$13.1 million, respectively. An increase or decrease of 0.1% in the 2018 allowance as a percentage of trade receivables would

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result in an increase or decrease in the provision on accounts receivable of approximately \$11.4 million. The allowance for doubtful accounts was \$61.1 million and \$66.6 million as of September 30, 2018 and 2017, respectively.

Schedule II of this Form 10-K sets forth a rollforward of allowances for returns and doubtful accounts.

### Business Combinations

The assets acquired and liabilities assumed upon the acquisition or consolidation of a business are recorded at fair value, with the residual of the purchase price allocated to 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 upon 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: discount rates and expected future cash flows from and economic lives of customer relationships, trade names, existing technology, and other intangible assets. Unanticipated events and circumstances may occur, which may affect the accuracy or validity of such assumptions or estimates.

### Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives, such as certain 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 assessment 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, respectively. We elected to bypass performing the qualitative assessment and, in the fourth quarter of fiscal 2018, went directly to performing our annual quantitative assessments of the goodwill and indefinite-lived intangible assets for the current year. We may elect to perform the qualitative annual assessment in future periods.

The goodwill impairment test requires us to compare the carrying value 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, the difference between the carrying value and the fair value is recorded as an impairment loss, the amount of which may not exceed the total amount of goodwill allocated to the reporting unit.

Goodwill arises from acquisitions or consolidations of specific operating companies and is assigned to the reporting unit in which a particular operating company resides. We identify our reporting units based upon our management reporting structure, beginning with our operating segments. We evaluate whether the components within our operating segments have similar economic characteristics, which include the nature of the components' products, services, and production processes, the types of customers and the methods by which products or services are delivered to customers, and the components' regulatory environment. Our reporting units include Pharmaceutical Distribution Services, Profarma, ABCS, World Courier, and MWI.

We utilize an income-based approach to value our reporting units, with the exception of the Profarma reporting unit, the fair value of which is based upon its publicly-traded stock price, plus an estimated control premium. The income-based approach relies on a discounted cash flow analysis, which considers forecasted cash flows discounted at an appropriate discount rate, to determine the fair value of each reporting unit. We generally believe that market participants would use a discounted cash flow analysis to determine the fair value of our 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, capital expenditures, 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 debt and equity, including a risk premium. While we use the best available information to prepare our cash flows and discount rate assumptions, actual future cash flows and/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 (certain 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 indefinite-lived trademarks and trade names and not having to pay a royalty for their use.

We completed our required annual impairment tests of goodwill and indefinite-lived intangible assets in the fourth quarter of the fiscal years ended September 30, 2018, 2017, and 2016. We recorded a goodwill impairment of \$59.7 million in our Profarma reporting unit in connection with our fiscal 2018 annual impairment test (see Note 5 of the Notes to Consolidated Financial



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Statements). No goodwill impairments were recorded in the fiscal years ended September 30, 2017 and 2016. No indefinite-lived intangible impairments were recorded in the fiscal years ended September 30, 2018, 2017, and 2016. In connection with the goodwill impairment recorded in the Profarma reporting unit, we first performed a recoverability assessment of Profarma's long-lived assets by comparing its undiscounted cash flows to the carrying value of the asset group, and it was determined to be recoverable; however, the forecasted undiscounted cash flows used to perform the recoverability assessment are inherently uncertain and include assumptions that could differ from actual results in future periods.

We perform a recoverability assessment of our long-lived assets when impairment indicators are present. PharMEDium Healthcare Holdings, Inc.'s ("PharMEDium") long-lived assets were also tested for recoverability in fiscal 2018 due to the existence of an impairment indicator. We voluntarily suspended production activities in December 2017 at its largest compounding facility located in Memphis, Tennessee after FDA inspections of PharMEDium's compounding facilities. We concluded that the suspension of production activity represented an impairment indicator of PharMEDium's long-lived assets and, therefore, performed a recoverability assessment of PharMEDium's long-lived assets. The recoverability assessment was based on the carrying value of the PharMEDium asset group, excluding goodwill. The carrying value of the asset group was \$903 million as of September 30, 2018. We concluded that PharMEDium's long-lived assets are recoverable as of September 30, 2018; however, the forecasted undiscounted cash flows used to perform the recoverability assessment are inherently uncertain and include assumptions, such as the timing of resumed production activities and profitability, that could differ from actual results in future periods.

#### 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 upon our interpretation of tax laws and regulations and record estimates based upon 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. Significant judgment is exercised in applying complex tax laws and regulations across multiple global jurisdictions where we conduct our operations. 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 upon examination by the taxing authorities, including resolutions of any related appeals or litigation processes, based upon 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 upon 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 before income taxes would have caused income tax expense to change by \$11.8 million in the fiscal year ended September 30, 2018.

For a complete discussion on the impact of the 2017 Tax Act, refer to Note 4 of the Notes to Consolidated Financial Statements.



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Investments

We first evaluate our investments in accordance with the variable interest model to determine whether we have a controlling financial interest in an investment. This evaluation is made as of the date on which we make our initial investment, and subsequent evaluations are made if the structure of the investment changes. If it has been determined that an investment is a variable interest entity ("VIE"), we evaluate whether the VIE is required to be consolidated. When we hold rights that give us the power to direct the activities of an entity that most significantly impact the entity's economic performance, combined with the obligation to absorb an entity's losses and the right to receive benefits, we consolidate a VIE. If it is determined that an investment is not a VIE, we then evaluate our investments under the voting interest model and generally consolidate investments in which we hold an ownership interest of greater than 50%. When we consolidate less than wholly-owned subsidiaries, we recognize our noncontrolling interest in our consolidated financial statements.

We generally account for ownership interests of between 20% and 50% under the equity method of accounting. 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. There were no impairment charges on equity investments in the fiscal years ended September 30, 2018, 2017, or 2016.

Loss Contingencies

In the ordinary course of business, we become involved in lawsuits, administrative proceedings, government subpoenas, government investigations, and other disputes, 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.

Merchandise Inventories

Inventories are stated at the lower of cost or market. Cost for approximately 75% and 80% of our inventories as of September 30, 2018 and 2017, respectively, has been determined using the LIFO method. If we had used the first-in, first-out method of inventory valuation, which approximates current replacement cost, inventories would have been approximately \$1,534.4 million and \$1,467.0 million higher than the amounts reported as of September 30, 2018 and 2017, respectively. We recorded LIFO expense of \$67.3 million and \$200.2 million in the fiscal years ended September 30, 2018 and 2016, respectively. We recorded a LIFO credit of \$157.8 million in the fiscal year ended September 30, 2017. 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. Changes to any of the above factors can have a material impact to our annual LIFO provision.

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## Liquidity and Capital Resources

The following illustrates our debt structure as of September 30, 2018, including availability under the multi-currency revolving credit facility, the receivables securitization facility, the revolving credit note, and the overdraft facility:

(in thousands)	Outstanding Balance	Additional Availability
Fixed-Rate Debt:		
\$500,000, 3.50% senior notes due 2021	\$ 498,392	\$—
\$500,000, 3.40% senior notes due 2024	497,255	—
\$500,000, 3.25% senior notes due 2025	495,632	—
\$750,000, 3.45% senior notes due 2027	742,258	—
\$500,000, 4.25% senior notes due 2045	494,298	—
\$500,000, 4.30% senior notes due 2047	492,222	—
Capital lease obligations	745	—
Nonrecourse debt	71,125	—
Total fixed-rate debt	3,291,927	—
Variable-Rate Debt:		
Revolving credit note	—	75,000
Receivables securitization facility due 2019	500,000	950,000
Term loans due 2020	398,665	—
Multi-currency revolving credit facility due 2021	—	1,400,000
Overdraft facility due 2021 (£30,000)	13,269	25,818
Nonrecourse debt	106,328	—
Total variable-rate debt	1,018,262	2,450,818
Total debt	\$ 4,310,189	\$ 2,450,818

Our operating results have generated cash flows, which, together with availability under our debt agreements and credit terms from suppliers, have 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. Future cash flows from operations and borrowings are expected to be sufficient to fund our ongoing cash requirements.

As of September 30, 2018 and 2017, our cash and cash equivalents held by foreign subsidiaries were \$842.5 million and \$995.7 million, respectively, and are generally based in U.S. dollar denominated holdings. Prior to the 2017 Tax Act, we intended to indefinitely reinvest this cash in foreign investments or foreign operations. After further assessment of the impact of the 2017 Tax Act, we reevaluated our position and determined that we are no longer permanently reinvested with respect to foreign subsidiaries whose undistributed earnings are able to be repatriated with minimal to no additional tax impact. In accordance with the 2017 Tax Act (see Note 4 of the Notes to Consolidated Financial Statements), historical foreign earnings and profits are now subject to a one-time transition tax, which we currently estimate to be \$219.6 million, net of overpayments and tax credits. In September 2018, we repatriated \$638.0 million of cash held by foreign subsidiaries to use for general corporate purposes.

We have increased seasonal needs related to our inventory build during the December and March quarters that, depending on our cash balance, may require the use of our credit facilities to fund short-term capital needs. Our cash balance in the fiscal years ended September 30, 2018 and 2017 needed to be supplemented by intra-period credit facility borrowings to cover short-term working capital needs. The largest amount of intra-period borrowings under our revolving and securitization credit facilities that was outstanding at any one time during the fiscal years ended

September 30, 2018 and 2017 was \$1,508.2 million and \$626.1 million, respectively. We had \$25,115.3 million, \$9,324.7 million, and \$8,333.7 million of cumulative intra-period borrowings that were repaid under our credit facilities during the fiscal years ended September 30, 2018, 2017, and 2016, respectively. Additionally, in the fiscal year ended September 30, 2016, we borrowed \$500.0 million under our receivables securitization facility that we used to finance principal payments that we elected to make on the November 2015 Term Loan (see below).

In December 2017, we issued \$750 million of 3.45% senior notes due December 15, 2027 (the "2027 Notes") and \$500 million of 4.30% senior notes due December 15, 2047 ("the 2047 Notes"). The 2027 Notes were sold at 99.76% of the principal

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amount and have an effective yield of 3.48%. The 2047 Notes were sold at 99.51% of the principal amount and have an effective yield of 4.33%. Interest on the 2027 Notes and the 2047 Notes is payable semi-annually in arrears and commenced on June 15, 2018.

We used the proceeds from the 2027 Notes and the 2047 Notes to finance the early retirement of our \$400 million of 4.875% senior notes that were due in 2019, including the payment of a \$22.3 million prepayment premium, and to finance the acquisition of H.D. Smith, which was completed in January 2018.

In the fiscal year ended September 30, 2017, we repaid the \$600 million of 1.15% senior notes that became due, and we repaid \$150.0 million of amounts outstanding under our Term Loans (defined below).

We have a \$1.4 billion multi-currency senior unsecured revolving credit facility ("Multi-Currency Revolving Credit Facility") with a syndicate of lenders, which was scheduled to expire in November 2021. In October 2018, we entered into an amendment to, among other things, extend the maturity to October 2023 and modify certain restrictive covenants, including modifications to allow for indebtedness of foreign subsidiaries. Interest on borrowings under the Multi-Currency Revolving Credit Facility accrues at specified rates based upon our debt rating and ranges from 70 basis points to 110 basis points over CDOR/LIBOR/EURIBOR/Bankers Acceptance Stamping Fee, as applicable (91 basis points over CDOR/LIBOR/EURIBOR/Bankers Acceptance Stamping Fee as of September 30, 2018) and from 0 basis points to 10 basis points over the alternate base rate and Canadian prime rate, as applicable. We pay facility fees to maintain the availability under the Multi-Currency Revolving Credit Facility at specified rates based upon our debt rating, ranging from 5 basis points to 15 basis points, annually, of the total commitment (9 basis points as of September 30, 2018). 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 subsidiaries and asset sales, with which we were compliant as of September 30, 2018.

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 \$1.4 billion 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, 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 as of September 30, 2018 and 2017.

We have a \$1,450 million receivables securitization facility ("Receivables Securitization Facility"), which was scheduled to expire in November 2019. In October 2018, we entered into an amendment to extend the maturity to October 2021. 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 based upon prevailing market rates for short-term commercial paper or LIBOR plus a program fee. We pay a customary unused fee at prevailing market rates, annually, to maintain the availability under the Receivables Securitization Facility. In fiscal 2016, we utilized the capacity to borrow \$500 million on the Receivables Securitization Facility to finance \$500 million of principal payments that we elected to make on the November 2015 Term Loan (defined below), as the Receivables Securitization Facility bears interest at a lower rate. The Receivables Securitization Facility contains similar covenants to the Multi-Currency Revolving Credit Facility, with which we were compliant as of September 30, 2018.

In connection with the Receivables Securitization Facility, AmerisourceBergen Drug Corporation 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 financial institutions and commercial paper conduits sponsored by financial institutions. AmerisourceBergen Drug Corporation is the servicer of the accounts receivable under the Receivables Securitization Facility. 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"). 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 \$75 million. The Revolving Credit Note may be decreased or terminated by the bank or us at any time without prior notice. We also have a £30 million uncommitted U.K. overdraft facility ("Overdraft Facility"), which expires in February 2021, to fund short-term, normal trading cycle fluctuations related to our MWI business.

In February 2015, we entered into a \$1.0 billion variable-rate term loan (the "February 2015 Term Loan"), which matures in 2020. Through September 30, 2018, we elected to make principal payments, prior to the scheduled repayment dates, of \$925.0 million on the February 2015 Term Loan, and as a result, our next required principal payment is due upon maturity. The February 2015 Term Loan bears interest at a rate equal either to a base rate plus a margin, or LIBOR, plus a margin. The margin is based

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upon our public debt ratings and ranges from 75 basis points to 125 basis points over LIBOR (100 basis points as of September 30, 2018) and 0 basis points to 25 basis points over a base rate. The February 2015 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility, with which we were compliant as of September 30, 2018.

In November 2015, we entered into a \$1.0 billion variable-rate term loan (the "November 2015 Term Loan"), which matures in 2020. Through September 30, 2018, we made a scheduled principal payment, as well as other principal payments prior to the scheduled repayment dates totaling \$675.0 million on the November 2015 Term Loan, and as a result, our next scheduled principal payment is due upon maturity. The November 2015 Term Loan bears interest at a rate equal either to a base rate, plus a margin, or LIBOR, plus a margin. The margin is based upon our public debt ratings and ranges from 75 basis points to 125 basis points over LIBOR (100 basis points as of September 30, 2018) and 0 basis points to 25 basis points over a base rate. The November 2015 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility, with which we are compliant as of September 30, 2018. We used the proceeds from the November 2015 Term Loan to finance a portion of the cash consideration paid in connection with the acquisition of PharMEDium.

The February 2015 and November 2015 Term Loans (collectively, the "Term Loans") were scheduled to mature in November 2020 and February 2020, respectively. In October 2018, we refinanced the Term Loans by issuing a new variable-rate term loan ("October 2018 Term Loan"), which matures in October 2020. The October 2018 Term Loan bears interest at a rate equal to a base rate or LIBOR, plus a margin of 65 basis points. The October 2018 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility.

In addition to the 2027 Notes and the 2047 Notes, both of which were issued in the fiscal year ended September 30, 2018, we have \$500 million of 3.50% senior notes due November 15, 2021, \$500 million of 3.40% senior notes due May 15, 2024, \$500 million of 3.25% senior notes due March 1, 2025, and \$500 million of 4.25% senior notes due March 1, 2045 (collectively, the "Notes"). Interest on the Notes is payable semiannually in arrears.

We consolidated the nonrecourse short-term and long-term debt of Profarma and the specialty joint venture in Brazil in connection with the incremental investments made in January 2018 (see Note 2 and Note 3 of the Notes to Consolidated Financial Statements). Nonrecourse debt is repaid solely from the Brazil subsidiaries' cash flows and such debt agreements provide that the repayment of the loans (and interest thereon) is secured solely by the capital stock, physical assets, contracts, and cash flows of the Brazil subsidiaries.

In August 2013, our board of directors authorized a share repurchase program allowing us to purchase up to \$750 million of our shares of common stock, subject to market conditions. During the six months ended March 31, 2016, we purchased \$100.0 million of our common stock under this program. In May 2016, our board of directors authorized a new share purchase program that, together with availability remaining under the existing August 2013 share repurchase program, permitted us to purchase up to \$750 million in shares of our common stock, subject to market conditions. In September 2016, we entered into an Accelerated Share Repurchase ("ASR") transaction with a financial institution and paid \$400.0 million for shares of our common stock. The initial payment of \$400.0 million funded stock purchases of \$380.0 million and a share holdback of \$20.0 million. The ASR transaction was settled in November 2016, at which time the financial institution delivered additional shares to us. The number of shares ultimately received was based upon the volume-weighted average price of our common stock during the term of the ASR. We applied the \$400.0 million ASR to this program. In addition to the ASR, during the fiscal year ended September 30, 2016, we purchased \$231.2 million of our common stock under this program. During the fiscal year ended September 30, 2017, we purchased \$118.8 million of our common stock to complete our authorization under this program.

In November 2016, our board of directors authorized a share repurchase program allowing us to purchase up to \$1.0 billion in shares of our common stock, subject to market conditions. During the fiscal year ended September 30, 2017, we purchased \$211.1 million of our common stock under this program. During the fiscal year ended September 30, 2018, we purchased \$663.1 million of our common stock under this program, which included \$24.0 million of September 2018 purchases that cash settled in October 2018. As of September 30, 2018, we had \$125.8 million of availability remaining under this program.



In October 2018, our board of directors authorized a new share repurchase program allowing us to purchase up to \$1.0 billion of our shares of common stock, subject to market conditions.

In March 2013, we and WBA entered into various agreements and arrangements pursuant to which subsidiaries of WBA were granted the right to purchase a minority equity position in us, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of our common stock in open market transactions (approximately 7% of our common stock on a fully diluted basis as of the date of issuance of the Warrants described below, assuming their exercise in full). In connection with these arrangements, wholly-owned subsidiaries of WBA were issued (a) warrants to purchase up to an aggregate of 22,696,912 shares of our common stock at an exercise price of \$51.50 per share, exercisable during a six-month period beginning in March 2016 (the "2016 Warrants"), and (b) warrants to purchase up to 22,696,912 shares of our common stock at an exercise price of \$52.50

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per share, exercisable during a six-month period beginning in March 2017 (the "2017 Warrants" and together with the 2016 Warrants, the "Warrants").

In June 2013, we commenced a strategy to mitigate the dilutive effect of the Warrants upon exercise. Prior to fiscal 2016, we purchased 18.8 million shares of our common stock for \$1,774.1 million under special share repurchase programs. During the fiscal year ended September 30, 2016, we purchased 26.3 million shares of our common stock for \$1,535.1 million under a special share repurchase program.

In March 2016, the 2016 Warrants were exercised for \$1,168.9 million in cash. In August 2016, the 2017 Warrants were amended so that they became exercisable in whole or in part during the six-month period beginning in August 2016 at an exercise price of \$52.50. In August 2016, the 2017 Warrants were exercised by WBA for \$1,191.6 million in cash.

The 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 financing obligations, and minimum payments on our other commitments as of September 30, 2018:

Payments Due by Period (in thousands)	Debt, Including Interest Payments	Operating Leases	Financing Obligations <sup>1</sup>	Other Commitments	Total
Within 1 year	\$309,125	\$89,589	\$26,561	\$84,198	\$509,473
1-3 years	1,193,604	160,618	56,111	107,635	1,517,968
4-5 years	712,650	118,232	49,992	65,617	946,491
After 5 years	3,893,913	143,714	107,146	163,374	4,308,147
Total	\$6,109,292	\$512,153	\$239,810	\$420,824	\$7,282,079

<sup>1</sup> Represents the portion of future minimum lease payments relating to facility leases where we were determined to be the accounting owner (see Note 1 of the Notes to Consolidated Financial Statements). These payments are recognized as reductions to the financing obligation and as interest expense and exclude the future non-cash termination of the financing obligation.

The 2017 Tax Act requires a one-time transition tax to be recognized on historical foreign earnings and profits. We currently estimate that our liability related to the transition tax is \$219.6 million, net of overpayments and tax credits, as of September 30, 2018, which is payable in installments over a six-year period commencing in January 2021. The transition tax commitment is included in "Other Commitments" in the above table.

We outsource to IBM Global Services a significant portion of our data center operations. The remaining commitment under our arrangement, which expires in January 2021, is approximately \$33.7 million as of September 30, 2018, \$15.0 million of which represents our commitment in fiscal 2019, and is included in "Other commitments" in the above table.

Our liability for uncertain tax positions was \$112.9 million (including interest and penalties) as of September 30, 2018. 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 the fiscal years ended September 30, 2018 and 2017, our operating activities provided cash of \$1,411.4 million and \$1,504.1 million, respectively. Cash provided by operations in the fiscal year ended September 30, 2018 was principally the result of net income of \$1,615.9 million, an increase in accounts payable of \$859.0 million, and an increase in income taxes payable of \$209.9 million, offset in part by an increase in accounts receivable of \$657.8 million and a decrease in accrued expenses of \$537.9 million. The increase in accounts payable was primarily driven by the timing of scheduled payments to suppliers. The increase in income taxes payable was primarily driven by a

one-time transition tax on historical foreign earnings and profits through December 31, 2017 in connection with tax reform. The decrease in accrued expenses was primarily driven by the payment of a legal settlement of \$625.0 million, plus interest (see Note 13 of the Notes to the Consolidated Financial Statements). The increase in accounts receivable was the result of our revenue growth and the timing of payments from our customers. Non-cash items were comprised primarily of a \$795.5 million deferred income tax benefit, \$318.5 million of depreciation expense, and \$191.6 million of amortization expense. The deferred income tax benefit was primarily the result of applying a lower U.S. federal income tax rate to our net deferred tax liabilities as of December 31, 2017 in connection with tax reform.

Deterioration of general economic conditions, among other factors, could adversely affect the number 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.

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We use days sales outstanding, days inventory on hand, and days payable outstanding to evaluate our working capital performance. The below financial metrics are calculated based upon an annual average and can be impacted by the timing of cash receipts and disbursements, which can vary significantly depending upon the day of the week in which the month ends.

	Fiscal Year Ended September 30,		
	2018	2017	2016
Days sales outstanding	24.5	23.8	21.6
Days inventory on hand	29.9	30.1	30.0
Days payable outstanding	56.7	57.4	56.9

The increase in days sales outstanding from fiscal 2016 to fiscal 2017 was the result of a gradual change in payment terms with our largest customer.

Our cash flows from operating activities can vary significantly from period to period based upon fluctuations in our period end working capital. Additionally, any changes to payment terms with a significant customer or manufacturer supplier could have a material impact to our cash flows from operations. Operating cash flows during the fiscal year ended September 30, 2018 included \$162.1 million of interest payments and \$104.0 million of income tax payments, net of refunds. Operating cash flows during the fiscal year ended September 30, 2017 included \$125.3 million of interest payments and \$105.0 million of income tax payments, net of refunds. Operating cash flows during the fiscal year ended September 30, 2016 included \$123.5 million of interest payments and \$17.5 million of income tax payments, net of refunds.

During the fiscal years ended September 30, 2017 and 2016, our operating activities provided cash of \$1,504.1 million and \$3,178.5 million, respectively. Cash provided by operations in the fiscal year ended September 30, 2017 was principally the result of an increase in accounts payable of \$1,473.4 million, non-cash items of \$672.5 million, an increase in accrued expenses of \$661.2 million, and net income of \$364.5 million, offset in part by an increase in accounts receivable of \$1,277.9 million and an increase in merchandise inventories of \$431.5 million. The increase in accounts payable was primarily driven by the increase in merchandise inventories and the timing of scheduled payments to our suppliers. The non-cash items were comprised primarily of \$319.1 million of deferred income tax expense, \$262.4 million of depreciation expense, \$169.9 million of amortization expense, and a LIFO credit of \$157.8 million. The increase in accrued expenses was primarily driven by a litigation accrual of \$625.0 million (see Note 13 of the Notes to the Consolidated Financial Statements). The increase in accounts receivable was the result of our revenue growth and a gradual change in payment terms with our largest customer that occurred between May 2016 and February 2017 as part of a contract amendment that, among other things, extended the term of our relationship with the customer. We increased our merchandise inventories as of September 30, 2017 to support the increase in business volume.

Capital expenditures in the fiscal years ended September 30, 2018, 2017, and 2016 were \$336.4 million, \$466.4 million, and \$464.6 million, respectively. Significant capital expenditures in fiscal 2018 and 2017 included technology initiatives, including costs related to enhancing and upgrading our information technology systems and costs associated with expanding distribution capacity. Significant capital expenditures in fiscal 2016 included costs associated with expanding distribution capacity, technology initiatives, including costs related to the development of track-and-trace technology, and the expansion of support facilities.

We currently expect to spend approximately \$300 million for capital expenditures during fiscal 2019. Larger 2019 capital expenditures include costs related to new facilities and various technology initiatives.

In the fiscal year ended September 30, 2018, we acquired H.D. Smith, the largest independent pharmaceutical wholesaler in the United States, for \$815.0 million, and we acquired a northeast regional animal health distributor for \$70.0 million to expand our animal health business. In addition, we made incremental investments in Brazil totaling \$78.1 million. The cash used for the above investments was offset by \$179.6 million of cash consolidated in connection with the Brazil investments (see Note 2 of the Notes to Consolidated Financial Statements). In the fiscal

year ended September 30, 2016 we acquired PharMEDium, a leading national provider of outsourced compounded sterile preparations, for \$2.7 billion.

Net cash used in financing activities in the fiscal year ended September 30, 2018 principally included the early retirement of the \$400 million of 4.875% senior notes, \$639.2 million in purchases of our common stock, and \$333.0 million in cash dividends paid on our common stock, offset in part by the issuance of \$750.0 million of 3.45% senior notes and \$500 million of 4.3% senior notes.

Net cash used in financing activities in the fiscal year ended September 30, 2017 primarily included the \$600 million repayment of our 1.15% senior notes, \$329.9 million in purchases of our common stock, and \$320.3 million in cash dividends paid on our common stock.

Net cash provided by financing activities in the fiscal year ended September 30, 2016 primarily included \$2,360.5 million received upon the exercise of the Warrants by WBA and \$1.0 billion of borrowings under our November 2015 Term Loan, offset

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in part by \$2,266.3 million in purchases of our common stock. We used a portion of the proceeds from the exercise of the Warrants to purchase our common stock under our special share repurchase program. We used the proceeds from the November 2015 Term Loan to fund a portion of our November 2015 acquisition of PharMEDium.

Our board of directors approved the following quarterly dividend increases:

## Dividend Increases

Date	Per Share		
	New Rate	Old Rate	% Increase
November 2015	\$0.340	\$0.290	17%
November 2016	\$0.365	\$0.340	7%
November 2017	\$0.380	\$0.365	4%
November 2018	\$0.400	\$0.380	5%

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. The amount of variable-rate debt fluctuates during the year based on our working capital requirements. We had \$1.0 billion of variable-rate debt outstanding as of September 30, 2018. 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/or on terms acceptable to us. There were no such financial instruments in effect as of September 30, 2018.

We also have market risk exposure to interest rate fluctuations relating to our cash and cash equivalents. We had \$2,492.5 million in cash and cash equivalents as of September 30, 2018. 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 have minimal exposure to foreign currency and exchange rate risk from our non-U.S. operations. Our largest exposure to foreign exchange rates exists primarily with the Euro, the U.K. Pound Sterling, the Canadian Dollar, and the Brazilian Real. Revenue from our foreign operations is less than two percent of our consolidated revenue. 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, 2018, we had one foreign currency denominated contract outstanding that hedges the foreign currency exchange risk of a C\$17.5 million outstanding note.

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## 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 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," "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: unfavorable trends in brand and generic pharmaceutical pricing, including in rate or frequency of price inflation or deflation; competition and industry consolidation of both customers and suppliers resulting in increasing pressure to reduce prices for our products and services; changes in pharmaceutical market growth rates; changes in the United States healthcare and regulatory environment, including changes that could impact prescription drug reimbursement under Medicare and Medicaid; increasing governmental regulations regarding the pharmaceutical supply channel and pharmaceutical compounding; declining reimbursement rates for pharmaceuticals; federal and state government enforcement initiatives to detect and prevent suspicious orders of controlled substances and the diversion of controlled substances; increased public concern over the abuse of opioid medications; prosecution or suit by federal, state and other governmental entities of alleged violations of laws and regulations regarding controlled substances, and any related disputes, including shareholder derivative lawsuits; increased federal scrutiny and litigation, including qui tam litigation, for alleged violations of laws and regulations governing the marketing, sale, purchase and/or dispensing of pharmaceutical products or services, and associated reserves and costs; material adverse resolution of pending legal proceedings; the retention of key customer or supplier relationships under less favorable economics or the adverse resolution of any contract or other dispute with customers or suppliers; changes to customer or supplier payment terms; risks associated with the strategic, long-term relationship between Walgreens Boots Alliance, Inc. and the Company, including principally with respect to the pharmaceutical distribution agreement and/or the global generic purchasing services arrangement; changes in tax laws or legislative initiatives that could adversely affect the Company's tax positions and/or the Company's tax liabilities or adverse resolution of challenges to the Company's tax positions; regulatory or enforcement action in connection with the production, labeling or packaging of products compounded by our compounded sterile preparations (CSP) business; suspension of production of CSPs, including continued suspension at our Memphis facility; managing foreign expansion, including non-compliance with the U.S. Foreign Corrupt Practices Act, anti-bribery laws and economic sanctions and import laws and regulations; financial market volatility and disruption; substantial defaults in payment, material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; the loss, bankruptcy or insolvency of a major supplier; changes to the customer or supplier mix; malfunction, failure or breach of sophisticated information systems to operate as designed; risks generally associated with data privacy regulation and the international transfer of personal data; natural disasters or other unexpected events that affect the Company's operations; the impairment of goodwill or other intangible assets (including with respect to foreign operations), resulting in a charge to earnings; the acquisition of businesses that do not perform as expected, or that are difficult to integrate or control, including the integration of H. D. Smith and PharMEDium, or the inability to capture all of the anticipated synergies related thereto or to capture the anticipated synergies within the expected time period; the effects of disruption from the transactions on the respective businesses of the Company and H. D. Smith and the fact that the transactions may make it more difficult to establish or maintain relationships with employees, suppliers, customers and other business partners; the Company's ability to manage and complete divestitures; the disruption of the Company's cash flow and ability to return value to its stockholders in accordance with its past practices; interest rate and foreign currency exchange rate fluctuations; declining economic conditions in the United States and abroad; and other economic, business, competitive, legal, tax, regulatory and/or operational factors affecting the Company's 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 (i) elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations, (ii) in Item 1A (Risk Factors), (iii) Item 1 (Business), (iv) elsewhere in this report, and (v) in other reports filed by the Company pursuant to the Securities Exchange Act.

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

The Company's most significant market risks are the effects of changing interest rates, foreign currency risk, and the changes in the price of the Company's common stock. See discussion on page 42 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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AmerisourceBergen Corporation and subsidiaries (the Company) as of September 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated November 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst &  
Young LLP

We have served as the Company's auditor since 1985.  
Philadelphia, Pennsylvania  
November 20, 2018

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CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	September 30,	
	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$2,492,516	\$2,435,115
Accounts receivable, less allowances for returns and doubtful accounts: 2018 — \$1,036,333; 2017 — \$1,050,361	11,314,226	10,303,324
Merchandise inventories	11,918,508	11,461,428
Prepaid expenses and other	169,122	103,432
Total current assets	25,894,372	24,303,299
Property and equipment, at cost:		
Land	39,875	40,302
Buildings and improvements	1,086,909	979,589
Machinery, equipment, and other	2,281,124	2,071,314
Total property and equipment	3,407,908	3,091,205
Less accumulated depreciation	(1,515,484 )	(1,293,260 )
Property and equipment, net	1,892,424	1,797,945
Goodwill	6,664,272	6,044,281
Other intangible assets	2,947,828	2,833,281
Other assets	270,942	337,664
<b>TOTAL ASSETS</b>	<b>\$37,669,838</b>	<b>\$35,316,470</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$26,836,873	\$25,404,042
Accrued expenses and other	881,157	1,402,002
Short-term debt	151,657	12,121
Total current liabilities	27,869,687	26,818,165
Long-term debt	4,158,532	3,429,934
Long-term financing obligation	352,296	351,635
Accrued income taxes	299,600	84,257
Deferred income taxes	1,829,410	2,492,612
Other liabilities	110,352	75,406
Stockholders' equity:		
Common stock, \$0.01 par value — authorized, issued, and outstanding: 2018 — 600,000,000 shares, 283,588,463 shares and 213,217,882 shares; 2017 — 600,000,000 shares, 280,584,076 shares and 217,993,598 shares	2,836	2,806
Additional paid-in capital	4,715,473	4,517,635
Retained earnings	3,720,582	2,395,218
Accumulated other comprehensive loss	(79,253 )	(95,850 )

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Treasury stock, at cost: 2018 — 70,370,581 shares; 2017 — 62,590,478 shares	(5,426,814 )	(4,755,348 )
Total AmerisourceBergen Corporation stockholders' equity	2,932,824	2,064,461
Noncontrolling interest	117,137	—
Total equity	3,049,961	2,064,461
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$37,669,838</b>	<b>\$35,316,470</b>
See notes to consolidated financial statements.		

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Table of ContentsAMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	Fiscal Year Ended September 30,		
	2018	2017	2016
Revenue	\$167,939,635	\$153,143,826	\$146,849,686
Cost of goods sold	163,327,318	148,597,824	142,577,080
Gross profit	4,612,317	4,546,002	4,272,606
Operating expenses:			
Distribution, selling, and administrative	2,460,301	2,128,730	2,091,237
Depreciation	283,971	237,100	212,242
Amortization	181,156	160,503	152,493
Warrants	—	—	140,342
Employee severance, litigation, and other	183,520	959,327	102,911
Pension settlement	—	—	47,607
Goodwill impairment	59,684	—	—
Operating income	1,443,685	1,060,342	1,525,774
Other loss (income)	25,469	(2,730)	(5,048)
Interest expense, net	174,699	145,185	139,912
Loss on consolidation of equity investments	42,328	—	—
Loss on early retirement of debt	23,766	—	—
Income before income taxes	1,177,423	917,887	1,390,910
Income tax (benefit) expense	(438,469)	) 553,403	(37,019)
Net income	1,615,892	364,484	1,427,929
Net loss attributable to noncontrolling interest	42,513	—	—
Net income attributable to AmerisourceBergen Corporation	\$1,658,405	\$364,484	\$1,427,929
Earnings per share:			
Basic	\$7.61	\$1.67	\$6.73
Diluted	\$7.53	\$1.64	\$6.32
Weighted average common shares outstanding:			
Basic	217,872	218,375	212,206
Diluted	220,336	221,602	225,959
See notes to consolidated financial statements.			

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Fiscal Year Ended September 30,		
	2018	2017	2016
Net income	\$1,615,892	\$364,484	\$1,427,929
Other comprehensive income:			
Foreign currency translation adjustments	(36,904 )	16,540	(9,311 )
Loss on consolidation of equity investments	45,941	—	—
Pension plan adjustment, net of tax of \$19,054	—	—	31,538
Other	(756 )	1,918	(202 )
Total other comprehensive income	8,281	18,458	22,025
Total comprehensive income	1,624,173	382,942	1,449,954
Comprehensive loss attributable to noncontrolling interest	50,829	—	—
Comprehensive income attributable to AmerisourceBergen Corporation	\$1,675,002	\$382,942	\$1,449,954
See notes to consolidated financial statements.			

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury	Non-controlling Interest	Total
September 30, 2015	\$ 2,750	\$ 3,736,477	\$ 1,164,489	\$ (136,333 )	\$ (4,150,997)	\$ —	\$ 616,386
Net income	—	—	1,427,929	—	—	—	1,427,929
Other comprehensive income	—	—	—	22,025	—	—	22,025
Cash dividends, \$1.36 per share	—	—	(288,477 )	—	—	—	(288,477 )
Exercises of stock options	22	74,746	—	—	—	—	74,768
Share-based compensation expense	—	64,992	—	—	—	—	64,992
Common stock purchases for employee stock purchase plan	—	(548 )	—	—	—	—	(548 )
Warrants expense	—	140,342	—	—	—	—	140,342
Exercises of warrants	—	336,998	—	—	2,023,481	—	2,360,479
Purchases of common stock	—	—	—	—	(1,866,344 )	—	(1,866,344 )
Accelerated share repurchase transaction	—	(20,000 )	—	—	(380,000 )	—	(400,000 )
Employee tax withholdings related to restricted share vesting	—	—	—	—	(22,148 )	—	(22,148 )
Other	6	(6 )	—	—	—	—	—
September 30, 2016	2,778	4,333,001	2,303,941	(114,308 )	(4,396,008 )	—	2,129,404
Adoption of ASU 2016-09 (see Note 1)	—	—	47,063	—	—	—	47,063
Net income	—	—	364,484	—	—	—	364,484
Other comprehensive income	—	—	—	18,458	—	—	18,458
Cash dividends, \$1.46 per share	—	—	(320,270 )	—	—	—	(320,270 )
Exercises of stock options	25	102,898	—	—	—	—	102,923
Share-based compensation expense	—	62,206	—	—	—	—	62,206
Common stock purchases for employee stock purchase plan	—	(467 )	—	—	—	—	(467 )
Purchases of common stock	—	—	—	—	(329,929 )	—	(329,929 )
Settlement of accelerated share	—	20,000	—	—	(20,000 )	—	—

repurchase transaction							
Employee tax							
withholdings related to	—	—	—	—	(9,411	) —	(9,411
restricted share vesting							)
Other	3	(3	) —	—	—	—	—
September 30, 2017	2,806	4,517,635	2,395,218	(95,850	) (4,755,348	) —	2,064,461
Consolidation of							
variable interest entity	—	—	—	—	—	167,966	167,966
Net income (loss)	—	—	1,658,405	—	—	(42,513	) 1,615,892
Other comprehensive							
income (loss)	—	—	—	16,597	—	(8,316	) 8,281
Cash dividends, \$1.52							
per share	—	—	(333,041	) —	—	—	(333,041
Exercises of stock	27	138,429	—	—	—	—	138,456
options							
Share-based							
compensation expense	—	62,316	—	—	—	—	62,316
Common stock							
purchases for employee	—	(341	) —	—	—	—	(341
stock purchase plan							)
Purchases of common							
stock	—	—	—	—	(663,220	) —	(663,220
Employee tax							
withholdings related to	—	—	—	—	(8,246	) —	(8,246
restricted share vesting							)
Other	3	(2,566	) —	—	—	—	(2,563
September 30, 2018	\$ 2,836	\$ 4,715,473	\$ 3,720,582	\$ (79,253	) \$(5,426,814)	\$ 117,137	\$ 3,049,961
See notes to consolidated financial statements.							



Table of ContentsAMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)	Fiscal Year Ended September 30,		
	2018	2017	2016
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 1,615,892	\$ 364,484	\$ 1,427,929
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, including amounts charged to cost of goods sold	318,483	262,420	232,538
Amortization, including amounts charged to interest expense	191,626	169,911	159,628
Provision for doubtful accounts	16,660	8,934	13,124
(Benefit) provision for deferred income taxes	(795,524 )	319,069	(130,927 )
Warrants expense	—	—	140,342
Share-based compensation expense	62,316	62,206	64,992
LIFO expense (credit)	67,324	(157,782 )	200,230
Goodwill impairment	59,684	—	—
Impairment of non-customer note receivable	30,000	—	—
Loss on consolidation of equity investments	42,328	—	—
Loss on early retirement of debt	23,766	—	—
(Gain) loss on the sale of assets	(6,444 )	1,314	2,234
Gain on sale of business	—	(3,677 )	—
Pension settlement	—	—	47,607
Other	(12,634 )	10,107	(7,405 )
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:			
Accounts receivable	(657,770 )	(1,277,896 )	(912,724 )
Merchandise inventories	(4,923 )	(431,454 )	(1,107,252 )
Prepaid expenses and other assets	(57,211 )	33,646	(46,159 )
Accounts payable	859,036	1,473,389	3,011,508
Income taxes payable	209,899	27,192	93,043
Accrued expenses	(537,905 )	661,174	(43,267 )
Other liabilities	(13,215 )	(18,899 )	33,056
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,411,388</b>	<b>1,504,138</b>	<b>3,178,497</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(336,411 )	(466,397 )	(464,616 )
Cost of acquired companies, net of cash acquired	(785,299 )	(61,648 )	(2,731,356 )
Cost of equity investments	—	(11,347 )	(19,034 )
Proceeds from sale of business	—	12,094	—
Proceeds from sales of investment securities available-for-sale	—	74,778	101,829
Purchases of investment securities available-for-sale	—	(48,635 )	(42,083 )
Other	10,596	3,114	(13,919 )
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,111,114 )</b>	<b>(498,041 )</b>	<b>(3,169,179 )</b>
<b>FINANCING ACTIVITIES</b>			
Senior notes and other loan borrowings	1,314,430	—	1,000,000
Senior notes and other loan repayments	(681,001 )	(750,000 )	(800,000 )
Borrowings under revolving and securitization credit facilities	25,129,704	9,336,400	8,846,876
Repayments under revolving and securitization credit facilities	(25,127,438)	(9,335,953 )	(8,333,662 )

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Payment of premium on early retirement of debt	(22,348	) —	—
Purchases of common stock	(639,235	) (329,929	) (2,266,344 )
Exercises of warrants	—	—	2,360,479
Exercises of stock options	138,456	102,923	74,768
Cash dividends on common stock	(333,041	) (320,270	) (288,477 )
Employee tax withholdings related to restricted share vesting	(8,246	) (9,411	) (22,148 )
Other	(14,154	) (6,574	) (6,420 )
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(242,873</b>	<b>) (1,312,814</b>	<b>) 565,072</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>57,401</b>	<b>(306,717</b>	<b>) 574,390</b>
Cash and cash equivalents at beginning of year	2,435,115	2,741,832	2,167,442
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$2,492,516</b>	<b>\$2,435,115</b>	<b>\$2,741,832</b>

See notes to consolidated financial statements.

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AMERISOURCEBERGEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

Note 1. Summary of Significant Accounting Policies

AmerisourceBergean Corporation and its subsidiaries, including less than wholly-owned subsidiaries in which AmerisourceBergean Corporation has a controlling financial interest (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 in both human and animal health.

Basis of Presentation

The accompanying financial statements present the consolidated financial position, results of operations, and cash flows of the Company as of the dates and for the periods indicated. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") 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-period amounts in order to conform to the current year presentation.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 requires all income tax effects of awards to be recognized in the income statement when the awards vest or are exercised. It also allows an employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 was effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years. During the quarter ended December 31, 2016, the Company early adopted ASU 2016-09, which resulted in a cumulative adjustment to retained earnings and the establishment of a deferred tax asset as of October 1, 2016 of \$47.1 million for previously unrecognized tax benefits. The Company elected to adopt the Statement of Cash Flows presentation of the excess tax benefits prospectively.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification 605 - "Revenue Recognition" and most industry-specific guidance throughout the Codification. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard's core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 was originally scheduled to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. In July 2015, the FASB deferred the effective date of ASU 2014-09 by one year.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations" ("ASU 2016-08"), which clarifies the implementation guidance for principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which amends the guidance in ASU 2014-09 related to identifying performance obligations and accounting for licenses of intellectual property. The Company must adopt ASU 2016-08 and ASU 2016-10 with ASU 2014-09.

The Company completed its evaluation of the impact of adopting ASU 2016-08, ASU 2016-10, and ASU 2014-09, collectively Accounting Standards Codification 606 or "ASC 606". The Company adopted ASC 606 as of October 1,

2018 on a modified retrospective basis. The adoption had an immaterial impact on the Company's October 1, 2018 retained earnings and will not have a material impact on the Company's revenues, results of operations, or cash flows.

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### Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 aims to increase transparency and comparability across organizations by requiring lease assets and lease liabilities to be recognized on the balance sheet as well as key information to be disclosed regarding lease arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years. Entities are permitted to adopt the standard early, and a modified retrospective application is required. The Company anticipates that the adoption of this new accounting standard will have a material impact on the Company's Consolidated Balance Sheets. However, the Company continues to evaluate the impact of adopting this new accounting guidance and, therefore, cannot reasonably estimate the impact on the results of operations or cash flows at this time. The Company expects to adopt this standard in the first quarter of fiscal 2020.

As of September 30, 2018, there were no other recently issued accounting standards that may have a material impact on the Company's financial position, results of operations, or cash flows upon their adoption.

### Business Combinations

The assets acquired and liabilities assumed from the acquired business are recorded at fair value, 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.

### 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, pharmacy departments of supermarkets and mass merchandisers, and veterinarians. 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 receivables are exposed to credit risk. Revenue from the various agreements and arrangements with the Company's largest customer in the fiscal year ended September 30, 2018, Walgreens Boots Alliance, Inc. ("WBA"), accounted for approximately 33% of revenue and represented approximately 49% of accounts receivable, net of incentives, as of September 30, 2018. Express Scripts, Inc., the Company's second largest customer in the fiscal year ended September 30, 2018, accounted for approximately 13% of revenue and represented approximately 8% of accounts receivable, net as of September 30, 2018. 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, and 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 upon 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, 2018, 2017, and 2016, and bad debt expense was computed in a consistent manner during these periods.

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 in which it is invested, which are

classified as cash equivalents.

**Contingencies**

**Loss Contingencies:** In the ordinary course of its business, the Company becomes involved in lawsuits, administrative proceedings, government subpoenas, government investigations, and other disputes, 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.

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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 notes 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 13).

**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 14).

### 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.

The Company has one foreign currency denominated contract outstanding that hedges the foreign currency exchange risk of a C\$17.5 million note outstanding as of September 30, 2018.

### Foreign Currency

When the functional currency of the Company's foreign operations is 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, such as certain 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 assessment 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, respectively. The Company elected to bypass performing the qualitative assessment and, in the fourth quarter of fiscal 2018, went directly to performing our annual quantitative assessments of the goodwill and indefinite-lived intangible assets for the current year. The Company may elect to perform the qualitative annual assessment in future periods.

The goodwill impairment test requires us to compare the carrying value 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, the difference between the carrying value and the fair value is recorded as an impairment loss, the amount of which may not exceed the total amount of goodwill allocated to the reporting unit.

Goodwill arises from acquisitions or consolidations of specific operating companies and is assigned to the reporting unit in which a particular operating company resides. The Company identifies its reporting units based upon the Company's management reporting structure, beginning with its operating segments. The Company evaluates whether the components within its operating segments have similar economic characteristics, which include the nature of the components' products, services, and production processes, the types of customers and the methods by which products or services are delivered to customers, and the components' regulatory environment. The Company's reporting units include Pharmaceutical Distribution Services, Profarma Distribuidora de Produtos Farmacêuticos S.A. ("Profarma"), AmerisourceBergen Consulting Services ("ABCS"), World Courier, and MWI Animal Health ("MWI").

The Company utilizes an income-based approach to value its reporting units, with the exception of the Profarma reporting unit, the fair value of which is based upon its publicly-traded stock price, plus an estimated control premium. The income-based approach relies on a discounted cash flow analysis, which considers forecasted cash flows discounted at an appropriate discount rate, to determine the fair value of each reporting unit. The Company generally believes that market participants would use a discounted cash flow analysis to determine the fair value of the

Company's 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, capital expenditures, 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 debt and equity, including a risk premium. While the Company uses the best available information to prepare its cash flows and discount rate assumptions, actual future cash flows and/or market conditions



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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 (certain 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 indefinite-lived 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 indefinite-lived intangible assets in the fourth quarter of the fiscal years ended September 30, 2018, 2017, and 2016. The Company recorded a goodwill impairment of \$59.7 million in its Profarma reporting unit in connection with its fiscal 2018 annual impairment test (see Note 5). No goodwill impairments were recorded in the fiscal years ended September 30, 2017 and 2016. No indefinite-lived intangible asset impairments were recorded in the fiscal years ended September 30, 2018, 2017, and 2016.

In connection with the goodwill impairment recorded in the Profarma reporting unit, the Company first performed a recoverability assessment of Profarma's long-lived assets by comparing its undiscounted cash flows to the carrying value of the asset group, and it was determined to be recoverable; however, the forecasted undiscounted cash flows used to perform the recoverability assessment are inherently uncertain and include assumptions that could differ from actual results in future periods.

Finite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. The Company performs a recoverability assessment of its long-lived assets when impairment indicators are present. PharMEDium Healthcare Holdings, Inc.'s ("PharMEDium") long-lived assets were also tested for recoverability in fiscal 2018 due to the existence of an impairment indicator. The Company voluntarily suspended production activities in December 2017 at its largest compounding facility located in Memphis, Tennessee after U.S. Food and Drug Administration ("FDA") inspections of PharMEDium's compounding facilities. The Company concluded that the suspension of production activity represented an impairment indicator of PharMEDium's long-lived assets and, therefore, performed a recoverability assessment of PharMEDium's long-lived assets. The recoverability assessment was based on the carrying value of the PharMEDium asset group, excluding goodwill. The carrying value of the asset group was \$903 million as of September 30, 2018. The Company concluded that PharMEDium's long-lived assets are recoverable as of September 30, 2018; however, the forecasted undiscounted cash flows used to perform the recoverability assessment are inherently uncertain and include assumptions, such as the timing of resumed production activities and profitability, that could differ from actual results in future periods.

#### 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 need to establish a valuation allowance on 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 upon the technical merits of the position. Tax benefits associated with uncertain tax positions that have met the recognition criteria are measured and recorded based upon the highest probable outcome that is more than 50% likely to be realized after full disclosure and resolution of a tax examination.

#### Investment Securities Available-For-Sale

The Company's marketable debt securities have been classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase and evaluates the classifications at each balance sheet date. The Company classifies its marketable debt securities as either short-term or long-term based

upon each instrument's underlying contractual maturity date. Marketable debt securities with maturities of 12 months or less are classified as short-term and marketable debt securities with maturities greater than 12 months are classified as long-term. The Company's marketable debt securities are carried at fair value, with unrealized gains and losses reported as a component of Accumulated Other Comprehensive Loss in Stockholders' Equity, with the exception of unrealized losses believed to be other-than-temporary, which are reported in earnings in the current period. The cost of securities sold is based upon the specific identification method. As of September 30, 2018 and 2017, the Company had no investment securities available-for-sale.

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### Investments

The Company first evaluates its investments in accordance with the variable interest model to determine whether it has a controlling financial interest in an investment. This evaluation is made as of the date on which the Company makes its initial investment, and subsequent evaluations are made if the structure of the investment changes. If it has determined that an investment is a variable interest entity ("VIE"), the Company evaluates whether the VIE is required to be consolidated. When the Company holds rights that give it the power to direct the activities of an entity that most significantly impact the entity's economic performance, combined with the obligation to absorb an entity's losses and the right to receive benefits, the Company consolidates a VIE. If it is determined that an investment is not a VIE, the Company then evaluates its investments under the voting interest model and generally consolidates investments in which it holds an ownership interest of greater than 50%. When the Company consolidates less than wholly-owned subsidiaries, it discloses its noncontrolling interest in its consolidated financial statements.

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%. A decline in value that is determined to be other-than-temporary is recorded as an impairment charge as a component of earnings in the period in which that determination is made.

### Leases

The Company is often involved in the construction of its distribution facilities. In certain cases, the Company makes payments for certain structural components included in the lessor's construction of the leased assets, which result in the Company being deemed the owner of the leased assets for accounting purposes. As a result, regardless of the significance of the payments, Accounting Standards Codification 840, Leases, ("ASC 840") defines those payments as automatic indicators of ownership and requires the Company to capitalize the lessor's total project cost with a corresponding financing obligation. Upon completion of the lessor's project, the Company performs a sale-leaseback analysis pursuant to ASC 840 to determine if these assets and the related financing obligations can be derecognized from the Company's Consolidated Balance Sheet. If the Company is deemed to have "continuing involvement," the leased assets and the related financing obligations remain on the Company's Consolidated Balance Sheet and are amortized over the life of the assets and the lease term, respectively. All other leases are considered operating leases in accordance with ASC 840. Assets subject to an operating lease and the related lease payments are not recorded on the Company's Consolidated Balance Sheet. Rent expense is recognized on a straight-line basis over the expected lease term and is recorded in Distribution, Selling, and Administrative in the Company's Consolidated Statements of Operations.

### Manufacturer Incentives

The Company considers fees and other incentives received from its suppliers relating to the purchase or distribution of inventory to represent product discounts, and, as a result, they are recognized within 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 75% and 80% of the Company's inventories as of September 30, 2018 and 2017, respectively, has been determined using the last-in, first-out ("LIFO") method. If the Company had used the first-in, first-out method of inventory valuation, which approximates current replacement cost, inventories would have been approximately \$1,534.4 million and \$1,467.0 million higher than the amounts reported as of September 30, 2018 and 2017, respectively. The Company recorded LIFO expense of \$67.3 million and \$200.2 million in the fiscal years ended September 30, 2018 and 2016, respectively, and a LIFO credit of \$157.8 million in the fiscal year ended September 30, 2017. 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. Changes to any of the above factors can have a material impact to the Company's annual LIFO provision.

### 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.

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### Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, products have 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, and other customer incentives.

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. As of September 30, 2018 and 2017, the Company's accrual for estimated customer sales returns was \$988.8 million and \$1,001.7 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 it 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. The Company estimates the fair value of option grants using a binomial option pricing model. The fair value of restricted stock units and performance stock units is based upon the grant date market price of the Company's common stock.

Share-based compensation expense is recognized over the requisite service period within Distribution, Selling, and Administrative in the Consolidated Statements of Operations to correspond with the same line item as the cash compensation paid to employees. Compensation expense associated with nonvested performance stock units is dependent upon the Company's periodic assessment of the probability of the targets being achieved and its estimate of the number of shares that will ultimately be issued.

The income tax effects of awards is recognized when the awards vest or are settled and are recognized in Income Tax Expense in the Company's Consolidated Statements of Operations and in cash flows from operations in the Consolidated Statements of Cash Flows. Prior to fiscal 2017, tax benefits from share-based compensation were recorded as adjustments to Additional Paid-in Capital within Stockholders' Equity and as cash flows from financing activities within the Statement of Cash Flows (see Recently Adopted Accounting Pronouncements).

### Shipping and Handling Costs

Shipping and handling costs include all costs to warehouse, pick, pack, and deliver inventory to customers. These costs, which were \$590.8 million, \$517.3 million, and \$494.7 million for the fiscal years ended September 30, 2018, 2017, and 2016, respectively, are included in Distribution, Selling, and Administrative in the Company's Consolidated Statements of Operations.

### 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 to them from the Company. These reserve estimates are established based upon 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 upon changes in factual circumstances. The ultimate outcome of any outstanding claim may be different than the Company's estimate.



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## Warrants

The Company accounted for the warrants issued to subsidiaries of WBA (collectively, the "Warrants") in accordance with the guidance for equity-based payments to non-employees. Using a binomial lattice model approach, the fair value of the Warrants was initially measured at the date of issuance, and the related expenses were recognized over the vesting period as an operating expense. The fair value of the Warrants was remeasured at the end of each reporting period, and an adjustment was 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 the fiscal year ended September 30, 2016, the Warrants were exercised by WBA in full (see Note 7).

## Note 2. Acquisitions and Investments

## PharMEDium

On November 6, 2015, the Company acquired PharMEDium for \$2.7 billion in cash, which included certain purchase price adjustments. PharMEDium is a leading national provider of outsourced compounded sterile preparations to acute care hospitals in the United States. PharMEDium's operating results are included within the Pharmaceutical Distribution Services reportable segment.

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their fair values on the date of the acquisition. The purchase price exceeded the fair value of the net tangible and intangible assets acquired by \$1.8 billion, which was allocated to goodwill. The fair value of accounts receivable, inventory, and accounts payable acquired was \$63.2 million, \$43.1 million, and \$22.8 million, respectively. The fair value of the intangible assets acquired of \$1.1 billion consisted of customer relationships of \$882.7 million, trade name of \$167.6 million, and software technology of \$52.6 million. The Company established a deferred tax liability of \$356.1 million primarily in connection with the intangible assets acquired. The Company is amortizing the fair values of the acquired customer relationships and trade name over their estimated useful lives of 15 years. The fair value of the acquired software technology is being amortized over its estimated useful life of 10 years. Goodwill and intangible assets resulting from the acquisition are not deductible for income tax purposes.

## NEVSCO

In December 2017, the Company acquired Northeast Veterinary Supply Company ("NEVSCO") for \$70.0 million in cash, subject to a final working capital adjustment. NEVSCO was an independent, regional distributor of veterinary pharmaceuticals and medical supplies serving primarily the northeast region of the United States and is expected to strengthen MWI's support of independent veterinary practices and provide even greater value and care to current and future animal health customers. NEVSCO has been included within the MWI operating segment.

The purchase price has been preliminarily allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values on the date of acquisition. The preliminary allocation is pending the finalization of the appraisals of intangible assets and the finalization of working capital and income tax account balances. There can be no assurance that the estimated amounts recorded will represent the final fair values. The purchase price currently exceeds the estimated fair value of the net tangible and intangible assets acquired by \$30.9 million, which has been allocated to goodwill. The estimated fair value of accounts receivable, inventory, and accounts payable and accrued expenses acquired was \$10.3 million, \$6.7 million, and \$3.0 million, respectively. The estimated fair value of the intangible assets acquired of \$29.8 million primarily consists of customer relationships, which the Company is amortizing over its estimated useful life of 15 years. Goodwill and intangible assets resulting from the acquisition are expected to be deductible for income tax purposes.

## H.D. Smith

In January 2018, the Company acquired H.D. Smith Holding Company ("H.D. Smith") for \$815.0 million, subject to a final working capital adjustment. The Company funded the acquisition through the issuance of new long-term debt (see Note 6). H.D. Smith was the largest independent pharmaceutical wholesaler in the United States and provides full-line distribution of brand, generic, and specialty drugs, as well as high-value services and solutions for manufacturers and healthcare providers. H.D. Smith's customers include retail pharmacies, specialty pharmacies, long-term care facilities, institutional/hospital systems, and independent physicians and clinics. The acquisition

strengthens the Company's core business, expands and enhances its strategic scale in pharmaceutical distribution, and expands the Company's support for independent community pharmacies. H.D. Smith has been included within the Pharmaceutical Distribution reportable segment.

The purchase price has been preliminarily allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values on the date of acquisition. The preliminary allocation is incomplete principally due to the finalization of income tax account balances. There can be no assurance that the estimated amounts recorded will represent the final fair values. The purchase price currently exceeds the estimated fair value of the net tangible and intangible assets acquired by \$499.9 million,



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which was allocated to goodwill. The fair value of accounts receivable, inventory, and accounts payable and accrued expenses acquired was \$163.1 million, \$350.7 million, and \$366.1 million, respectively. The estimated fair value of the intangible assets acquired of \$167.8 million consisted of customer relationships of \$156.6 million and a tradename of \$11.2 million. The Company is amortizing the estimated fair value of the customer relationships and the tradename over their estimated useful lives of 12 and 2 years, respectively. The Company established a deferred tax liability of \$60.6 million primarily in connection with the intangible assets acquired. Goodwill and intangible assets resulting from the acquisition are not expected to be deductible for income tax purposes.

**Profarma and Specialty Joint Venture**

As of September 30, 2017, the Company held a noncontrolling ownership interest in Profarma, a leading pharmaceutical wholesaler in Brazil, and an ownership interest in a joint venture with Profarma to provide specialty distribution and services in the Brazilian marketplace (the "specialty joint venture"). The Company had accounted for these interests as equity method investments, which were reported in Other Assets on the Company's Consolidated Balance Sheets. In January 2018, the Company invested an additional \$62.5 million in Profarma and an additional \$15.6 million in the specialty joint venture to increase its ownership interests to 38.2% and 64.5%, respectively. In connection with the additional investment in Profarma, the Company received substantial governance rights, thereby requiring it to begin consolidating the operating results of Profarma as of March 31, 2018 (see Note 3). The Company also began to consolidate the operating results of the specialty joint venture as of March 31, 2018 due to its majority ownership interest. In September 2018, the Company made an additional investment of \$23.6 million in the specialty joint venture to increase its ownership interest to 89.9%. Profarma and the specialty joint venture have been included within the Pharmaceutical Distribution reportable segment and Other, respectively.

The fair value of Profarma, including the noncontrolling interest, was determined based upon an agreed-upon stock price and has been preliminarily allocated to the underlying assets and liabilities consolidated based upon their fair values at the time of the January 2018 investment. The preliminary allocation is pending the finalization of the appraisals of intangible assets and the finalization of working capital and income tax account balances. There can be no assurance that the estimated amounts recorded will represent the final fair values. The fair value of Profarma upon obtaining control exceeded the estimated fair value of the net tangible and intangible assets consolidated by \$142.0 million, which was allocated to goodwill. The estimated fair value of accounts receivable, inventory, accounts payable and accrued expenses was \$160.1 million, \$190.5 million, and \$167.7 million, respectively. The Company consolidated short-term debt and long-term debt of \$209.9 million and \$12.4 million, respectively, cash of \$150.8 million, and recorded a noncontrolling interest of \$168.0 million. The estimated fair value of the intangible assets consolidated of \$84.6 million consisted of customer relationships of \$25.9 million and tradenames of \$58.7 million. The Company is amortizing the customer relationships over its estimated useful life of 15 years and the tradenames over their estimated useful lives of between 15 and 25 years. The Company established a deferred tax liability of \$50.1 million primarily in connection with the intangible assets that were recognized. Goodwill and intangible assets resulting from the consolidation are not expected to be deductible for income tax purposes.

The fair value of the specialty joint venture was determined based upon the cost of the incremental ownership percentage acquired from the January 2018 investment and was allocated to the underlying assets and liabilities consolidated based upon their estimated fair values at the time of the January 2018 investment. The preliminary allocation is pending the finalization of the appraisals of intangible assets and the finalization of working capital and income tax account balances. There can be no assurance that the estimated amounts recorded will represent the final fair values. The fair value of the specialty joint venture currently exceeds the estimated fair value of the net tangible and intangible assets consolidated by \$3.5 million, which was allocated to goodwill. The estimated fair value of accounts receivable, inventory, accounts payable and accrued expenses was \$65.0 million, \$29.1 million, and \$54.3 million, respectively. The Company consolidated short-term debt and cash of \$32.7 million and \$28.9 million, respectively. The estimated fair value of the intangible assets consolidated of \$4.6 million is being amortized over its estimated useful life of 15 years. Goodwill and intangible assets resulting from the consolidation are not expected to be deductible for income tax purposes.

In connection with the incremental Brazil investments, the Company adjusted the carrying values of its previously held equity interests in Profarma and the specialty joint venture to equal their fair values, which were determined to be \$103.1 million and \$31.2 million, respectively. These represent Level 2 nonrecurring fair value measurements. The adjustments resulted in a pretax loss of \$42.3 million and were comprised of foreign currency translation adjustments from Accumulated Other Comprehensive Loss of \$45.9 million, a \$12.4 million gain on the remeasurement of Profarma's previously held equity interest, and an \$8.8 million loss on the remeasurement of the specialty joint venture's previously held equity interest.

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## Note 3. Variable Interest Entity

As discussed in Note 2, the Company made an additional investment in Profarma. In connection with this investment, the Company obtained substantial governance rights, allowing it to direct the activities that significantly impact Profarma's economic performance. As such, the Company consolidated the operating results of Profarma in its consolidated financial statements as of and for the periods ended September 30, 2018. The Company is not obligated to provide future financial support to Profarma.

The following assets and liabilities of Profarma are included in the Company's Consolidated Balance Sheet:

(in thousands)	September 30, 2018
Cash and cash equivalents	\$ 26,801
Accounts receivables, net	144,646
Merchandise inventories	168,931
Prepaid expenses and other	61,924
Property and equipment, net	32,667
Goodwill	82,309
Other intangible assets	80,974
Other long-term assets	8,912
Total assets	\$ 607,164

Accounts payable	\$ 150,102
Accrued expenses and other	37,195
Short-term debt	115,461
Long-term debt	39,704
Deferred income taxes	46,137
Other long-term liabilities	31,988
Total liabilities	\$ 420,587

Profarma's assets can only be used to settle its obligations, and its creditors do not have recourse to the general credit of the Company.

## Note 4. Income Taxes

The following illustrates domestic and foreign income before income taxes for the periods indicated:

(in thousands)	Fiscal Year Ended September 30,		
	2018	2017	2016
Domestic	\$704,935	\$394,721	\$906,415
Foreign	472,488	523,166	484,495
Total	\$1,177,423	\$917,887	\$1,390,910

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The income tax (benefit) provision for the periods indicated is as follows:

(in thousands)	Fiscal Year Ended September 30,		
	2018	2017	2016
Current provision:			
Federal	\$247,755	\$141,071	\$11,892
State and local	39,328	35,950	26,741
Foreign	69,972	57,313	55,275
Total current provision	357,055	234,334	93,908
Deferred (benefit) provision:			
Federal	(828,023 )	265,074	(119,218 )
State and local	33,887	54,995	(11,490 )
Foreign	(1,388 )	(1,000 )	(219 )
Total deferred (benefit) provision	(795,524 )	319,069	(130,927 )
(Benefit) provision for income taxes	\$(438,469)	\$553,403	\$(37,019)

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

	Fiscal Year Ended		
	September 30,		
	2018	2017	2016
Statutory U.S. federal income tax rate	24.5%	35.0%	35.0%
State and local income tax rate, net of federal tax benefit	(0.1)	5.4	0.6
Foreign	(6.2)	(14.6)	(8.4)
Warrants	—	—	(32.8)
Valuation allowance	(1.4)	2.2	2.2
Excess tax benefits related to share-based compensation	(1.8)	(3.8)	—
Litigation settlements and accruals (see Note 13)	(6.3)	34.3	—
Goodwill impairment (see Note 5)	1.7	—	—
Tax reform	(52.0)	—	—
Capital gain on distribution	3.6	—	—
Other	0.8	1.8	0.7
Effective income tax rate	(37.2)%	60.3%	(2.7)%

#### Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law. The 2017 Tax Act includes a broad range of tax reform provisions affecting businesses, including lower corporate tax rates, changes in business deductions, and international tax provisions. In response to the 2017 Tax Act, the U.S. Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. SAB 118 provides that the measurement period is complete when a company's accounting is complete and that measurement period shall not extend beyond one year from the enactment date. SAB 118 provides guidance for registrants under three scenarios: (i) measurement of certain income tax effects is complete, (ii) measurement of certain income tax effects can be reasonably estimated, and (iii) measurement of certain income tax effects cannot be reasonably estimated. The Company has analyzed the income tax effects of the 2017 Tax Act and determined that measurement of the income tax effects can be reasonably estimated, and, as such, provisional amounts have been recorded. For the fiscal year ended September 30, 2018, the Company recognized income tax benefits of \$612.6 million in Income Tax Expense (Benefit) on the Company's Consolidated Statements of Operations related to effects of the 2017 Tax Act, which are comprised of the following:

(a) in accordance with Accounting Standards Codification No. 740, which requires deferred taxes to be remeasured in the year of an income tax rate change, the Company recorded a deferred income tax benefit of \$897.6 million in the fiscal year ended September 30, 2018 as a result of applying a lower U.S. federal income tax rate to the Company's net deferred tax liabilities as of December 31, 2017; and

(b) the 2017 Tax Act also requires a one-time transition tax to be recognized on historical foreign earnings and profits. In the fiscal year ended September 30, 2018, the Company initially recorded a current income tax expense of \$310.0 million on

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historical foreign earnings and profits through December 31, 2017. The Company decreased its provisional transition tax by \$25.0 million in the fourth quarter of the fiscal year ended September 30, 2018 as a result of a decline in its foreign cash and cash equivalents position as of September 30, 2018. The Company expects to pay \$219.6 million related to the transition tax, which is net of overpayments and tax credits. The transition tax is payable in installments over a six-year period commencing in January 2021.

The measurement of income tax effects of the 2017 Tax Act cannot currently be completed due to the effective date of certain aspects of the 2017 Tax Act, including the impact on state taxes. Accordingly, the Company has recognized provisional amounts for the impact of the 2017 Tax Act within the accompanying consolidated financial statements as of and for the fiscal year ended September 30, 2018 and expects to finalize the measurement of all amounts related to the 2017 Tax Act in the fiscal quarter ending December 31, 2018.

Prior to the 2017 Tax Act, the Company intended to indefinitely reinvest its foreign cash in foreign investments and foreign operations. After further assessment of the impact of the 2017 Tax Act, the Company reevaluated its position and determined that it was no longer reinvested with respect to foreign subsidiaries whose undistributed earnings are able to be repatriated with minimal to no additional tax impact. Cumulative undistributed earnings of international subsidiaries were \$1.9 billion as of September 30, 2018, \$1.1 billion of which is considered permanently reinvested. 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:

	September 30,	
(in thousands)	2018	2017
Merchandise inventories	\$1,189,801	\$1,519,779
Property and equipment	133,417	150,240
Goodwill and other intangible assets	853,747	1,214,597
Other	747	1,126
Gross deferred tax liabilities	2,177,712	2,885,742
Net operating loss and tax credit carryforwards	(421,808 )	(320,180 )
Capital loss carryforwards	—	(64,346 )
Allowance for doubtful accounts	(20,126 )	(25,871 )
Accrued expenses	(17,363 )	(36,188 )
Employee and retiree benefits	(10,210 )	(17,121 )
Share-based compensation	(28,888 )	(59,495 )
Other	(49,892 )	(81,009 )
Gross deferred tax assets	(548,287 )	(604,210 )
Valuation allowance for deferred tax assets	199,985	211,080
Deferred tax assets, net of valuation allowance	(348,302 )	(393,130 )
Net deferred tax liabilities	\$1,829,410	\$2,492,612

The following tax carryforward information is presented as of September 30, 2018. The Company had \$89.7 million of potential tax benefits from federal net operating loss carryforwards, \$75.5 million of which expires in 1 to 19 years, \$172.0 million of potential tax benefits from state net operating loss carryforwards expiring in 1 to 20 years, and \$49.5 million of potential tax benefits from foreign net operating loss carryforwards, which have varying expiration dates. The Company had \$3.9 million of state tax credit carryforwards, \$122.9 million in federal alternative minimum tax credit carryforwards, and \$2.1 million in foreign alternative minimum tax credit carryforwards.

In the fiscal year ended September 30, 2018, the Company decreased the valuation allowance on deferred tax assets by \$11.1 million primarily due to the utilization of capital loss and foreign tax credit carryforwards for which a valuation allowance had been previously recorded. This decrease was offset in part by the additional valuation allowances on certain state and foreign net operating loss carryforwards. In the fiscal year ended September 30, 2017, the Company increased the valuation allowance on deferred tax assets by \$45.5 million primarily due to the addition of certain state

and foreign net operating loss carryforwards. Included in the \$45.5 million valuation allowance is a \$17.1 million valuation allowance that was established in connection with the adoption of ASU 2016-09 (see Note 1). This amount was not recognized in the Consolidated Statement of Operations in the fiscal year ended September 30, 2017. In the fiscal year ended September 30, 2018 and 2017, tax benefits of \$22.7 million and \$36.7 million, respectively, related to the exercise of employee stock options and lapses of restricted stock units were recorded in Income Tax (Benefit) Expense

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in the Company's Consolidated Statement of Operations. In the fiscal year ended September 30, 2016, there were no tax benefits related to the exercise of employee stock options and lapses of restricted stock units. The tax benefits recognized in the fiscal year ended September 30, 2018 and 2017 are not necessarily indicative of amounts that may arise in future periods.

Income tax payments, net of refunds, were \$104.0 million, \$105.0 million, and \$17.5 million in the fiscal years ended September 30, 2018, 2017, and 2016, 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 2014.

As of September 30, 2018 and 2017, 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 \$112.9 million and \$338.4 million, respectively (\$89.4 million and \$304.2 million, net of federal benefit, respectively). If recognized in the fiscal years ended September 30, 2018 and 2017, \$71.1 million and \$289.2 million, respectively, of these benefits would have reduced income tax expense and the effective tax rate. As of September 30, 2018 and 2017, included in the unrecognized tax benefits are \$14.8 million and \$14.5 million of interest and penalties, respectively, which the Company records in Income Tax (Benefit) Expense in the Company's Consolidated Statements of Operations.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, for the periods indicated is as follows:

(in thousands)	Fiscal Year Ended		
	September 30,		
	2018	2017	2016
Unrecognized tax benefits at beginning of period	\$323,869	\$75,766	\$44,722
Additions of tax positions of the current year	2,804	252,866	24,145
Additions to tax positions of the prior years	558	1,049	11,840
Reductions of tax positions of the prior years	(224,878 )	(668 )	(1,407 )
Settlements with taxing authorities	(1,847 )	(3,285 )	(2,589 )
Expiration of statutes of limitations	(2,382 )	(1,859 )	(945 )
Unrecognized tax benefits at end of period	\$98,124	\$323,869	\$75,766

Included in the additions of unrecognized tax positions in the fiscal year ended September 30, 2017 is approximately \$235.1 million for an uncertain tax position related to the \$625.0 million civil litigation reserve recognized during the fiscal year ended September 30, 2017 (see Note 13). In the fiscal year ended September 30, 2017, this reserve was considered to be non-deductible. In September 2018, the Company made a payment of \$625.0 million, plus interest, to resolve this litigation and it was determined that a portion of the settlement is deductible. Accordingly, the Company reduced its uncertain tax position by \$224.9 million. During the next 12 months, it is reasonably possible that state tax audit resolutions and the expiration of statutes of limitations could result in a reduction of unrecognized tax benefits by approximately \$14.7 million.

**Other Information**

In March 2013, the Company issued Warrants (as defined in Note 7) in connection with various agreements and arrangements with WBA, as successor in interest to Walgreen Co. ("Walgreens") and Alliance Boots GmbH ("Alliance Boots"). At that time, the Company determined that the Warrants had a fair value of \$242.4 million on the date of issuance, which was an estimate of the approximate tax deductible amount that would be deducted ratably on the Company's income tax return over the 10-year term of the various agreements, and that any value in excess of the initial fair value of the Warrants on the date of issuance would not be tax deductible. The Company reevaluated its position, and in November 2015, the Company received a private letter ruling from the Internal Revenue Service ("IRS"), which entitled it to an income tax deduction equal to the fair value of the Warrants on the date of exercise. As a result, the Company recorded a deferred tax asset and recognized a tax benefit adjustment of approximately \$456 million, which represented the estimated benefit from the tax deduction for the increase in the fair value of the



Warrants from the issuance date through September 30, 2015. This tax benefit adjustment had a significant impact to the Company's effective tax rate in the fiscal year ended September 30, 2016. In March 2016 and August 2016, the Warrants were exercised in full by WBA. In the aggregate, the total fair value of the Warrants based upon their respective exercise dates was \$1,565.9 million. An additional tax benefit of approximately \$52 million was recognized primarily related to the change in the fair value of the Warrants from September 30, 2015 to their respective exercise dates in the fiscal year ended September 30, 2016.

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## Note 5. Goodwill and Other Intangible Assets

The following is a summary of the changes in the carrying value of goodwill, by reportable segment, for the fiscal years ended September 30, 2018 and 2017:

(in thousands)	Pharmaceutical		
	Distribution Services	Other	Total
Goodwill as of September 30, 2016	\$ 4,270,550	\$ 1,720,947	\$ 5,991,497
Goodwill recognized in connection with acquisitions	—	54,151	54,151
Goodwill disposed in connection with divestiture	—	(3,564 )	(3,564 )
Foreign currency translation	—	2,197	2,197
Goodwill as of September 30, 2017	4,270,550	1,773,731	6,044,281
Goodwill recognized in connection with acquisitions	641,909	39,352	681,261
Goodwill impairment	(59,684 )	—	(59,684 )
Foreign currency translation	—	(1,586 )	(1,586 )
Goodwill as of September 30, 2018	\$ 4,852,775	\$ 1,811,497	\$ 6,664,272

In connection with the Company's annual goodwill impairment test as of July 1, 2018, the Company recorded a goodwill impairment of \$59.7 million in its Profarma reporting unit. The fair value of the reporting unit was determined based upon Profarma's publicly-traded stock price, plus an estimated purchase premium. This represents a Level 2 nonrecurring fair value measurement.

The following is a summary of other intangible assets:

(dollars in thousands)	September 30, 2018				September 30, 2017		
	Weighted Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived trade names		\$685,380	\$—	\$685,380	\$685,088	\$—	\$685,088
Finite-lived:							
Customer relationships	14 years	2,549,245	(555,440 )	1,993,805	2,329,665	(408,636 )	1,921,029
Trade names and other	13 years	397,946	(129,303 )	268,643	325,353	(98,189 )	227,164
Total other intangible assets		\$3,632,571	\$(684,743 )	\$2,947,828	\$3,340,106	\$(506,825 )	\$2,833,281

Amortization expense for finite-lived intangible assets was \$181.2 million, \$160.5 million, and \$152.5 million in the fiscal years ended September 30, 2018, 2017, and 2016, respectively. Amortization expense for finite-lived intangible assets is estimated to be \$182.9 million in fiscal 2019, \$175.4 million in fiscal 2020, \$171.4 million in fiscal 2021, \$170.1 million in fiscal 2022, \$169.1 million in 2023, and \$1,393.5 million thereafter.

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## Note 6. Debt

Debt consisted of the following:

(in thousands)	September 30,	
	2018	2017
Revolving credit note	\$—	\$—
Receivables securitization facility due 2019	500,000	500,000
Term loans due 2020	398,665	547,860
Multi-currency revolving credit facility due 2021	—	—
Overdraft facility due 2021 (£30,000)	13,269	12,121
\$400,000, 4.875% senior notes due 2019	—	398,399
\$500,000, 3.50% senior notes due 2021	498,392	497,877
\$500,000, 3.40% senior notes due 2024	497,255	496,766
\$500,000, 3.25% senior notes due 2025	495,632	494,950
\$750,000, 3.45% senior notes due 2027	742,258	—
\$500,000, 4.25% senior notes due 2045	494,298	494,082
\$500,000, 4.30% senior notes due 2047	492,222	—
Capital lease obligations	745	—
Nonrecourse debt	177,453	—
Total debt	4,310,189	3,442,055
Less AmerisourceBergen Corporation current portion	13,976	12,121
Less nonrecourse current portion	137,681	—
Total, net of current portion	\$4,158,532	\$3,429,934

## Multi-Currency Revolving Credit Facility

The Company has a \$1.4 billion multi-currency senior unsecured revolving credit facility ("Multi-Currency Revolving Credit Facility"), which was scheduled to expire in November 2021, with a syndicate of lenders. In October 2018, the Company entered into an amendment to, among other things, extend the maturity to October 2023 and modify certain restrictive covenants, including modifications to allow for indebtedness of foreign subsidiaries. Interest on borrowings under the Multi-Currency Revolving Credit Facility accrues at specified rates based upon the Company's debt rating and ranges from 70 basis points to 110 basis points over CDOR/LIBOR/EURIBOR/Bankers Acceptance Stamping Fee, as applicable (91 basis points over CDOR/LIBOR/EURIBOR/Bankers Acceptance Stamping Fee as of September 30, 2018) and from 0 basis points to 10 basis points over the alternate base rate and Canadian prime rate, as applicable. The Company pays facility fees to maintain the availability under the Multi-Currency Revolving Credit Facility at specified rates based on its debt rating, ranging from 5 basis points to 15 basis points, annually, of the total commitment (9 basis points as of September 30, 2018). The Company may choose to repay or reduce its 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 subsidiaries and asset sales, with which the Company was compliant as of September 30, 2018.

## Commercial Paper Program

The Company has a commercial paper program whereby it may from time to time issue short-term promissory notes in an aggregate amount of up to \$1.4 billion 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, if interest bearing, or will be sold at a discount from their face amounts. The commercial paper program does not increase the Company's borrowing capacity as it is fully backed by the Company's Multi-Currency Revolving Credit Facility. There were no borrowings outstanding under the commercial paper program as of September 30, 2018 and 2017.



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### Receivables Securitization Facility

The Company has a \$1,450 million receivables securitization facility ("Receivables Securitization Facility"), which was scheduled to expire in November 2019. In October 2018, the Company extended the maturity date to October 2021. The Company has available to it 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 based on prevailing market rates for short-term commercial paper or LIBOR, plus a program fee. The Company pays a customary unused fee at prevailing market rates, annually, to maintain the availability under the Receivables Securitization Facility.

In connection with the Receivables Securitization Facility, AmerisourceBergen Drug Corporation 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 financial institutions and commercial paper conduits sponsored by financial institutions. AmerisourceBergen Drug Corporation is the servicer of the accounts receivable under the Receivables Securitization Facility. As sold receivables are collected, additional receivables may be sold up to the maximum amount available under the facility. The facility is a financing vehicle utilized by the Company because it generally offers an attractive interest rate relative to other financing sources. The Company securitizes its trade accounts, which are generally non-interest bearing, in transactions that are accounted for as borrowings. The Receivables Securitization Facility contains similar covenants to the Multi-Currency Revolving Credit Facility, with which the Company was compliant as of September 30, 2018.

### Revolving Credit Note and Overdraft Facility

The Company has an uncommitted, unsecured line of credit available to it pursuant to a revolving credit note ("Revolving Credit Note"). The Revolving Credit Note provides the Company with the ability to request short-term unsecured revolving credit loans from time to time in a principal amount not to exceed \$75 million. The Revolving Credit Note may be decreased or terminated by the bank or the Company at any time without prior notice. The Company also has a £30 million uncommitted U.K. overdraft facility ("Overdraft Facility"), which expires in February 2021, to fund short-term normal trading cycle fluctuations related to its MWI business.

### Term Loans

In February 2015, the Company entered into a \$1.0 billion variable-rate term loan ("February 2015 Term Loan"), which matures in 2020. Through September 30, 2018, the Company elected to make principal payments, prior to the scheduled repayment dates, of \$925.0 million on the February 2015 Term Loan, and as a result, the Company's next required principal payment is due upon maturity. The February 2015 Term Loan bears interest at a rate equal either to a base rate, plus a margin, or LIBOR, plus a margin. The margin is based on the public debt ratings of the Company and ranges from 75 basis points to 125 basis points over LIBOR (100 basis points as of September 30, 2018) and 0 basis points to 25 basis points over a base rate. The February 2015 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility, with which the Company was compliant as of September 30, 2018.

In November 2015, the Company entered into a \$1.0 billion variable-rate term loan ("November 2015 Term Loan"), which matures in 2020. Through September 30, 2018, the Company made a scheduled principal payment, as well as other principal payments prior to the scheduled repayment dates totaling \$675.0 million on the November 2015 Term Loan, and as a result, the Company's next required principal payment is due upon maturity. The November 2015 Term Loan bears interest at a rate equal either to a base rate, plus a margin, or LIBOR, plus a margin. The margin is based on the public debt ratings of the Company and ranges from 75 basis points to 125 basis points over LIBOR (100 basis points as of September 30, 2018) and 0 basis points to 25 basis points over a base rate. The November 2015 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility, with which the Company was compliant as of September 30, 2018.

The February 2015 and November 2015 Term Loans (collectively, the "Term Loans") were scheduled to mature in November 2020 and February 2020, respectively. In October 2018, the Company refinanced the Term Loans by issuing a new variable-rate term loan ("October 2018 Term Loan"), which matures in October 2020. The October 2018 Term Loan bears interest at a rate equal to a base rate or LIBOR, plus a margin of 65 basis points. The October 2018 Term Loan contains similar covenants to the Multi-Currency Revolving Credit Facility.

Senior Notes

In December 2017, the Company issued \$750 million of 3.45% senior notes due December 15, 2027 (the "2027 Notes") and \$500 million of 4.30% senior notes due December 15, 2047 (the "2047 Notes"). The 2027 Notes were sold at 99.76% of the principal amount and have an effective yield of 3.48%. The 2047 Notes were sold at 99.51% of the principal amount and have an effective yield of 4.33%. Interest on the 2027 Notes and the 2047 Notes is payable semi-annually in arrears and commenced on June 15, 2018. The 2027 and 2047 Notes rank pari passu to the Company's other senior notes, the Multi-Currency Revolving Credit Facility, the Revolving Credit Note, the Overdraft Facility, and the Term Loans.

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The Company used the proceeds from the 2027 Notes and the 2047 Notes to finance the early retirement of the \$400 million of 4.875% senior notes that were due in 2019, including the payment of a \$22.3 million prepayment premium, and to finance the acquisition of H.D. Smith, which was completed in January 2018 (see Note 2).

In May 2017, the Company repaid the \$600 million of 1.15% senior notes that became due.

The senior notes are collectively referred to as the "Notes." Interest on the Notes is payable semiannually in arrears. The Notes were sold at small discounts to the principal amounts and, therefore, have effective yields that are greater than the stated interest rates in the table above. Costs incurred in connection with the issuance of the Notes were deferred and are being amortized over the terms of the Notes. The indentures governing the Notes contain restrictions and covenants, which include limitations on additional indebtedness; distributions to stockholders; the repurchase of stock and the making of other restricted payments; issuance of preferred stock; creation of certain liens; transactions with subsidiaries and other affiliates; and certain corporate acts such as mergers, consolidations, and the sale of substantially all assets. An additional covenant requires compliance with a financial leverage ratio test, with which the Company was compliant as of September 30, 2018.

**Nonrecourse Debt**

The Company consolidated the short-term and long-term debt of Profarma and the specialty joint venture in connection with the incremental investments made in January 2018 (see Note 2 and Note 3). Nonrecourse debt is repaid solely from the Brazil subsidiaries' cash flows and such debt agreements provide that the repayment of the loans (and interest thereon) is secured solely by the capital stock, physical assets, contracts, and cash flows of the Brazil subsidiaries.

**Other Information**

Scheduled future principal payments of debt are \$148.8 million in fiscal 2019, \$595.7 million in fiscal 2020, \$336.9 million in fiscal 2021, \$500.0 million in fiscal 2022, none in fiscal 2023, and \$2.8 billion thereafter.

Interest paid on the above indebtedness during the fiscal years ended September 30, 2018, 2017, and 2016 was \$162.1 million, \$125.3 million, and \$123.5 million, respectively.

Total amortization of financing fees and the accretion of original issue discounts, which are recorded as components of Interest Expense, Net on the Consolidated Statements of Operations, were \$7.7 million, \$6.2 million, and \$6.3 million, for the fiscal years ended September 30, 2018, 2017, and 2016, respectively.

**Note 7. Stockholders' Equity and Weighted Average Common Shares Outstanding**

The authorized capital stock of the Company consists of 600,000,000 shares of common stock, par value \$0.01 per share (the "common stock"), and 10,000,000 shares of preferred stock, par value \$0.01 per share (the "preferred stock").

The board of directors is authorized to provide for the issuance of shares of preferred stock in one or more series with various designations and preferences and relative, participating, optional, or other special rights and qualifications, limitations, or restrictions. Except as required by law, or as otherwise provided by the board of directors of the Company, the holders of preferred stock will have no voting rights and will not be entitled to notice of meetings of stockholders. Holders of preferred stock will be entitled to receive, when declared by the board of directors, out of legally available funds, dividends at the rates fixed by the board of directors for the respective series of preferred stock, and no more, before any dividends will be declared and paid, or set apart for payment, on common stock with respect to the same dividend period. No shares of preferred stock have been issued as of September 30, 2018.

The holders of the Company's common stock are entitled to one vote per share and have the exclusive right to vote for the board of directors and for all other purposes as provided by law. Subject to the rights of holders of the Company's preferred stock, holders of common stock are entitled to receive ratably on a per share basis such dividends and other distributions in cash, stock, or property of the Company as may be declared by the board of directors from time to time out of the legally available assets or funds of the Company.

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The following illustrates the components of Accumulated Other Comprehensive Loss, net of income taxes:

(in thousands)	September 30,	
	2018	2017
Pension and postretirement adjustments	\$(5,065 )	\$(4,186 )
Foreign currency translation	(74,811 )	(92,164 )
Other	623	500
Total accumulated other comprehensive loss	\$(79,253 )	\$(95,850 )

In August 2013, the Company's board of directors authorized a share repurchase program allowing the Company to purchase up to \$750 million of its outstanding shares of common stock, subject to market conditions. During the six months ended March 31, 2016, the Company purchased 1.1 million shares of its common stock for a total of \$100.0 million under this program. In May 2016, the Company's board of directors authorized a share purchase program that, together with availability remaining under the existing August 2013 share repurchase program, permitted the Company to purchase up to \$750 million of its outstanding shares of common stock, subject to market conditions. In September 2016, the Company entered into an Accelerated Share Repurchase ("ASR") transaction with a financial institution and paid \$400.0 million for the delivery of 4.5 million shares of its common stock. The initial payment of \$400.0 million funded stock purchases of \$380.0 million and a share holdback of \$20.0 million. The ASR transaction was settled in November 2016, at which time the financial institution delivered an additional 0.5 million shares of the Company's common stock. The number of shares ultimately received was based upon the volume-weighted average price of the Company's common stock during the term of the ASR. The Company applied the 4.5 million shares from the ASR to the May 2016 share repurchase program. In addition to the ASR, the Company purchased 2.9 million shares of its common stock in fiscal 2016 for a total of \$231.2 million under this program. During the fiscal year ended September 30, 2017, the Company purchased 2.1 million shares of its common stock (included 0.5 million shares of common stock received as part of the settlement of the ASR) for a total of \$118.8 million to complete its authorization under this program.

In November 2016, the Company's board of directors authorized a share repurchase program allowing the Company to purchase up to \$1.0 billion of its outstanding shares of common stock, subject to market conditions. During the fiscal year ended September 30, 2017, the Company purchased 2.7 million shares of its common stock for a total of \$211.1 million under this program. During the fiscal year ended September 30, 2018, the Company purchased 7.7 million shares of its common stock for a total of \$663.1 million, which included \$24.0 million of September 2018 purchases that cash settled in October 2018. As of September 30, 2018, the Company had \$125.8 million of availability remaining under this program.

In October 2018, the Company's board of directors authorized a new share repurchase program allowing the Company to purchase up to \$1.0 billion of its outstanding shares of common stock, subject to market conditions.

#### Warrants and Related Hedging Activity

In March 2013, the Company and WBA entered into various agreements and arrangements pursuant to which subsidiaries of WBA were granted the right to purchase a minority equity position in the Company, beginning with the right, but not the obligation, to purchase up to 19,859,795 shares of the Company's common stock in open market transactions (approximately 7% of the Company's common stock on a fully diluted basis as of the date of issuance of the Warrants described below, assuming their exercise in full). In connection with these arrangements, wholly-owned subsidiaries of WBA were issued (a) warrants to purchase up to an aggregate of 22,696,912 shares of the Company's common stock at an exercise price of \$51.50 per share, exercisable during a six-month period beginning in March 2016 (the "2016 Warrants"), and (b) warrants to purchase up to an aggregate of 22,696,912 shares of the Company's common stock at an exercise price of \$52.50 per share, exercisable during a six-month period beginning in March 2017 (the "2017 Warrants" and, together with the 2016 Warrants, the "Warrants").

In June 2013, the Company commenced a strategy to mitigate the dilutive effect of the Warrants upon exercise. Prior to fiscal 2016, the Company purchased 18.8 million shares of its common stock for \$1,774.1 million under special share repurchase programs. During the fiscal year ended September 30, 2016, the Company purchased 26.3 million shares of its common stock for a total of \$1,535.1 million under a special share repurchase program.



In March 2016, the 2016 Warrants were exercised by WBA for \$1,168.9 million in cash. The shares issued for the 2016 Warrants were from the Company's treasury stock on a first-in, first-out basis, and were originally purchased for \$866.0 million. The Company recognized a reissuance gain in Additional Paid-in Capital of \$302.9 million.

In August 2016, the Company and WBA amended the 2017 Warrants so that they became exercisable in whole or in part during the six-month period beginning in August 2016 at an exercise price of \$52.50. In August 2016, the 2017 Warrants were exercised by WBA for \$1,191.6 million in cash. The shares issued for the 2017 Warrants were from the Company's treasury stock

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on a first-in, first-out basis, and were originally purchased for \$1,157.5 million. The Company recognized a reissuance gain in Additional Paid-in Capital of \$34.1 million.

**Common Shares Outstanding**

Basic earnings per share is computed by dividing net income attributable to AmerisourceBergen Corporation by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings per share is computed by dividing net income attributable to AmerisourceBergen Corporation by the weighted average number of shares of common stock outstanding, plus the dilutive effect of stock options, restricted stock, restricted stock units, the unsettled ASR transaction, and the Warrants during the periods presented.

The following illustrates the components of diluted weighted average shares outstanding:

(in thousands)	Fiscal Year Ended		
	September 30,		
	2018	2017	2016
Weighted average common shares outstanding - basic	217,872	218,375	212,206
Effect of dilutive securities - stock options, restricted stock, restricted stock units, and the unsettled ASR transaction	2,464	3,227	3,338
Dilutive effect of the Warrants	—	—	10,415
Weighted average common shares outstanding - diluted	220,336	221,602	225,959

The potentially dilutive stock options, restricted stock, restricted stock units, the unsettled ASR transaction, and the Warrants that were antidilutive for the fiscal years ended September 30, 2018, 2017, and 2016 were 3.2 million, 4.1 million, and 3.1 million, respectively.

**Note 8. Related Party Transactions**

WBA owns more than 10% of the Company's outstanding common stock and is, therefore, considered a related party. The Company operates under various agreements and arrangements with WBA, including a pharmaceutical distribution agreement pursuant to which the Company distributes pharmaceutical products to WBA and an agreement that provides the Company the ability to access favorable economic pricing and generic products through a generic purchasing services arrangement with Walgreens Boots Alliance Development GmbH. Both of these agreements expire in 2026.

Revenue from the various agreements and arrangements with WBA was \$54.7 billion, \$45.4 billion, and \$43.4 billion in the fiscal years ended September 30, 2018, 2017, and 2016, respectively. The Company's receivable from WBA, net of incentives, was \$5.6 billion and \$5.0 billion as of September 30, 2018 and 2017, respectively.

**Note 9. Retirement and Other Benefit Plans**

The Company sponsors various retirement benefit plans and a deferred compensation plan covering eligible employees.

The Compensation and Succession Planning Committee ("Compensation Committee") of the Company's board of directors has delegated the administration of the Company's retirement and other benefit plans to its Benefits Committee, an internal committee, comprised of senior finance, human resources, and legal executives. The Benefits Committee is responsible for the investment options under the Company's savings plans, as well as performance of the investment advisers and plan administrators.

**Defined Benefit Plans**

The Company approved the termination, effective August 1, 2014, of a salaried defined benefit pension plan, under which approximately 3,200 participants, including 500 active employees, had accrued benefits. In fiscal 2015, the Company obtained regulatory approval from the IRS to settle the plan.

In December 2015, the Company completed the settlement of plan benefits through the combination of lump-sum distributions to participants and the purchase of a nonparticipating annuity contract, which transferred the remaining obligation from the plan. Plan assets were sufficient to satisfy the obligations of the plan. During the fiscal year ended September 30, 2016, the Company recorded a pension settlement charge of \$47.6 million, which primarily consisted

of the recognition of unrecognized actuarial losses that were included in Accumulated Other Comprehensive Loss, net of the related deferred tax assets.

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In June 2016, the Company transferred the surplus plan assets to its defined contribution 401(k) plan and recorded a charge of \$17.1 million in Employee Severance, Litigation, and Other in the Company's Consolidated Statement of Operations.

### Defined Contribution Plans

The Company sponsors the AmerisourceBergen Employee Investment Plan (the "Plan"), which is a defined contribution 401(k) plan covering salaried and certain hourly employees. Eligible participants may contribute to the plan from 1% to 50% of their regular compensation before taxes. Prior to January 1, 2017, the Company contributed \$1.00 for each \$1.00 invested by the participant up to the first 3% of the participant's salary and \$0.50 for each additional \$1.00 invested by the participant up to an additional 2% of salary. Effective January 1, 2017, the Company contributes \$1.00 for each \$1.00 invested by the participant up to the first 3% of the participant's salary. Effective January 1, 2019, the Company will contribute \$1.00 for each \$1.00 invested by the participant up to the first 3% of the participant's salary and \$0.50 for each additional \$1.00 invested by the participant up to an additional 2% of salary. An additional discretionary contribution, in an amount not to exceed the limits established by the Internal Revenue Code ("IRC"), may also be made depending upon the Company's performance. In connection with the termination of the salaried defined benefit plan, as discussed above, \$17.1 million was transferred to the 401(k) plan in June 2016. In March 2017, the funds were contributed to participants who were eligible to participate in the 401(k) plan as of December 31, 2015, based upon their eligible calendar 2016 earnings. Based on the Company's performance in fiscal 2018, the Company recognized an expense for a discretionary contribution to the Plan in the fiscal year ended September 30, 2018. There was no discretionary contribution recognized for in the fiscal year ended September 30, 2017. All contributions are invested at the direction of the employee in one or more funds. All contributions vest immediately except for the discretionary contributions made by the Company, which vest in full after five years of credited service.

The Company also sponsors the AmerisourceBergen Corporation Benefit Restoration Plan. This unfunded plan provides benefits to selected key management, including all of the Company's executive officers. Prior to January 1, 2017, the Company contributed an amount equal to 4% of the participant's total cash compensation to the extent that his or her compensation exceeded the annual compensation limit established by Section 401(a) (17) of the IRC. Effective January 1, 2017, this plan provides eligible participants with an annual amount equal to 3% of the participant's total cash compensation to the extent that his or her compensation exceeds the annual compensation limit established by Section 401(a) (17) of the IRC. Effective January 1, 2019, this plan will provide eligible participants with an annual amount equal to 4% of the participant's total cash compensation to the extent that his or her compensation exceeds the annual compensation limit established by Section 401(a) (17) of the IRC. Costs of the defined contribution plans charged to expense for the fiscal years ended September 30, 2018, 2017, and 2016 were \$37.9 million, \$28.3 million, and \$34.4 million, respectively.

### Deferred Compensation Plan

The Company sponsors the AmerisourceBergen Corporation 2001 Deferred Compensation Plan. This unfunded plan, under which 2.96 million shares of common stock are authorized for issuance, allows eligible officers, directors, and key management employees to defer a portion of their annual compensation. The amount deferred may be allocated by the employee to cash, mutual funds, or stock credits. Stock credits, including dividend equivalents, are equal to the full and fractional number of shares of common stock that could be purchased with the participant's compensation allocated to stock credits based upon the average of closing prices of common stock during each month, plus, at the discretion of the board of directors, up to one-half of a share of common stock for each full share credited. Stock credit distributions are made in shares of common stock. No shares of common stock have been issued under the deferred compensation plan through September 30, 2018. The Company's liability relating to its deferred compensation plan as of September 30, 2018 and 2017 was \$27.5 million and \$26.3 million, respectively.

### Note 10. Share-Based Compensation

#### Stock Options

The Company's employee stock option plans provide for the granting of incentive and nonqualified stock options to acquire shares of common stock to employees at a price not less than the fair market value of the common stock on

the date the option is granted. Option terms and vesting periods are determined at the date of grant by the Compensation Committee of the board of directors. Employee options generally vest ratably, in equal amounts, over a four-year service period and expire in seven years. The Company's non-employee director stock option plans provide for the granting of nonqualified stock options to acquire shares of common stock to non-employee directors at the fair market value of the common stock on the date of the grant. Non-employee director options vest ratably, in equal amounts, over a three-year service period and expire in ten years. Non-employee director options have not been granted since February 2011.

As of September 30, 2018, employee and non-employee director stock options for an additional 15.6 million shares may be granted under the AmerisourceBergen Corporation Omnibus Incentive Plan (the "Plan").

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The estimated fair value of options granted is expensed on a straight-line basis over the requisite service periods of the awards and are net of estimated forfeitures. The Company estimates the fair values of option grants using a binomial option pricing model. Expected volatilities are based upon the historical volatility of the Company's common stock and other factors, such as implied market volatility. The Company uses historical exercise data, taking into consideration the optionees' ages at grant date, to estimate the terms for which the options are expected to be outstanding. The Company anticipates that the terms of options granted in the future will be similar to those granted in the past. The risk-free rates during the terms of such options are based upon the U.S. Treasury yield curve in effect at the time of grant.

The weighted average fair values of the options granted during the fiscal years ended September 30, 2018, 2017, and 2016 were \$14.16, \$13.57, and \$17.43, respectively. The following weighted average assumptions were used to estimate the fair values of options granted:

	Fiscal Year Ended September 30,		
	2018	2017	2016
Risk-free interest rate	1.89%	1.26%	1.40%
Expected dividend yield	1.96%	1.80%	1.38%
Volatility of common stock	26.54%	26.78%	25.05%
Expected life of the options	3.76 years	3.74 years	3.72 years

Changes to the above valuation assumptions could have a significant impact on share-based compensation expense. During the fiscal years ended September 30, 2018, 2017, and 2016, the Company recognized stock option expense of \$22.6 million, \$28.6 million, and \$33.1 million, respectively.

A summary of the Company's stock option activity and related information for its option plans for the fiscal year ended September 30, 2018 is presented below:

(in thousands, except exercise price and contractual term)	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of September 30, 2017	10,287	\$70	4 years	\$ 170,856
Granted	1,538	\$78		
Exercised	(2,742 )	\$51		
Forfeited	(604 )	\$84		
Expired	(58 )	\$95		
Outstanding as of September 30, 2018	8,421	\$77	4 years	\$ 142,557
Exercisable as of September 30, 2018	4,561	\$72	3 years	\$ 98,863
Expected to vest after September 30, 2018	3,732	\$82	5 years	\$ 41,982

The intrinsic value of stock option exercises during the fiscal years ended September 30, 2018, 2017, and 2016 was \$116.7 million, \$116.6 million, and \$120.9 million, respectively.

A summary of the status of the Company's nonvested options as of September 30, 2018 and changes during the fiscal year ended September 30, 2018 is presented below:

(in thousands, except grant date fair value)	Options	Weighted Average Grant Date Fair Value
Nonvested as of September 30, 2017	4,752	\$15
Granted	1,538	\$14
Vested	(1,826 )	\$14
Forfeited	(604 )	\$15
Nonvested as of September 30, 2018	3,860	\$15

During the fiscal years ended September 30, 2018, 2017, and 2016, the total fair values of options vested were \$25.8 million, \$25.2 million, and \$24.4 million, respectively. Expected future compensation expense relating to the 3.9 million nonvested options outstanding as of September 30, 2018 is \$25.8 million, which will be recognized over a weighted average period of 2.1 years.

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## Restricted Stock Units

Restricted stock units vest in full after three years. The estimated fair value of restricted stock units under the Company's restricted stock unit plans is determined by the product of the number of shares granted and the grant date market price of the Company's common stock. The estimated fair value of restricted stock units is expensed on a straight-line basis over the requisite service period and are net of estimated forfeitures. During the fiscal years ended September 30, 2018, 2017, and 2016, the Company recognized restricted stock unit expense of \$26.8 million, \$25.1 million, and \$19.5 million, respectively.

A summary of the status of the Company's nonvested restricted stock units as of September 30, 2018 and changes during the fiscal year ended September 30, 2018 are presented below:

(in thousands, except grant date fair value)	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested as of September 30, 2017	819	\$84
Granted	526	\$78
Vested	(173 )	\$91
Forfeited	(149 )	\$81
Nonvested as of September 30, 2018	1,023	\$80

During the fiscal years ended September 30, 2018, 2017, and 2016, the total fair values of restricted stock units vested were \$15.8 million, \$13.8 million, and \$17.8 million, respectively. Expected future compensation expense relating to the 1.0 million restricted stock units outstanding as of September 30, 2018 is \$29.1 million, which will be recognized over a weighted average period of 1.3 years.

## Performance Stock Units

Performance stock units are granted to certain executive employees under the Plan and represent common stock potentially issuable in the future. Performance stock units vest at the end of a three-year performance period based upon achievement of specific performance goals. Based upon the extent to which the targets are achieved, vested shares for awards granted prior to fiscal 2018 may range from 0% to 150% of the target award amount. For awards granted beginning in fiscal 2018, vested shares may range from 0% to 200% of the target award amount. The fair value of performance stock units is determined by the grant date market price of the Company's common stock. Compensation expense associated with nonvested performance stock units is recognized over the requisite service period and is dependent on the Company's periodic assessment of the probability of the targets being achieved and its estimate of the number of shares that will ultimately be issued. During the fiscal years ended September 30, 2018, 2017, and 2016, the Company recognized performance stock expense of \$12.8 million, \$8.4 million, and \$12.3 million, respectively.

A summary of the status of the Company's nonvested performance stock units as of September 30, 2018 and changes during the fiscal year ended September 30, 2018 is presented below (based upon target award amounts).

(in thousands, except grant date fair value)	Performance Stock Units	Weighted Average Grant Date Fair Value
Nonvested as of September 30, 2017	201	\$85
Granted	150	\$78
Vested	(80 )	\$98
Forfeited	(27 )	\$79
Nonvested as of September 30, 2018	244	\$77

Shares that vested over the three-year performance period ended September 30, 2018 were distributed to employees in November 2018.





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## Employee Stock Purchase Plan

The AmerisourceBergen Corporation Employee Stock Purchase Plan provides for an aggregate of 4,000,000 shares of common stock that may be sold to eligible employees (generally defined as employees with at least 30 days of service with the Company). Prior to July 1, 2018, the participants could elect to have the Company withhold up to 25% of his or her base salary to purchase shares of the Company's common stock at a price equal to 95% of the fair market value of the stock on the last business day of each six-month purchase period. Effective July 1, 2018, the participants may elect to have the Company withhold up to 25% of his or her base salary to purchase shares of the Company's common stock at a price equal to 85% of the fair market value of the stock on the last business day of each six-month period. Each participant is limited to \$25,000 of purchases during each calendar year. During the fiscal years ended September 30, 2018, 2017, and 2016, the Company acquired 72,198 shares, 75,904 shares, and 71,016 shares, respectively, from the open market for issuance to participants in this plan. As a result of increasing in the discount provided to employees from 5% to 15%, the Company began recognizing the 15% discount as an expense in Distribution, Selling, and Administrative in the Statement of Operations. Prior to the increase in the discount, the Company recognized the discount in Additional Paid-in Capital in the Statement of Stockholders' Equity.

## Note 11. Leases and Other Commitments

The Company has long-term leases for facilities and equipment. In the normal course of business, leases are generally renewed or replaced by other leases. Certain leases include escalation clauses. During the fiscal years ended September 30, 2018, 2017, 2016, the Company recorded rental expense of \$114.9 million, \$80.7 million, and \$88.8 million, respectively, in Distribution, Selling, and Administrative in the Consolidated Statements of Operations. As of September 30, 2018, future minimum rental payments under noncancelable operating leases and financing obligations were as follows:

Payments Due by Fiscal Year (in thousands)	Operating Leases	Financing Obligations <sup>1</sup>	Total
2019	\$89,589	\$26,561	\$116,150
2020	84,689	28,137	112,826
2021	75,929	27,974	103,903
2022	64,064	25,591	89,655
2023	54,168	24,401	78,569
Thereafter	143,714	107,146	250,860
Total minimum lease payments	\$512,153	\$239,810	\$751,963

<sup>1</sup> Represents the portion of future minimum lease payments relating to facility leases where the Company was determined to be the accounting owner (see Note 1). These payments are recognized as reductions to the financing obligation and as interest expense and exclude the future non-cash termination of the financing obligation.

The 2017 Tax Act requires a one-time transition tax to be recognized on historical foreign earnings and profits. The Company currently estimates that its liability related to the transition tax is approximately \$219.6 million, net of tax credits and refunds, as of September 30, 2018, which is payable in installments over a six-year period commencing in January 2021.

The Company outsources to IBM Global Services a significant portion of its data center operations. The remaining commitment under the Company's arrangement, which expires in January 2021, is approximately \$33.7 million as of September 30, 2018, of which \$15.0 million represents the Company's commitment in fiscal 2019.

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## Note 12. Employee Severance, Litigation, and Other

The following illustrates the charges incurred by the Company relating to Employee Severance, Litigation, and Other for the periods indicated:

(in thousands)	Fiscal Year Ended September 30,		
	2018	2017	2016
Employee severance	\$36,694	\$7,767	\$38,786
Litigation and opioid-related costs	61,527	917,573	—
Transfer of surplus plan assets	—	—	17,149
Customer contract dispute settlements	—	—	13,000
Other	85,299	33,987	33,976
Total employee severance, litigation, and other	\$183,520	\$959,327	\$102,911

Employee severance costs in the fiscal year ended September 30, 2018 primarily related to position eliminations resulting from the Company's business transformation efforts and restructuring activities related to its consulting business. Employee severance costs in the fiscal year ended September 30, 2017 primarily related to position eliminations as the Company began to reorganize to further align the organization to its customers' needs. Employee severance costs in the fiscal year ended September 30, 2016 primarily related to position eliminations as the Company reorganized certain of its business units and corporate functions to improve operating efficiency. Employees receive their severance benefits over a period of time, generally not in excess of 12 months, or in the form of a lump-sum payment.

Litigation and opioid-related costs in the fiscal year ended September 30, 2018 primarily related to opioid lawsuits, investigations, and related initiatives. Litigation and opioid-related costs in the fiscal year ended September 30, 2017 primarily related to litigation settlements and accruals.

During the fiscal year ended September 30, 2016, the Company recognized a \$17.1 million charge related to the transfer of surplus assets from the Company's settled salaried defined benefit pension plan to its defined contribution 401(k) plan and \$13.0 million of costs related to customer contract extensions (primarily related to the settlement of certain disputed items).

Other costs in the fiscal year ended September 30, 2018 included \$33.9 million of acquisition-related deal and integration costs, \$33.0 million related to the Company's business transformation efforts, and \$18.4 million of other restructuring initiatives. Other costs in the fiscal year ended September 30, 2017 included \$17.0 million of acquisition-related deal and integration costs, \$13.3 million of other restructuring initiatives, and \$3.7 million related to the Company's business transformation efforts. Other costs in the fiscal year ended September 30, 2016 included \$19.2 million of acquisition-related deal and integration costs and \$14.7 million of other restructuring initiatives.

## Note 13. Legal Matters and Contingencies

In the ordinary course of its business, the Company becomes involved in lawsuits, administrative proceedings, government subpoenas, government investigations, and other disputes, 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 reserve for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to the specific legal proceedings and claims described below, unless otherwise noted, the amount or range of possible losses is not reasonably estimable. There can be no assurance that the settlement, resolution, or other outcome of one or more matters, including the matters set forth below, during any subsequent reporting period will not have a material adverse effect on the Company's results of operations or cash flows for that period or on the Company's financial condition.

For those matters for which the Company has not recognized a liability, the Company cannot predict the outcome of their impact on the Company as uncertainty remains with regard to whether such matters will proceed to trial, whether settlements will be reached, and the amount and terms of any such settlements. Outcomes may include settlements in

significant amounts that are not currently estimable, limitations on the Company's conduct, the imposition of corporate integrity obligations, and/or other civil and criminal penalties.

**Government Enforcement and Related Litigation Matters**

The Company is, at various times, involved in government investigations and litigation arising from the marketing, promotion, sale, and dispensing of pharmaceutical products in the United States. Some of these investigations originate through

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what are known as qui tam complaints of the Federal False Claims Act. The qui tam provisions of the Federal False Claims Act and various state and local civil False Claims Acts permit a private person, known as a "relator" or whistleblower, to file civil actions under these statutes on behalf of the federal, state, and local governments. Qui tam complaints are initially filed by the relator under seal (or on a confidential basis) and the filing of the complaint imposes obligations on government authorities to investigate the allegations in the complaint and to determine whether or not to intervene in the action. Qui tam complaints remain sealed until the court in which the case was filed orders otherwise.

Under the Federal False Claims Act, the government (or relators who pursue the claims without the participation of the government in the case) may seek to recover up to three times the amount of damages in addition to a civil penalty for each purported false claim submitted to the government for payment. Generally speaking, these cases take several years for the investigation to be completed and, ultimately, to be resolved (either through litigation or settlement) after the complaint is unsealed. In addition, some states have pursued investigations under state false claims statutes or consumer protection laws, either in conjunction with a government investigation or separately. There is often collateral litigation that arises from public disclosures of government investigations, including the filing of class action lawsuits by third party payors or by shareholders alleging violations of the securities laws.

### Subpoenas and Ongoing Investigations

From time to time, the Company receives subpoenas or requests for information from various government agencies relating to the Company's business or to the business of a customer, supplier, or other industry participant. The Company generally responds to such subpoenas and requests in a cooperative manner. These responses often require time and effort and can result in considerable costs being incurred by the Company. Most of these matters are resolved without incident; however, such subpoenas or requests can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Company and other members of the healthcare industry, as well as to substantial settlements.

Since fiscal 2012, the Company and its subsidiary AmerisourceBergen Specialty Group ("ABSG") have been responding to subpoenas from the U.S. Attorney's Office for the Eastern District of New York ("USAO-EDNY") requesting production of documents and information relating to the pre-filled syringe program of ABSG's subsidiary Medical Initiatives, Inc., ABSG's oncology distribution center, its group purchasing organization for oncologists, and intercompany transfers of certain oncology products. Medical Initiatives, Inc. voluntarily ceased operations in early 2014.

On September 27, 2017, pursuant to the terms of a plea agreement, ABSG entered a guilty plea to a one-count strict-liability misdemeanor violation of the Federal Food, Drug, and Cosmetic Act in the United States District Court of the Eastern District of New York. Under the terms of the agreement, which were approved by the Court, ABSG paid a total criminal fine and forfeiture of \$260.0 million in fiscal 2017. The guilty plea resolves the federal criminal investigation related to the failure of Medical Initiatives, Inc. to duly register with the FDA. The Company also entered into a Compliance Agreement with the United States Department of Justice for a period of three years. During the year ended September 30, 2017, the Company recognized the \$260.0 million settlement in Employee Severance, Litigation, and Other on the Company's Consolidated Statements of Operations.

The USAO-EDNY also pursued alleged civil claims under the False Claims Act. As previously disclosed, ABSG reached an agreement in principle with the USAO-EDNY during the quarter ended December 31, 2017, which the Company expected would resolve the alleged civil claims in their entirety. In the fiscal quarter ended September 30, 2018, the Company reached final terms of the settlement agreement with the USAO-EDNY, resolved potential administrative action by the Office of Inspector General of the U.S. Department of Health and Human Services by entering into a Corporate Integrity Agreement, and obtained dismissal with prejudice of the potential civil claims. The Corporate Integrity Agreement has a five-year term, which commenced on September 28, 2018, and requires, among other things, the maintenance of a compliance program, an independent review organization and a financial recoupment program. Pursuant to the terms of the settlement agreement with the USAO-EDNY, ABSG made a payment on September 28, 2018 to resolve the civil litigation without making any admission of liability in the amount

of \$625.0 million, plus interest from December 1, 2017. As previously disclosed, as a result of the agreement in principle, the Company had previously accrued a reserve in the amount of \$625.0 million in the fiscal year ended September 30, 2017. The reserve was recognized in Employee Severance, Litigation, and Other on the Company's Statement of Operations and in Accrued Expenses and Other on the Company's Consolidated Balance Sheet. The Company's subsidiary U.S. Bioservices Corporation ("U.S. Bio") settled claims with the U.S. Attorney's Office for the Southern District of New York ("USAO-SDNY") and with various states arising from the previously disclosed matter involving the dispensing of one product and U.S. Bio's relationship with the manufacturer of that product. In accordance with the settlement agreements, the United States' complaint against U.S. Bio was dismissed and the participating states agreed not to bring, and to dismiss with prejudice, any state law claims that they had the authority to bring against U.S. Bio. The Company paid the United States \$10.7 million in fiscal 2017 and paid the participating states \$2.8 million in fiscal 2018. During the year ended September

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30, 2017, the Company recognized the \$13.4 million settlement in Employee Severance, Litigation, and Other on the Company's Consolidated Statements of Operations.

In January 2017, U.S. Bio received a subpoena for information from the USAO-EDNY relating to U.S. Bio's activities in connection with billing for products and making returns of potential overpayments to government payers. The Company is engaged in discussions with the USAO-EDNY and has been producing documents in response to the subpoena.

In November 2017, the Company's subsidiary PharMEDium received a grand jury subpoena for documents from the U.S. Attorney's Office for the Western District of Tennessee ("USAO-WDTN") seeking various documents, including information generally related to the laboratory testing procedures of PharMEDium's products, and more specifically, for PharMEDium products packaged in a certain type of syringe at its Memphis, Tennessee facility. The Company is engaged in discussions with the USAO-WDTN and has produced documents in response to the subpoena.

Opioid Lawsuits and Investigations

In June 2012, the Attorney General of the State of West Virginia ("West Virginia AG") filed complaints, which were amended, in the Circuit Court of Boone County, West Virginia, against a number of pharmaceutical wholesale distributors, including the Company's subsidiary AmerisourceBergen Drug Corporation ("ABDC"), alleging, among other claims, that the distributors failed to provide effective controls and procedures to guard against diversion of controlled substances for illegitimate purposes in West Virginia, acted negligently by distributing controlled substances to pharmacies that serve individuals who abuse controlled substances, and failed to report suspicious orders of uncontrolled substances in accordance with state regulations. The West Virginia AG was seeking monetary damages and injunctive and other equitable relief. This matter was dismissed with prejudice on January 9, 2017 pursuant to a settlement agreement that provided for the payment of \$16.0 million and express denial of the allegations in the complaints and any wrongdoing. During the year ended September 30, 2017, the Company recognized the \$16.0 million settlement in Employee Severance, Litigation, and Other on the Company's Consolidated Statements of Operations. The Company paid the \$16.0 million settlement in fiscal 2017.

A significant number of counties, municipalities, and other governmental entities in a majority of U.S. states and Puerto Rico, as well as several states and tribes, have filed lawsuits in various federal, state and other courts against pharmaceutical wholesale distributors (including the Company and its subsidiary ABDC), pharmaceutical manufacturers, retail chains, medical practices, and physicians relating to the distribution of prescription opioid pain medications. Additionally, several counties and municipalities have named H.D. Smith, a subsidiary that the Company acquired in January 2018, as a defendant in such lawsuits. Other lawsuits regarding the distribution of prescription opioid pain medications have been filed by: third-party payors and similar entities; hospitals; hospital groups; and individuals, including cases styled as putative class actions. The lawsuits, which have been filed in federal, state, and other courts, generally allege violations of controlled substance laws and various other statutes as well as common law claims, including negligence, public nuisance, and unjust enrichment, and seek equitable relief and monetary damages.

After a motion filed by certain plaintiffs and a hearing before the Judicial Panel on Multidistrict Litigation in November 2017, an initial group of cases was consolidated for Multidistrict Litigation ("MDL") proceedings before the United States District Court for the Northern District of Ohio. Additional cases have been, and will likely continue to be, transferred to the MDL. In April 2018, the United States, through the Department of Justice ("DOJ"), filed a motion to participate (i) in settlement discussions and (ii) as a friend of the Court by providing information to facilitate non-monetary remedies. The DOJ's motion to participate in settlement discussions was granted on June 19, 2018. On April 11, 2018, the Court issued an order creating a litigation track, which includes dispositive motion practice, discovery, and trials in certain bellwether jurisdictions that are scheduled to commence in September 2019.

Dispositive motion practice and fact discovery have commenced in certain bellwether cases. On October 5, 2018, Magistrate Judge Ruiz issued a Report & Recommendation on the first of the bellwether dispositive motions, which recommended dismissal of certain public nuisance claims but recommended that the majority of the suit be allowed to

continue with discovery. The parties will file objections to the Report & Recommendation and, thereafter, Judge Polster will either adopt or modify the Report & Recommendation. Additionally, the Court has continued to oversee court-ordered settlement discussions with attorneys for the plaintiffs and certain states that it instituted at the beginning of the MDL proceedings.

Aside from those parties that have already filed suit, other entities, including additional attorneys general's offices, counties, and cities in multiple states, have indicated their intent to sue. The Company is vigorously defending itself in the pending lawsuits and intends to vigorously defend itself against any threatened lawsuits. The Company is not in a position to assess the likely outcome or its exposure, if any, with respect to these matters.

In addition, on September 18, 2017, the Company received a request for documents and information on behalf of attorneys general from a coalition of states who are investigating a number of manufacturers and distributors (including ABDC) regarding the distribution of prescription opioid pain medications. The Company is engaged in discussions with the representatives of the



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attorneys general regarding this request and has been producing responsive documents. The Company has also received subpoenas, civil investigative demands, and other requests for information, requesting the production of documents regarding the distribution of prescription opioid pain medications from government agencies in other jurisdictions, including certain states. The Company is engaged in discussions with representatives from these government agencies regarding the requests, and has been producing responsive documents.

Additionally, in fiscal 2012, ABDC received a subpoena from the U.S. Attorney's Office for the District of New Jersey ("USAO-NJ") in connection with a grand jury proceeding requesting documents concerning ABDC's program for controlling and monitoring diversion of controlled substances into channels other than for legitimate medical, scientific, and industrial purposes. ABDC also received a subpoena from the Drug Enforcement Administration ("DEA") in connection with the matter. Since fiscal 2012, ABDC has received and responded to a number of subpoenas from both the USAO-NJ and DEA requesting grand jury testimony and additional information related to electronically stored information, documents concerning specific customers' purchases of controlled substances, and DEA audits. In July 2017, the USAO-NJ and DEA served an administrative subpoena requesting documents relating to ABDC's diversion control programs from 2013 to the present. The Company is responding to the 2017 subpoena and continues to engage in dialogue with the USAO-NJ. During the fiscal year ended September 30, 2018, the Company also received administrative subpoenas from the USAO-EDNY, the U.S. Attorney's Office for the District of Colorado, the U.S. Attorney's Office for the Northern District of West Virginia, the U.S. Attorney's Office for the Western District of Michigan, and the U.S. Attorney's Office for the Middle District of Florida. Those subpoenas are substantively similar to the subpoena received from the USAO-NJ in 2017. The Company has been engaged in discussions with the various U.S. Attorney's Offices and has been producing documents in response to the subpoenas.

Since fiscal 2013, the Company has received subpoenas from the U.S. Attorney's Office for the Northern District of Ohio and ABDC has received subpoenas from the U.S. Attorney's Office for the District of Kansas in connection with grand jury proceedings requesting documents concerning ABDC's program for controlling and monitoring diversion of controlled substances into channels other than for legitimate medical, scientific, and industrial purposes. As in the USAO-NJ matter described above, in addition to requesting general information on ABDC's diversion control program, the subpoenas have also requested documents concerning specific customers' purchases of controlled substances. The Company has responded to the subpoenas and requests for information.

In May 2018, the Company received a grand jury subpoena from the U.S. Attorney's Office for the Southern District of Florida. The subpoena requests documents primarily relating to certain opioid products and communications with a pharmaceutical manufacturer. The Company is in the process of responding to the subpoena.

### Other Contingencies

New York State ("NYS") enacted the Opioid Stewardship Act ("OSA"), which went into effect on July 1, 2018. The OSA established an annual \$100 million Opioid Stewardship Fund (the "Fund") and requires manufacturers, distributors, and importers licensed in NYS to ratably source the Fund. The ratable share of the assessment for each licensee is based upon opioids sold or distributed to or within NYS. The OSA requires licensees to initially report transaction data for the 2017 calendar year by August 1, 2018, which NYS will use to calculate ratable shares of the assessment. The initial payment to NYS is due on January 1, 2019 for opioids sold or distributed during calendar year 2017, and future assessments, beginning with the 2018 calendar year, will be payable quarterly beginning on April 1, 2019. The OSA expires on June 30, 2024. The Company accrued \$22.0 million as an estimate of its liability under the OSA for opioids distributed from January 1, 2017 through September 30, 2018. The Company recognized this reserve in Cost of Goods Sold on its Consolidated Statement of Operations for the fiscal year ended September 30, 2018 and in Accrued Expenses and Other on its Consolidated Balance Sheet as of September 30, 2018. If other state or local jurisdictions enact similar legislation, such legislation in the aggregate may have a material adverse effect on the Company's results of operations, cash flows, or financial condition.

The FDA and the Consumer Protection Branch of the Civil Division of the DOJ regulate the compounding of pharmaceutical products. The Company's Section 503B outsourcing facilities must comply with current Good Manufacturing Practices ("GMPs") and are inspected by the FDA periodically to determine that PharMEDium is complying with such GMPs. The FDA and the DOJ have broad enforcement powers, including the ability to suspend the Company's Section 503B outsourcing facilities from distributing pharmaceutical products.

The Company continues to be in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding the ongoing compliance efforts of PharMEDium, including efforts to resume commercial distribution at the Memphis 503B outsourcing facility where it voluntarily suspended production activities in December 2017. Representatives of the Company and PharMEDium had an initial meeting with the FDA and the DOJ to discuss potential resolution of ongoing matters and whether a consent decree is necessary. Further discussions are anticipated, including with regard to the possible entry

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of a consent decree. A failure to adequately address observations identified by the FDA and the DOJ could lead to the suspension of facilities currently in operation, an enforcement action, monetary penalties and/or license revocation.

## Note 14. Litigation Settlements

## Antitrust Settlements

Numerous class action lawsuits have been filed against certain brand pharmaceutical manufacturers alleging that the manufacturer, by itself or in concert with others, took improper actions to delay or prevent generic drugs from entering the market. The Company has not been named a plaintiff in any of these class actions, but has been a member of the direct purchasers' class (i.e., those purchasers who purchase directly from these pharmaceutical manufacturers). None of the class actions have gone to trial, but some have settled in the past with the Company receiving proceeds from the settlement funds. During the fiscal years ended September 30, 2018, 2017, and 2016, the Company recognized gains of \$35.9 million, \$1.4 million, and \$133.8 million, respectively, relating to these class action lawsuits. These gains, which are net of attorney fees and estimated payments due to other parties, were recorded as reductions to Cost of Goods Sold in the Company's Consolidated Statements of Operations.

## Note 15. Business Segment Information

The Company is organized based upon the products and services it provides to its customers. The Company's operations are comprised of the Pharmaceutical Distribution Services reportable segment and other operating segments that are not significant enough to require separate reportable segment disclosure and, therefore, have been included in Other for the purpose of reportable segment presentation. Other consists of operating segments that focus on global commercialization services and animal health and includes ABCS, World Courier, and MWI.

The chief operating decision maker ("CODM") of the Company is the Chairman, President & Chief Executive Officer of the Company, whose function is to allocate resources to, and assess the performance of, the Company's operating segments.

The Pharmaceutical Distribution Services reportable segment distributes a comprehensive offering of brand-name, specialty brand-name and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, 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 alternate site pharmacies, and other customers. Through a number of operating businesses, the Pharmaceutical Distribution Services reportable segment provides pharmaceutical distribution (including plasma and other blood products, injectible pharmaceuticals, vaccines, and other specialty pharmaceutical products) and additional services to physicians who specialize in a variety of disease states, especially oncology, and to other healthcare providers, including hospitals and dialysis clinics. Additionally, the Pharmaceutical Distribution Services reportable segment provides data analytics, outcomes research, and additional services for biotechnology and pharmaceutical manufacturers. The Pharmaceutical Distribution Services reportable segment also provides pharmacy management, staffing and additional consulting services, and supply management software to a variety of retail and institutional healthcare providers. Additionally, it delivers packaging solutions to institutional and retail healthcare providers.

ABCS, through a number of operating businesses, provides a full suite of integrated manufacturer services that range from clinical trial support to product post-approval and commercialization support. World Courier, which operates in over 50 countries, is a leading global specialty transportation and logistics provider for the biopharmaceutical industry. MWI is a leading animal health distribution company in the United States and in the United Kingdom. MWI sells pharmaceuticals, vaccines, parasiticides, diagnostics, micro feed ingredients, and various other products to customers in both the companion animal and production animal markets. Additionally, MWI offers demand-creating sales force services to manufacturers.

The following illustrates reportable segment revenue information for the periods indicated:

	Fiscal Year Ended September 30,		
(in thousands)	2018	2017	2016
Pharmaceutical Distribution Services	\$ 161,699,343	\$ 147,453,495	\$ 141,701,997
Other	6,332,730	5,747,863	5,207,095

Intersegment eliminations	(92,438	) (57,532	) (59,406	)
Revenue	\$167,939,635	\$153,143,826	\$146,849,686	

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Intersegment eliminations primarily represent the elimination of certain Pharmaceutical Distribution Services reportable segment sales to MWI.

The following illustrates reportable segment operating income information for the periods indicated:

	Fiscal Year Ended September 30,		
(in thousands)	2018	2017	2016
Pharmaceutical Distribution Services	\$1,626,748	\$1,643,629	\$1,702,725
Other	355,091	373,797	327,746
Intersegment eliminations	(609 )	(556 )	(103 )
Total segment operating income	\$1,981,230	\$2,016,870	\$2,030,368

The following reconciles total segment operating income to income before income taxes for the periods indicated:

	Fiscal Year Ended September 30,		
(in thousands)	2018	2017	2016
Total segment operating income	\$1,981,230	\$2,016,870	\$2,030,368
Gain from antitrust litigation settlements	35,938	1,395	133,758
LIFO (expense) credit	(67,324 )	157,782	(200,230 )
PharMEDium remediation costs	(66,204 )	—	—
New York State Opioid Stewardship Act	(22,000 )	—	—
Acquisition-related intangibles amortization	(174,751 )	(156,378 )	(147,262 )
Warrants expense	—	—	(140,342 )
Employee severance, litigation, and other	(183,520 )	(959,327 )	(102,911 )
Pension settlement charge	—	—	(47,607 )
Goodwill impairment	(59,684 )	—	—
Operating income	1,443,685	1,060,342	1,525,774
Other loss (income)	25,469	(2,730 )	(5,048 )
Interest expense, net	174,699	145,185	139,912
Loss on consolidation of equity investments	42,328	—	—
Loss on early retirement of debt	23,766	—	—
Income before income taxes	\$1,177,423	\$917,887	\$1,390,910

Segment operating income is evaluated by the CODM of the Company and excludes gain from antitrust litigation settlements; LIFO (expense) credit; PharMEDium remediation costs; New York State Opioid Stewardship Act; acquisition-related intangibles amortization; Warrants expense; employee severance, litigation, and other; a pension settlement charge; and goodwill impairment. All corporate office expenses are allocated to each operating segment. Segment measures were adjusted in fiscal 2018 to exclude PharMEDium remediation costs, New York State Opioid Stewardship Act, and goodwill impairment as the CODM excludes these costs in the measurement of segment performance.

After FDA inspections of PharMEDium's compounding facilities, the Company voluntarily suspended production activities in December 2017 at its largest compounding facility located in Memphis, Tennessee pending execution of certain remedial measures. The Company has been in active communication with the FDA and the Consumer Protection Branch of the Civil Division of the DOJ regarding its ongoing compliance efforts at PharMEDium, and representatives of the Company and PharMEDium have had an initial meeting with the DOJ and the FDA to discuss potential resolution of ongoing matters and whether a consent decree is necessary (see Item 1A. Risk Factors on page 8). Further discussions are anticipated, including with regard to the possible entry of a consent decree. The Company incurred remediation costs primarily in connection with the suspended production activities. These remediation costs are primarily classified in Cost of Goods sold in the Consolidated Statements of Operations in the fiscal year ended September 30, 2018. Future remediation costs will also include costs related to remediation activities responsive to FDA inspectional observations generally applicable to all of PharMEDium's 503B outsourcing facilities, including product stability studies.

The Company recorded a \$30.0 million impairment of a non-customer note receivable related to a start-up venture in Other Loss (Income) in the Company's Consolidated Statement of Operations in the fiscal year ended September 30, 2018.

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The following illustrates total assets by reportable segment for the periods indicated:

	September 30,		
(in thousands)	2018	2017	2016
Pharmaceutical Distribution Services	\$31,892,621	\$29,691,127	\$28,605,047
Other	5,777,217	5,625,343	5,032,454
Total assets	\$37,669,838	\$35,316,470	\$33,637,501

The CODM does not review assets by operating segment for the purpose of assessing performance or allocating resources.

The following illustrates depreciation and amortization by reportable segment for the periods indicated:

	Fiscal Year Ended September 30,		
(in thousands)	2018	2017	2016
Pharmaceutical Distribution Services	\$225,608	\$188,065	\$170,973
Other	64,768	53,160	46,500
Acquisition-related intangibles amortization	174,751	156,378	147,262
Total depreciation and amortization	\$465,127	\$397,603	\$364,735

Depreciation and amortization includes depreciation and amortization of property and equipment and intangible assets, but excludes amortization of deferred financing costs and other debt-related items, which are included in interest expense.

The following illustrates capital expenditures by reportable segment for the periods indicated:

	Fiscal Year Ended September 30,		
(in thousands)	2018	2017	2016
Pharmaceutical Distribution Services	\$190,191	\$339,478	\$359,391
Other	146,220	126,919	105,225
Total capital expenditures	\$336,411	\$466,397	\$464,616

#### Note 16. Fair Value of Financial Instruments

The recorded amounts of the Company's cash and cash equivalents, accounts receivable, and accounts payable as of September 30, 2018 and 2017 approximate fair value based upon the relatively short-term nature of these financial instruments. Within Cash and Cash Equivalents, the Company had \$1,050.0 million and \$800.0 million of investments in money market accounts as of September 30, 2018 and 2017. The fair value of the money market accounts was determined based upon unadjusted quoted prices in active markets for identical assets, otherwise known as Level 1 inputs.

The recorded amount of long-term debt (see Note 6) and the corresponding fair value as of September 30, 2018 were \$4,158.5 million and \$4,000.1 million, respectively. The recorded amount of long-term debt and the corresponding fair value as of September 30, 2017 were \$3,429.9 million and \$3,522.5 million, respectively. The fair value of long-term debt was determined based upon inputs other than quoted prices, otherwise known as Level 2 inputs.

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## Note 17. Quarterly Financial Information (Unaudited)

(in thousands, except per share amounts)	Fiscal Year Ended September 30, 2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenue	\$40,466,332	\$41,033,858	\$43,142,309	\$43,297,136	\$167,939,635
Gross profit (a)	\$1,112,652	\$1,255,683	\$1,211,341	\$1,032,641	\$4,612,317
Distribution, selling, and administrative expenses; depreciation; and amortization	663,658	736,814	746,593	778,363	2,925,428
Employee severance, litigation, and other	30,021	37,449	75,553	40,497	183,520
Goodwill impairment	—	—	—	59,684	59,684
Operating income	\$418,973	\$481,420	\$389,195	\$154,097	\$1,443,685
Net income (b)	\$861,853	\$282,160	\$277,875	\$194,004	\$1,615,892
Net income attributable to AmerisourceBergen Corporation (b)	\$861,853	\$287,455	\$275,809	\$233,288	\$1,658,405
Earnings per share operations:					
Basic	\$3.95	\$1.31	\$1.26	\$1.08	\$7.61
Diluted	\$3.90	\$1.29	\$1.25	\$1.07	\$7.53

The second and third quarters of the fiscal year ended September 30, 2018 include gains from antitrust litigation settlements of \$0.3 million and \$35.6 million. The third quarter of the fiscal year ended September 30, 2018 includes a LIFO credit of \$16.1 million. The fourth quarter of the fiscal year ended September 30, 2018 includes (a) LIFO expense of \$83.5 million. The second, third, and fourth quarters of the fiscal year ended September 30, 2018 include PharMEDium remediation costs of \$22.5 million, \$12.0 million, and \$26.6 million. The fourth quarter of the fiscal year ended September 30, 2018 includes a \$22.0 million estimate of our liability under the New York State Opioid Stewardship Act.

The first quarter of the fiscal year ended September 30, 2018 includes a loss on early retirement of debt of \$23.8 million. The second quarter of the fiscal year ended September 30, 2018 includes a \$42.3 million loss on (b) consolidation of equity investments and a \$30.0 million impairment of a non-customer note receivable. The first and fourth quarters of the fiscal year ended September 30, 2018 included discrete income tax benefits recognized in connection with the 2017 Tax Act of \$587.6 million and \$25.0 million, respectively.

(in thousands, except per share amounts)	Fiscal Year Ended September 30, 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenue	\$38,169,265	\$37,147,402	\$38,707,144	\$39,120,015	\$153,143,826
Gross profit (a)	\$1,037,680	\$1,256,427	\$1,079,875	\$1,172,020	\$4,546,002
Distribution, selling, and administrative expenses; depreciation; and amortization	616,627	619,512	624,982	665,212	2,526,333
Employee severance, litigation, and other (b)	21,066	11,934	284,517	641,810	959,327
Operating income (loss)	\$399,987	\$624,981	\$170,376	\$(135,002)	\$1,060,342
Net income (loss)	\$247,246	\$411,473	\$50,352	\$(344,587)	\$364,484
Earnings per share operations:					
Basic	\$1.13	\$1.89	\$0.23	\$(1.58)	\$1.67
Diluted	\$1.11	\$1.86	\$0.23	\$(1.58)	\$1.64

The first quarter of the fiscal year ended September 30, 2017 includes gains from antitrust and litigation settlements of \$1.4 million. The first quarter of the fiscal year ended September 30, 2017 includes LIFO expense of \$28.3 million. The second, third, and fourth quarters of the fiscal year ended September 30, 2017 include LIFO credits of \$86.5 million, \$24.7 million, and \$74.9 million, respectively.



- The third quarter of the fiscal year ended September 30, 2017 includes \$273.4 million for litigation settlements.
- (b) The fourth quarter of the fiscal year ended September 30, 2017 includes a \$625.0 million litigation accrual.

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Note 18. Subsequent Event

In November 2018, the Company's board of directors increased the quarterly dividend paid on common stock by 5% and declared a regular quarterly cash dividend of \$0.40 per share, payable on December 3, 2018 to shareholders of record on November 19, 2018.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are intended to ensure that information required to be disclosed in the Company's reports submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also are intended to ensure that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a — 15(e) and 15d — 15(e) under the Exchange Act) and have concluded that the Company's disclosure controls and procedures were effective for their intended purposes as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes during the fiscal quarter ended September 30, 2018 in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, those controls.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of AmerisourceBergen Corporation ("AmerisourceBergen" or the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. AmerisourceBergen's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AmerisourceBergen's management assessed the effectiveness of AmerisourceBergen's internal control over financial reporting as of September 30, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on management's assessment and those criteria, management has concluded that AmerisourceBergen's internal control over financial reporting was effective as of September 30, 2018.

During the second quarter of fiscal 2018, the Company acquired H.D. Smith Holding Company ("H.D. Smith") and consolidated Profarma Distribuidora de Produtos Farmacêuticos S.A. ("Profarma") and Cannes RJ Participações S.A. (the "specialty joint venture with with Profarma"). As permitted by related SEC staff interpretive guidance for newly acquired businesses, these have been excluded from management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2018. In the aggregate, these businesses represented 5% of the total assets and 2% of total revenue of the Company as of and for the fiscal year ended September 30, 2018.

AmerisourceBergen's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of AmerisourceBergen's internal control over financial reporting. This report is set forth below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of AmerisourceBergen Corporation

Opinion on Internal Control over Financial Reporting

We have audited AmerisourceBergen Corporation and subsidiaries' internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, AmerisourceBergen Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of H.D. Smith Holding Company, Profarma Distribuidora de Produtos Farmacêuticos S.A., and Cannes RJ Participações S.A., which are included in the 2018 consolidated financial statements of the Company and constituted 5% of total assets, as of September 30, 2018 and 2% and 3% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of H.D. Smith Holding Company, Profarma Distribuidora de Produtos Farmacêuticos S.A., and Cannes RJ Participações S.A.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated November 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those

policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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/s/ Ernst & Young LLP  
Philadelphia, Pennsylvania  
November 20, 2018

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information appearing in our Notice of Annual Meeting of Stockholders and Proxy Statement for the 2019 Annual Meeting of stockholders (the "2019 Proxy Statement"), including information appearing under "Proxy Statement Highlights - Director Nominees and Board Summary," "Corporate Governance and Related Matters," "Audit Committee Matters," and "Section 16(a) Beneficial Owner Reporting Compliance," is incorporated herein by reference. We will file the 2019 Proxy Statement with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year.

Information with respect to Executive Officers of the Company appears in Part I of this report.

We adopted a Code of Ethics for Designated Senior Officers that applies to our Chief Executive Officer, Chief Financial Officer, and Corporate Controller. A copy of this Code of Ethics is posted on our Internet website, which is investor.amerisourcebergen.com. Any amendment to, or waiver from, any provision of this Code of Ethics will be posted on our Internet website.

ITEM 11. EXECUTIVE COMPENSATION

Information contained in the 2019 Proxy Statement, including information appearing under "Corporate Governance and Related Matters" and "Executive Compensation and Related Matters" in the 2019 Proxy Statement, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information contained in the 2019 Proxy Statement, including information appearing under "Beneficial Ownership of Common Stock" and "Equity Compensation Plan Information" in the 2019 Proxy Statement, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information contained in the 2019 Proxy Statement, including information appearing under "Corporate Governance and Related Matters" and "Related Person Transactions" in the 2019 Proxy Statement, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information contained in the 2019 Proxy Statement, including information appearing under "Audit Committee Matters" in the 2019 Proxy Statement, is incorporated herein by reference.



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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2) List of Financial Statements and Schedules.

Financial Statements: The following consolidated financial statements are submitted in response to Item 15(a)(1):

	Page
<u>Report of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm</u>	<u>45</u>
<u>Consolidated Balance Sheets as of September 30, 2018 and 2017</u>	<u>46</u>
<u>Consolidated Statements of Operations for the fiscal years ended September 30, 2018, 2017 and 2016</u>	<u>47</u>
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2018, 2017, and 2016</u>	<u>48</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended September 30, 2018, 2017, and 2016</u>	<u>49</u>
<u>Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2018, 2017, and 2016</u>	<u>50</u>
<u>Notes to Consolidated Financial Statements</u>	<u>51</u>

Financial Statement Schedule: The following financial statement schedule is submitted in response to Item 15(a)(2):

<u>Schedule II — Valuation and Qualifying Accounts</u>	<u>94</u>
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All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

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## (a) (3) List of Exhibits.\*

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Registrant, dated as of March 4, 2010, as amended by the Certificate of Amendment dated as of February 17, 2011, the Certificate of Amendment dated as of March 6, 2014 and the Certificate of Amendment dated as of March 2, 2017 (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017).</u>
3.2	<u>Amended and Restated Bylaws of the Registrant, dated as of March 2, 2017 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on March 8, 2017).</u>
4.1	<u>Indenture, dated as of November 19, 2009, between the Registrant and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 23, 2009).</u>
4.2	<u>Second Supplemental Indenture, dated as of November 14, 2011, between the Registrant and U.S. Bank National Association, as trustee, related to Registrant's 3.500% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 14, 2011).</u>
4.3	<u>Form of 3.500% Senior Notes due 2021 (incorporated by reference to Exhibit A to Second Supplemental Indenture, dated as of November 14, 2011, between the Registrant and U.S. Bank National Association, as trustee, related to Registrant's 3.500% Senior Notes due 2021, which is filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 14, 2011).</u>
4.4	<u>Fourth Supplemental Indenture, dated as of May 22, 2014, between the Registrant and U.S. Bank National Association, as trustee, related to Registrant's 3.400% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on May 22, 2014).</u>
4.5	<u>Form of 3.400% Senior Notes due 2024 (incorporated by reference to Exhibit A to Fourth Supplemental Indenture, dated as of May 22, 2014, between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 3.400% Senior Notes due 2024, which is filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on May 22, 2014).</u>
4.6	<u>Fifth Supplemental Indenture, dated as of February 20, 2015, between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 3.250% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 20, 2015).</u>
4.7	<u>Form of 3.250% Senior Notes due 2025 (incorporated by reference to Exhibit A to Fifth Supplemental Indenture, dated as of February 20, 2015 between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 3.250% Senior Notes due 2025, which is filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 20, 2015).</u>
4.8	<u>Sixth Supplemental Indenture, dated as of February 20, 2015, between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 4.250% Senior Notes due 2045 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on February 20, 2015).</u>
4.9	<u>Form of 4.250% Senior Notes due 2045 (incorporated by reference to Exhibit A to Sixth Supplemental Indenture, dated as of February 20, 2015 between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 4.250% Senior Notes due 2045, which is filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on February 20, 2015).</u>
4.10	<u>Seventh Supplemental Indenture, dated as of December 4, 2017, between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 3.450% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on December 5, 2017).</u>
4.11	<u>Form of 3.450% Senior Notes due 2027 (incorporated by reference to Exhibit A to Seventh Supplemental Indenture, dated as of December 4, 2017 between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 3.450% Senior Notes due 2027, which is filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on December 5, 2017).</u>

- 4.12 Eighth Supplemental Indenture, dated as of December 4, 2017, between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 4.300% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on December 5, 2017).
- 4.13 Form of 4.300% Senior Notes due 2047 (incorporated by reference to Exhibit A to Eighth Supplemental Indenture, dated as of December 4, 2017 between the Registrant and U.S. Bank National Association, as trustee, related to the Registrant's 4.250% Senior Notes due 2047, which is filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on December 5, 2017).
- 10.1 Framework Agreement, dated as of March 18, 2013, by and among the Registrant, Walgreen Co. and Alliance Boots GmbH (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 20, 2013).

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Exhibit Number	Description
10.2	<u>Shareholders Agreement, dated as of March 18, 2013, by and among the Registrant, Walgreen Co. and Alliance Boots GmbH (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 20, 2013).</u>
‡10.3	<u>AmerisourceBergen Drug Corporation Supplemental Retirement Plan, as amended and restated as of November 24, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2008).</u>
‡10.4	<u>AmerisourceBergen Corporation 2001 Non-Employee Directors' Stock Option Plan, as amended as of November 9, 2005 (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2005).</u>
‡10.5	<u>AmerisourceBergen Corporation 2001 Deferred Compensation Plan, as amended and restated as of November 24, 2008 (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2008).</u>
‡10.6	<u>AmerisourceBergen Corporation Equity Incentive Plan, as amended and restated as of January 1, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 25, 2013).</u>
‡10.7	<u>Form of Nonqualified Stock Option Award Agreement to Employee under the AmerisourceBergen Corporation Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2013).</u>
‡10.8	<u>Form of Restricted Stock Award Agreement to Employee under the AmerisourceBergen Corporation Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2013).</u>
‡10.9	<u>Form of Restricted Stock Unit Award Agreement to Employee under the AmerisourceBergen Corporation Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2013).</u>
‡10.10	<u>Form of Performance-Based Restricted Stock Unit Award Agreement to Employee under the AmerisourceBergen Corporation Equity Incentive Plan (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2013).</u>
‡10.11	<u>AmerisourceBergen Corporation Amended and Restated Employee Stock Purchase Plan, as amended and restated on March 2, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018).</u>
‡10.12	<u>AmerisourceBergen Corporation Compensation Policy for Non-Employee Directors, effective as of March 3, 2016 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on March 9, 2016).</u>
‡10.13	<u>AmerisourceBergen Corporation Benefit Restoration Plan, as amended and restated as of December 1, 2013 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 5, 2013).</u>
‡10.14	<u>AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 10, 2014).</u>
‡10.15	<u>Form of Restricted Stock Award Agreement to Non-Employee Director under the AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 10, 2014).</u>
‡10.16	<u>Form of Restricted Stock Unit Agreement to Non-Employee Director under the AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on March 10, 2014).</u>
‡10.17	<u>Form of Nonqualified Stock Option Award Agreement to Employee under the AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Current</u>

Report on Form 8-K filed on March 10, 2014).

‡10.18 Form of Restricted Stock Unit Agreement to Employee under the AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on March 10, 2014).

‡10.19 Form of Performance Share Award Agreement to Employee under the AmerisourceBergen Corporation Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on March 10, 2014).

‡10.20 Amended and Restated Employment Agreement, dated as of November 24, 2008, between the Registrant and John G. Chou (incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008).

‡10.21 Letter Agreement, dated January 7, 2009, between the Registrant and John G. Chou (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008).

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Exhibit Number	Description
‡10.22	<u>Employment Agreement, dated as of June 21, 2012, between the Registrant and Gina K. Clark (incorporated by reference to Exhibit 10.25 to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2015).</u>
‡10.23	<u>Employment Agreement, dated as of August 22, 2017, between the Registrant and James F. Cleary, Jr. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 13, 2018).</u>
‡10.24	<u>Second Amendment and Restatement of Employment Agreement, dated as of November 11, 2010, between the Registrant and Steven H. Collis (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2010).</u>
‡10.25	<u>Stock Option Award to Steven H. Collis, dated as of August 7, 2013 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 9, 2013).</u>
‡10.26	<u>Employment Agreement, dated as of June 4, 2012, between the Registrant and Dale B. Danilewitz (incorporated by reference to Exhibit 10.29 to Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2015).</u>
‡10.27	<u>Employment Agreement, dated as of May 20, 2016, between the Registrant and Kathy H. Gaddes (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016).</u>
‡10.28	<u>Employment Agreement, dated as of May 10, 2012, between the Registrant and Tim G. Guttman (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2012).</u>
‡10.29	<u>Employment Agreement, dated July 15, 2015, between the Registrant and Robert P. Mauch (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2015).</u>
10.30	<u>Receivables Sale Agreement between AmerisourceBergen Drug Corporation, as originator, and AmeriSource Receivables Financial Corporation, as buyer, dated as of July 10, 2003 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010).</u>
10.31	<u>First Amendment to Receivables Sale Agreement, dated as of April 29, 2010, by and between AmeriSource Receivables Financial Corporation, as buyer, and AmerisourceBergen Drug Corporation as originator (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on May 5, 2010).</u>
10.32	<u>Second Amendment to Receivables Sales Agreement, dated as of April 28, 2011, between AmeriSource Receivables Financial Corporation, as buyer, and AmerisourceBergen Drug Corporation, as originator (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 4, 2011).</u>
10.33	<u>Third Amendment to Receivables Sale Agreement, dated as of October 28, 2011, between AmeriSource Receivables Financial Corporation, as buyer, and AmerisourceBergen Drug Corporation, as originator (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 28, 2011).</u>
10.34	<u>Omnibus Amendment, dated November 4, 2015 to (i) the Amended and Restated Receivables Purchase Agreement, dated as of April 29, 2010, as amended, among AmeriSource Receivables Financial Corporation, as Seller, AmerisourceBergen Drug Corporation, as Servicer, the Purchaser Agents and Purchasers party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrator and (ii) the Receivables Sale Agreement, dated as of July 10, 2003, as amended, among AmeriSource Receivables Financial Corporation as Buyer, and AmerisourceBergen Drug Corporation, as originator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 4, 2015).</u>

- 10.35 Fifth Amendment to Receivables Sale Agreement, dated as of June 21, 2016, among AmeriSource Receivables Financial Corporation, as buyer, and AmerisourceBergen Drug Corporation, as originator (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on June 23, 2016).
- 10.36 Amended and Restated Receivables Purchase Agreement, dated as of April 29, 2010, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the various purchaser groups party thereto, and Bank of America, National Association, as administrator (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2010).
- 10.37 First Amendment to Amended and Restated Receivables Purchase Agreement, dated as of April 28, 2011, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, and Bank of America, National Association, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 4, 2011).
- 10.38 Second Amendment to Amended and Restated Receivables Purchase Agreement, dated as of October 28, 2011, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, servicer, the purchaser agents and purchasers party thereto, and Bank of America, National Association, as administrator (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on October 28, 2011).
- 10.39 Third Amendment to Amended and Restated Receivables Purchase Agreement, dated as of November 16, 2012, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, and Bank of America, National Association, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 21, 2012).

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Exhibit Number	Description
10.40	<u>Fourth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of January 16, 2013, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on form 8-K filed on January 17, 2013).</u>
10.41	<u>Fifth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 28, 2013, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 3, 2013).</u>
10.42	<u>Sixth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of October 7, 2013, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, Market Street Funding LLC, as assignor, PNC Bank, National Association, as assignee, and the Bank of Tokyo-Mitsubishi UFJ, LTD., New York Branch, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 10, 2013).</u>
10.43	<u>Seventh Amendment to Amended and Restated Receivables Purchase Agreement, dated as of July 17, 2014, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 22, 2014).</u>
10.44	<u>Eighth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of December 5, 2014, by and among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the purchaser agents and purchasers party thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 8, 2014).</u>
10.45	<u>Tenth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 21, 2016, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the Purchaser Agents and Purchasers party thereto, Working Capital Management Co., LP, as assignor, Advantage Asset Securitization Corp., Mizuho Bank, Ltd., as assignee, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 23, 2016).</u>
10.46	<u>Eleventh Amendment to Amended and Restated Receivables Purchase Agreement, dated as of November 18, 2016, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the Purchaser Agents and Purchasers party thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on November 22, 2016).</u>
10.47	<u>Twelfth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of December 18, 2017, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug Corporation, as servicer, the Purchaser Agents and Purchasers party thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrator (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2017).</u>
10.48	<u>Thirteenth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of October 31, 2018, among AmeriSource Receivables Financial Corporation, as seller, AmerisourceBergen Drug</u>



Corporation, as servicer, the Purchaser Agents and Purchasers party thereto, and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as administrator (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 6, 2018).

10.49 Amended and Restated Performance Undertaking, dated as of December 2, 2004, executed by the Registrant, as performance guarantor, in favor of AmeriSource Receivables Financial Corporation, as recipient (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2011).

10.50 First Amendment to Amended and Restated Performance Undertaking Agreement, dated as of April 28, 2011, executed by the Registrant, as performance guarantor (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 4, 2011).

10.51 Second Amendment to Amended and Restated Performance Undertaking Agreement, dated as of December 18, 2017, executed by the Registrant, as performance guarantor (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2017).

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Exhibit Number	Description
10.52	<u>Sixth Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the borrowing subsidiaries party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 22, 2016).</u>
10.53	<u>Seventh Amendment and Restatement Agreement, dated as of October 31, 2018, among AmerisourceBergen Corporation, the borrowing subsidiaries party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 6, 2018).</u>
10.54	<u>Revolving Credit Note, dated as of March 8, 2013, between the Registrant and Citizens Bank of Pennsylvania (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).</u>
10.55	<u>First Amendment to Line of Credit, dated as of April 4, 2014, between the Registrant and Citizens Bank of Pennsylvania (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014).</u>
10.56	<u>Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 22, 2016).</u>
10.57	<u>Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 22, 2016).</u>
10.58	<u>Amendment No. 1, dated as of December 18, 2017, to (i) the Sixth Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the borrowing subsidiaries from time to time party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, (ii) the Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, and (iii) the Amendment and Restatement Agreement, dated as of November 18, 2016, among the Registrant, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017).</u>
10.59	<u>Term Credit Agreement, dated as of October 31, 2018, among AmerisourceBergen Corporation, the lenders party thereto and Wells Fargo Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 6, 2018).</u>
21	<u>Subsidiaries of the Registrant.</u>
23	<u>Consent of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm.</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</u>
32	<u>Section 1350 Certifications of the Chief Executive Officer and Chief Financial Officer.</u>
101	Financial statements from the Annual Report on Form 10-K of AmerisourceBergen Corporation for the fiscal year ended September 30, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.

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\* Copies of the exhibits will be furnished to any security holder of the Registrant upon payment of the reasonable cost of reproduction.

Each marked exhibit is a management contract or a compensatory plan, contract or arrangement in which a director or executive officer of the Registrant participates or has participated.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERISOURCEBERGEN CORPORATION

/s/ STEVEN H. COLLIS

Date: November 20, 2018 By: Steven H. Collis

Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of November 20, 2018 by the following persons on behalf of the Registrant and in the capacities indicated.

Signature	Title
/s/ STEVEN H. COLLIS _____ Steven H. Collis	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ JAMES F. CLEARY, JR. _____ James F. Cleary, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ LAZARUS KRIKORIAN _____ Lazarus Krikorian	Senior Vice President and Corporate Controller (Principal Accounting Officer)
/s/ _____ Ornella Barra	Director
/s/ DOUGLAS R. CONANT _____ Douglas R. Conant	Director
/s/ D. MARK DURCAN _____ D. Mark Durcan	Director
/s/ RICHARD W. GOCHNAUER _____ Richard W. Gochnauer	Director
/s/ LON R. GREENBERG _____ Lon R. Greenberg	Director

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Signature	Title
/s/ JANE E. HENNEY, M.D. _____ Jane E. Henney, M.D.	Lead Independent Director
/s/ KATHLEEN W. HYLE _____ Kathleen W. Hyle	Director
/s/ MICHAEL J. LONG _____ Michael J. Long	Director
/s/ HENRY W. MCGEE _____ Henry W. McGee	Director

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SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(In thousands)	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Deductions- Describe (2)	Balance at End of Period (3)
Year Ended September 30, 2018				
Allowances for returns and doubtful accounts	\$ 1,068,251	\$ 3,397,562	\$(3,415,912)	\$ 1,049,901
Year Ended September 30, 2017				
Allowances for returns and doubtful accounts	\$ 926,034	\$ 3,157,960	\$(3,015,743)	\$ 1,068,251
Year Ended September 30, 2016				
Allowances for returns and doubtful accounts	\$ 923,755	\$ 2,882,914	\$(2,880,635)	\$ 926,034

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(1) Represents the provision for returns and doubtful accounts.

(2) Represents reductions to the returns allowance and accounts receivable written off during year, net of recoveries.

Includes an allowance for doubtful accounts for long-term accounts receivable within Other Assets on the

(3) Consolidated Balance Sheets of \$13,568 thousand, \$17,890 thousand and \$20,689 thousand as of September 30, 2018, 2017, and 2016, respectively.