

Net Income Up 21% On Revenue Increase of 20% for AmeriSource Health in First Quarter Fiscal 2000

January 27, 2000

MALVERN, Pa.--(BUSINESS WIRE)--Jan. 27, 2000--AmeriSource Health Corporation (NYSE:AAS) today reported record first quarter revenue, net income, and earnings per share for the three months ended December 31, 1999.

For the first quarter of fiscal year 2000, operating revenue increased \$466 million or 20% to \$2.8 billion compared to \$2.4 billion reported for the same period of fiscal 1999. The strong growth in operating revenue reflects improved sales momentum in each of the Company's core business markets as well as increased product demand due to the earlier and stronger than anticipated cold and flu season.

The Company also filled a higher level of customer orders during the latter part of December due to additional demand related to the onset of year 2000.

Net income increased 21% and diluted earnings per share increased 20% to \$21.6 million and \$.42 per share, respectively, in the first quarter of fiscal 2000 compared to \$17.9 million and \$.35 per share earned in the first quarter of fiscal 1999.

R. David Yost, AmeriSource President and CEO said, "This was a very strong quarter for AmeriSource. Our business continues to grow according to plan as revenue increased in each of our market segments Companywide. We remain confident in our ability to penetrate new and existing markets. We believe the improving revenue momentum is driven by our decentralized business model, which emphasizes local customer service--a key competitive advantage."

For the first quarter of fiscal 2000, the company's gross margin as a percentage of operating revenue decreased to 4.24% compared to 4.70% for the same period one year ago. The decrease in gross margin reflected, among other factors, a shift in customer mix to a higher level of institutional/hospital business; and, as anticipated, a decline in inventory price appreciation due to unusual year-end manufacturer pricing practices related to Y2K. The customer mix for the quarter consists of 50% institutions/hospitals, 39% independent pharmacies, and 11% retail chains.

Operating expenses as a percentage of operating revenue declined by 40 basis points to 2.62% in the first quarter of fiscal 2000 from 3.02% a year ago. This significant reduction, a new record low for the Company, was driven by cost reductions related to centralization efforts, increasingly efficient warehouse operations, and by the shift in customer mix.

Kurt J. Hilzinger, AmeriSource Chief Operating Officer said, "Over the past 18 months, we have launched a number of new operating initiatives designed to increase efficiency, lower expenses, and improve upon our traditional high levels of service. The savings from many of these initiatives were in strong evidence this quarter and should continue to benefit the remainder of the year."

The Company's operating income advanced 15% to \$45.7 million and the operating margin as a percent of operating revenue for the first fiscal quarter of 2000 was 1.62% vs. 1.68% for the prior year quarter.

Interest expense increased by 2% to \$10.9 million in the first quarter of fiscal 2000 primarily due to higher average borrowing costs and higher average debt levels required to support the increased inventory levels.

For the first quarter of fiscal 2000, AmeriSource's disciplined use of capital drove a return on committed capital of 23.9%--well above the stated target of 20%.

Dave Yost concluded by saying, "We are very pleased with the outstanding results achieved in the first quarter and remain confident that the momentum will continue. The prospects for growing the business with high quality contracts has never been better and we are very optimistic about our future."

AmeriSource, with over \$10 billion in operating revenue, is one of the nation's leading, full-service wholesale distributors of pharmaceutical products and related health care services. Headquartered in Malvern, PA, the Company serves its base of 21,000 customer accounts through a national network of 24 strategically located distribution facilities. AmeriSource is the industry's largest provider of pharmaceuticals to the acute care/institutional market. For more information about AmeriSource, visit our website at www.amerisource.com

All statements in this press release, other than statements of historical fact, are forward-looking statements and involve known and unknown risks and uncertainties.

Certain factors such as competitive pressures, restructuring initiatives, continued industry consolidation, changes in customer mix, changes in pharmaceutical manufacturer's pricing and distribution policies, the loss of one or more key customer or supplier relationships and other matters contained in the Company's Form 10-K for fiscal year 1999 and other public documents could cause actual results to differ materially from those in the forward-looking statements.

Accordingly, investors are cautioned against putting undue reliance on any such statements, as no assurance can be given that the assumptions underlying such statements will prove to have been correct. AmeriSource disclaims any obligations to announce publicly the results of any revisions to any forward-looking statements herein to reflect future events or developments.

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| | Three Months Ended December 31, 1999 | Three % of Operating Revenue | Three Months Ended December 31, 1998 (a) | Three % of Operating Revenue | % Change |
|---|---|---------------------------------------|---|---------------------------------------|-------------|
| Revenue: | | | | | |
| Operating revenue | \$2,828,754 | 100.00% | \$2,362,648 | 100.00% | 20% |
| Bulk deliveries to customer warehouses | 10,628 | | 12,087 | | |
| Total revenue | 2,839,382 | | 2,374,735 | | |
| Cost of goods sold: | | | | | |
| Operating cost of goods sold | 2,708,827 | 95.76% | 2,251,522 | 95.30% | 20% |
| Cost of goods sold - bulk deliveries | 10,628 | | 12,087 | | |
| Total cost of goods sold | 2,719,455 | | 2,263,609 | | |
| Gross profit | 119,927 | 4.24% | 111,126 | 4.70% | 8% |
| Operating expenses: | | | | | |
| Selling and administrative | 70,245 | 2.48% | 67,173 | 2.84% | 5% |
| Depreciation and amortization | 3,947 | 0.14% | 4,289 | 0.18% | -8% |
| Operating income | 45,735 | 1.62% | 39,664 | 1.68% | 15% |
| Interest expense | 10,898 | 0.39% | 10,084 | 0.43% | 8% |
| Interest expense - adjustment of common stock put warrant to fair value | - | | 610 | 0.03% | -100% |
| Income before taxes and extraordinary items | 34,837 | 1.23% | 28,970 | 1.23% | 20% |
| Taxes on income | 13,238 | 0.47% | 11,075 | 0.47% | 20% |
| Net income | \$21,599 | 0.76% | \$17,895 | 0.76% | 21% |
| Earnings per share (a): | | | | | |
| Basic | \$0.42 | | \$0.36 | | |
| Assuming | | | | | |

| | | |
|----------|--------|--------|
| dilution | \$0.42 | \$0.35 |
|----------|--------|--------|

Weighted average
common shares
outstanding (a):

| | | |
|----------------------|--------|--------|
| Basic | 51,287 | 50,333 |
| Assuming dilution | 51,492 | 51,016 |

(a) Prior year restated for March 1999 two-for-one stock split and July 1999 C. D. Smith merger accounted for as a pooling of interests.

AMERISOURCE HEALTH CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

ASSETS (unaudited)

December 31, 1999 September 30, 1999 Increase
(Decrease)

Current assets:

| | | | |
|---|-----------|-----------|-----------|
| Cash and cash equivalents | \$56,868 | \$59,497 | (\$2,629) |
| Accounts receivable, less allowance for doubtful accounts | 700,851 | 612,520 | 88,331 |
| Merchandise inventories | 1,442,867 | 1,243,153 | 199,714 |
| Prepaid expenses and other | 5,281 | 4,836 | 445 |

| | | | |
|----------------------|-----------|-----------|---------|
| Total current assets | 2,205,867 | 1,920,006 | 285,861 |
|----------------------|-----------|-----------|---------|

Property and
equipment, net

| | | |
|--------|--------|-----|
| 64,613 | 64,384 | 229 |
|--------|--------|-----|

Other assets, less

| | | | |
|--------------------------|--------|--------|---------|
| accumulated amortization | 74,026 | 76,209 | (2,183) |
|--------------------------|--------|--------|---------|

| | | | |
|--------------|-------------|-------------|-----------|
| Total assets | \$2,344,506 | \$2,060,599 | \$283,907 |
|--------------|-------------|-------------|-----------|

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | | |
|-------------------------------|-------------|-------------|----------|
| Accounts payable | \$1,267,093 | \$1,175,619 | \$91,474 |
| Accrued expenses and other | 48,908 | 50,329 | (1,421) |
| Accrued income taxes | 18,450 | 10,854 | 7,596 |
| Deferred income taxes | 92,118 | 90,481 | 1,637 |

| | | | |
|---------------------------|-----------|-----------|--------|
| Total current liabilities | 1,426,569 | 1,327,283 | 99,286 |
|---------------------------|-----------|-----------|--------|

Long-term debt:

| | | | |
|--|---------|---------|---------|
| Revolving credit facility | 387,018 | 225,227 | 161,791 |
| Receivables securitization financing | 325,000 | 325,000 | 0 |
| Other debt | 8,415 | 8,478 | (63) |

| | | | |
|-------------------|-------|-------|-----|
| Other liabilities | 8,325 | 8,334 | (9) |
|-------------------|-------|-------|-----|

Stockholders' equity:

Common stock and capital

| | | | |
|--|-------------|-------------|-----------|
| in excess of par value | 268,581 | 267,315 | 1,266 |
| Accumulated deficit | (73,033) | (94,632) | 21,599 |
| Cost of common stock | | | |
| in treasury | (6,220) | (6,220) | 0 |
| Note receivable from ESOP | (149) | (186) | 37 |
| | ----- | ----- | ----- |
| Total stockholders' equity | 189,179 | 166,277 | 22,902 |
| | ----- | ----- | ----- |
| Total liabilities and stockholders' equity | \$2,344,506 | \$2,060,599 | \$283,907 |
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