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Chief Executive Officer

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Executive Vice President and Chief Financial Officer

Merrill Lynch 9th Annual Health Services Investor Conference
November 27 - 28, 2007
Safe Harbor Statement

These slides accompany an oral presentation by PharMerica, which contains forward-looking statements that are based on current expectations, estimates, our beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," and "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or implied in the forward-looking statements.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a forward-looking statement in this presentation should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward-looking statements. Factors which could cause our actual results to be materially different from those expressed in or implied by the forward-looking statements we make are set forth under the captions “Cautionary Statements Regarding Forward-Looking Statements” and “Risk Factors” in our registration statement on Form S-4/S-1 and our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission.
Who We Are

- A leading U.S. provider of institutional pharmacy services
- 2007 pro forma* revenues of $1.9 billion
- 119 facilities in 40 states
- Approximately 342,000 licensed beds under contract
- Approximately 5,500 employees
  - Corporate office in Louisville, KY
  - Customer service center in Tampa, FL

* Pro forma 12 months ended 9/30/07.
## Our Business

<table>
<thead>
<tr>
<th>Our Clients</th>
<th>Pharmacy Management Services</th>
<th>Clinical Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled nursing facilities</td>
<td>Purchase, package, store, dispense and deliver prescription and non-prescription drugs</td>
<td>Anemia treatment</td>
</tr>
<tr>
<td>Assisted living facilities</td>
<td>24/7 on-call pharmacist services</td>
<td>Infectious diseases</td>
</tr>
<tr>
<td>Long-term care facilities</td>
<td>Drug formulary and utilization management</td>
<td>Wound care</td>
</tr>
<tr>
<td>Long-term alternative-care settings</td>
<td></td>
<td>Nutritional support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Renal dosing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Therapeutic substitution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Infusion therapy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly chart reviews</td>
</tr>
</tbody>
</table>
## Benefits of Institutional Pharmacy Services

<table>
<thead>
<tr>
<th>Institutional/Long-Term Care</th>
<th>Retail/Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B model</td>
<td>B2C model</td>
</tr>
<tr>
<td>24x7; 365-day emergency service</td>
<td>Limited hours of operation</td>
</tr>
<tr>
<td>Prescriptions delivered daily to nursing homes and long-term care facilities</td>
<td>Prescriptions dispensed at retail</td>
</tr>
<tr>
<td>Unit dose packaging to facilitate nurses’ administration of drugs</td>
<td>Traditional packaging in vials and bottles</td>
</tr>
<tr>
<td>Emergency supplies maintained on site</td>
<td>N/A</td>
</tr>
<tr>
<td>Extensive clinical services to enable treatment of high acuity patients</td>
<td>Limited clinical services</td>
</tr>
<tr>
<td>Cost containment focus</td>
<td>Retail pricing focus</td>
</tr>
</tbody>
</table>
Why Invest in PharMerica?

- A leading U.S. provider of institutional pharmacy services
- Demographic and regulatory trends drive demand
- Scale advantage to participate in a large, growing and fragmented industry
- Operational synergies drive profitability
- Strong financial position and access to capital
- Growth focused management team
$13 Billion Market

High growth market: $13B to $20B+ within five years.
Annualized growth of approximately 8% - 9% through 2010.

Source: Knowledge Source, Inc.: Institutional Pharmacies Market Overview, Sept. 2006
Aging Population Drives Demand

Older Population by Age: 1900-2050
Source: U.S. Census Bureau

*Source: U.S. Administration on Aging based on data from the U.S. Census Bureau
Seniors Account for 64% of Prescriptions

Prescription Drugs Filled at Pharmacies (per capita by age), 2005 *

- Age 19 - 64: 26%
- Age 0 - 18: 10%
- Age 65+: 64%

The average institutionalized person takes at least ten prescription medications.

*Source: Kaiser Family Foundation, statehealthfacts.org
Medicare Part D Drives Opportunity

- Part D expands prescription drug coverage for seniors
- Transformation from state-by-state to national system creates opportunities for our national platform
  - Most competitors focus on single-state markets or regions
  - Sub-scale pharmacies not equipped to compete
    - Increased overhead
    - Margin pressures
    - Complex receivables associated with Medicare Part D

Our national platform, scale and standardized operating platform position us to capitalize on the Part D opportunity.
PharMerica’s Transitioning Payor Mix

Pro Forma Fiscal 2005
- Medicaid: 51%
- Medicare: 18%
- Other: 31%

Actual 2007 Q3
- Medicaid: 9%
- Medicare: 46%
- Other: 45%

Medicare Prescription Drug Plans (PDPs) are largest payors.
Solid Growth Strategy

- Participate in industry’s organic growth
- Capitalize on favorable competitive landscape
- Expand geographies and service areas
- Pursue selective acquisitions
Favorable Competitive Landscape

Approximate LTCP Market Share in Revenues

- PharMerica: 15%
- Omnicare: 50%
- Other: 35%

Ample opportunity for increased market share.

Source: Knowledge Source, Inc.: Institutional Pharmacies Market Overview, Sept. 2006
Selective Acquisitions

- Target regional and local pharmacies
- Pursue bolt-on opportunities adjacent to existing facilities
- Gain geographic reach
- Apply disciplined financial approach
## Top Regional Competitors

<table>
<thead>
<tr>
<th></th>
<th>Revenue ($MM)</th>
<th># of LTC Beds</th>
<th>Ownership / Key Partner</th>
<th>Geographic Coverage (# of states)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chem Rx</td>
<td>$200.0</td>
<td>51,000</td>
<td>Public</td>
<td>3</td>
</tr>
<tr>
<td>Aveta/Partners Healthcare (NJ, MA)</td>
<td>N/A</td>
<td>30,000</td>
<td>Independent</td>
<td>5</td>
</tr>
<tr>
<td>Continuing Care Rx, Inc.</td>
<td>N/A</td>
<td>35,000</td>
<td>Independent</td>
<td>17</td>
</tr>
<tr>
<td>In-House Care Solutions</td>
<td>N/A</td>
<td>17,000</td>
<td>Independent</td>
<td>Multiple</td>
</tr>
<tr>
<td>Neil Medical Group</td>
<td>$70.0</td>
<td>14,000</td>
<td>Independent</td>
<td>4</td>
</tr>
<tr>
<td>Diamond Pharmacy Services</td>
<td>N/A</td>
<td>12,000</td>
<td>Independent</td>
<td>36</td>
</tr>
<tr>
<td>Ricetta</td>
<td>N/A</td>
<td>30,000</td>
<td>Independent</td>
<td>2</td>
</tr>
<tr>
<td>Thrifty</td>
<td>$44.0</td>
<td>11,000</td>
<td>Thrifty White Drug</td>
<td>2</td>
</tr>
<tr>
<td>Woodhaven Health Services</td>
<td>$35.4</td>
<td>8,500</td>
<td>Sterling Capital</td>
<td>Mid-Atlantic</td>
</tr>
<tr>
<td>Cornerstone Pharmacy Services</td>
<td>$35.6</td>
<td>7,140</td>
<td>Independent</td>
<td>3</td>
</tr>
<tr>
<td>Guardian Pharmacy, LLC</td>
<td>N/A</td>
<td>5,000</td>
<td>Independent</td>
<td>5</td>
</tr>
<tr>
<td>SeniorMed Pharmacy</td>
<td>$13.1</td>
<td>3,200</td>
<td>Independent</td>
<td>3</td>
</tr>
</tbody>
</table>

Sources: JMP Securities; Company data
Post-Merger Cost Synergies

- $30 + million in operating synergies over first two years
- Rationalize operating systems to single platform
- Centralize core services to leverage combined scale
- Consolidate pharmacies
- Enhance dispensing and billing system automation
Strategic Initiatives

- Improved client retention
- Improved billing and collections
- Develop key performance measures
- Develop an e-prescribing platform
- Realize operating and overhead synergies
Why Invest in PharMerica?

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• Demographic and regulatory trends drive demand
• Scale advantage to participate in a large, growing and fragmented industry
• Operational synergies drive profitability
• Strong financial position and access to capital
• Growth focused management team
Appendix
Historical Financial Information

- Pro forma financial data for 2006 from S1/S4 Registration Statement and previous Parent Company Filings
- Limited financial information due to separate operations of KPS and PharMerica LTC in the past
- Historical financial results for the third quarter ending September 30, 2007 include KPS for full three months and PharMerica LTC for only two months
- Historical financials are not indicative of future results
  - Medicare Part D changed fundamentals in early 2006
  - Results do not include merger consolidation costs or cost synergies
  - Results not indicative of FAS 123R run-rate
  - Historical financial results have been impacted by the Transaction
Historical combined LTC operating data

![Graph showing LTC Scripts and Revenue / Total and Same Store](image)

- **LTC Scripts**
  - Q1 2006: 9,000,000
  - Q2 2006: 9,200,000
  - Q3 2006: 9,400,000
  - Q4 2006: 9,600,000
  - Q1 2007: 9,800,000
  - Q2 2007: 10,000,000
  - Q3 2007: 10,200,000

- **LTC Revenue**
  - Q1 2006: 8,800,000
  - Q2 2006: 9,000,000
  - Q3 2006: 9,200,000
  - Q4 2006: 9,400,000
  - Q1 2007: 9,600,000
  - Q2 2007: 9,800,000
  - Q3 2007: 10,000,000

- **Scripts - Same store**
  - Q1 2006: 406,000,000
  - Q2 2006: 416,000,000
  - Q3 2006: 426,000,000
  - Q4 2006: 436,000,000
  - Q1 2007: 446,000,000
  - Q2 2007: 456,000,000
  - Q3 2007: 466,000,000

**PharMerica**

Historical Bed Adds and Losses

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Bed Adds</th>
<th>Bed Losses</th>
<th>Net Beds from Acquired Pharmacies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2006</td>
<td>12,000</td>
<td>3,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Q2 2006</td>
<td>10,000</td>
<td>2,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Q3 2006</td>
<td>8,000</td>
<td>1,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Q4 2006</td>
<td>6,000</td>
<td>500</td>
<td>5,500</td>
</tr>
<tr>
<td>Q1 2007</td>
<td>8,000</td>
<td>1,500</td>
<td>6,500</td>
</tr>
<tr>
<td>Q2 2007</td>
<td>5,000</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Q3 2007</td>
<td>3,000</td>
<td>1,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>
LTC Combined Revenue and COGS

Revenue, COGS and Per Script


Per Scripts

Revenue

COGS / Script

LTC Revenue

LTC COGS

350,000,000 370,000,000 390,000,000 410,000,000 430,000,000 450,000,000 470,000,000 490,000,000

Revenue and COGS
Combined Cost of Drugs Rebates

Rebates With and Without 3rd Quarter Accrual


Rebates

-4.5% -4.3% -4.1% -3.9% -3.7% -3.5% -3.3% -3.1% -2.9% -2.7% -2.5%

% of Cost of Drugs

(9,000,000) (10,000,000) (11,000,000) (12,000,000) (13,000,000) (14,000,000) (15,000,000)
LTC Gross Margin

LTC Gross Margin $ and per Script (w/out $3.1 million rebate accrual)

Gross margin $


GM per Script

PharMerica
Pro Forma Historical Capex

Capital Spending
Depreciation and Amortization
Capex as % of Revenue

$ in Millions

0.6% 0.8% 1.0% 1.2% 1.4% 1.6%

2005 2006 2007 Q3 YTD

PharMerica
**Capital Structure**

($ in thousands)  

<table>
<thead>
<tr>
<th>Description</th>
<th>9/30/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior secured credit facility</td>
<td>$265,000</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>67</td>
</tr>
<tr>
<td>Total debt</td>
<td>265,067</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td>306,890</td>
</tr>
<tr>
<td>Total Capitalization</td>
<td>$571,957</td>
</tr>
</tbody>
</table>

* Total debt facilities:
  - $275 million senior secured Term A loan (original)
  - $150 million senior secured revolver
Debt Commitments

- Interest on Term and Revolving Facilities
  - Term A Borrowings - $265 million
  - Annual rate equal to:
    - Banks’ prime rate (or Federal Funds Rate plus 0.50%, if higher than banks’ prime rate) plus an applicable margin; or
    - LIBOR plus an applicable margin
    - Commitment fee payable on daily unused commitments
    - Letter of Credit Fees (applicable LIBOR)
# Debt Commitments

- **Interest on Term and Revolving Facilities**
  - Applicable margin and commitment fees based on leverage as follows:

<table>
<thead>
<tr>
<th>Total Leverage Ratio</th>
<th>Commitment Fee (bps)</th>
<th>LIBOR Spread (bps)</th>
<th>ABR Spread (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;4.0x</td>
<td>25.0</td>
<td>175.0</td>
<td>75.0</td>
</tr>
<tr>
<td>&gt;3.5x but ≤ 4.0x</td>
<td>25.0</td>
<td>150.0</td>
<td>50.0</td>
</tr>
<tr>
<td>&gt;3.0x but ≤ 3.5x</td>
<td>20.0</td>
<td>125.0</td>
<td>25.0</td>
</tr>
<tr>
<td>&gt;2.0x but ≤ 3.0x</td>
<td>17.5</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>&gt;1.0x but ≤ 2.0x</td>
<td>15.0</td>
<td>75.0</td>
<td>0</td>
</tr>
<tr>
<td>≤ 1.0x</td>
<td>12.5</td>
<td>62.5</td>
<td>0</td>
</tr>
</tbody>
</table>
Debt Covenants

- **Leverage Ratio**
  - Prior to July 2008: 4.75 to 1.00
  - July 2008 to December 2008: 4.50 to 1.00
  - January 2009 to December 2009: 3.50 to 1.00
  - January 2010 and thereafter: 3.00 to 1.00

- **Fixed Charge Coverage Ratio**
  - Prior to December 2008: 2.00 to 1.00
  - January 2009 to December 2009: 2.25 to 1.00
  - January 2010 and after: 2.50 to 1.00

- **Capital Expenditures**
  - Capital expenditures may not exceed 3% of the prior year’s consolidated revenues.
  - Unused capital expenditures may be carried to the next year, limited to 1.5% of the prior year’s consolidated revenue.
Terms of the Swap Agreement

- Notional amount: $200 million
- Tenor: 2 years
- Interest rate option: 3-month LIBOR
- Fixed rate: 5.123%

Management has determined that the cash-flow hedge meets the criteria of an effective hedge under the “long-haul” method of SFAS 133