

AmeriSource Reports Record Fiscal First Quarter Revenue and Earnings; Operating Revenue Up 17 Percent, Net Income Up 21 Percent, EPS Hits \$.49

February 1, 2001

VALLEY FORGE, Pa.--(BUSINESS WIRE)--Feb. 1, 2001--AmeriSource Health Corporation (NYSE:AAS) today reported record results for its first fiscal quarter ended December 31, 2000.

Operating revenue increased 17 percent, or \$478 million, to an all-time record of \$3.3 billion in the quarter compared to \$2.8 billion for the same period last year. Net income for the quarter was up 21 percent to \$26.2 million, from \$21.6 million in the previous year's first quarter. Earnings per share were a record for a first fiscal quarter at \$.49 per diluted share, a 17 percent increase over the prior year.

R. David Yost, AmeriSource Chairman and Chief Executive Officer, said, "This was another outstanding, record-setting quarter for AmeriSource. All customer groups contributed to strong revenue growth, despite the comparison to a strong first quarter in fiscal 2000, which included the positive revenue impact of Y2K in that period. Return on committed capital, or ROCC, was 25.9 percent, well ahead of our 20 percent target and a clear indication that we continue to build shareholder value. Earnings per share continue to show strong year over year growth.

"Our solid revenue growth continues to reflect our ability to profitably grow our current account base, as well as capture new business. Critical to this effort is our exceptional customer service. Last year, we were the pharmaceutical distribution leader in customer service in two national surveys of healthcare executives. This year, Premier, Inc., one of the largest group purchasing organizations for hospitals, conducted its first member survey on customer service. Again, AmeriSource was rated number one in customer service among the four national distributors. Our customer service performance continues to be anchored in our decentralized management structure where our local distribution centers' general managers are empowered to make key customer decisions quickly and locally.

"We also continued to deliver on productivity improvement, both through the implementation of cost reduction programs and by holding down costs while growing revenue.

"The outlook for the pharmaceutical industry continues to be strong. According to IMS Health, a health data service, the overall pharmaceutical industry is projected to grow dollar sales at a compound annual growth rate of 13.8 percent over the next five years. The federal Medicare drug benefit, regardless of its final form, is expected to deliver added volume for the drug distribution industry and AmeriSource."

Commenting on the specifics of the quarter, Kurt J. Hilzinger, AmeriSource President and Chief Operating Officer, said, "Our market-leading Health Systems group is building revenue momentum as we incorporate \$500 million of annualized, incremental Novation business, and continue to add new hospitals, such as the recently announced University of Massachusetts account. In the fast-growing Alternate Site group, we added a number of new accounts in the quarter and realized the full effect of the large Anthem Prescription Management account, which we began servicing in the fourth quarter of last fiscal year.

"Our Chain Drugstore and Independent Community Pharmacy customer groups continued to contribute to our revenue growth for the quarter and our recent announcement of familymeds Corp, Inc. and Horizon Pharmacies, Inc. as new customers contributes to future growth in our retail businesses.

"Continued positive impact from our centralization initiatives, which we completed last year, was also clearly evident in the quarter with improved procurement performance, expense control and capital productivity. In addition, we expanded the penetration of our health solutions offerings, such as the addition of more customers to our iECHO Internet ordering and inventory management portal. We continue to focus on programs and services to improve our customers' businesses."

For the first quarter of fiscal 2001, the Company's gross margin as a percentage of operating revenue was 4.16 percent versus 4.24 percent in the prior year. This expected year-to-year decline in gross margin primarily reflects a shift in customer mix and a competitive marketplace. The Company's customer mix in the current quarter was 53 percent institutional, which encompasses Health Systems and Alternate Site, and 47 percent retail, including Independent Community Pharmacies and Chain Drugstore. In the same period last year, the customer mix was 51 percent institutional and 49 percent retail.

Total operating expenses as a percentage of operating revenue declined 9 basis points to 2.53 percent in the first quarter of fiscal 2001 from 2.62 percent a year ago. This reduction was driven by the shift in customer mix, increased efficiencies of scale and cost reductions related to centralization efforts.

The Company's operating income advanced 18 percent to \$53.9 million in the first quarter of fiscal year 2001 from \$45.7 million for the same quarter last year. For the fiscal first quarter, operating margin as a percentage of operating revenue, improved to

- 1.63 percent compared to 1.62 percent for the prior year period. Interest expense was essentially flat at \$10.9 million, reflecting the net impact of lower average levels of debt, lower borrowing spreads and higher interest rates. In mid-December, the Company issued \$300 million of fixed-rate convertible notes, which had a slight positive effect on interest expense for the quarter.

In looking ahead, Mr. Yost said, "AmeriSource is exceptionally well-positioned in the healthcare supply channel. Focused on pharmaceutical distribution and differentiated by our exceptional customer service, we continue to grow our balanced customer portfolio both internally and by adding new accounts. For the remainder of the fiscal year, we expect both revenue and earnings per share growth of approximately 20 percent over the same period last year, in line with our long-term financial targets."

About AmeriSource

AmeriSource Health Corporation, with more than \$12 billion in annualized operating revenue, is a leading distributor of pharmaceutical and related healthcare products and services, and the industry's largest provider of pharmaceuticals to the acute care/health systems market. Headquartered in Valley Forge, PA, the Company serves its base of about 15,000 customer accounts through a national network of more than 20 strategically located

distribution facilities. For news and additional information about the company, visit its web site at www.amerisource.com

Certain information contained in this press release includes forward-looking statements (as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act) that reflect the Company's current views with respect to future events and financial performance. Certain factors such as competitive pressures, success of restructuring and system initiatives, market interest rates, regulatory changes, continued industry consolidation, changes in customer mix, changes in pharmaceutical manufacturers' pricing and distribution policies, the loss of one or more key customer or supplier relationships and other matters contained in the Company's 10-K for fiscal year 2000 and other public documents could cause actual results to differ materially from those in the forward-looking statements. The Company assumes no obligation to update the matters discussed in this press release.

AMERISOURCE HEALTH CORPORATION
FINANCIAL SUMMARY

(In thousands, except per share data)
(unaudited)

	Three Months Ended December 31, 2000	% of Operating Revenue	Three Months Ended December 31, 1999	% of Operating Revenue	% Change
Revenue:					
Operating revenue	\$3,306,751	100.00%	\$2,828,754	100.00%	17%
Bulk deliveries to customer warehouses	444		10,628		
Total revenue	3,307,195		2,839,382		
Cost of goods sold:					
Operating cost of goods sold	3,169,318	95.84%	2,708,827	95.76%	17%
Cost of goods sold - bulk deliveries	444		10,628		
Total cost of goods sold	3,169,762		2,719,455		
Gross profit	137,433	4.16%	119,927	4.24%	15%
Operating expenses:					
Selling and administrative	79,645	2.41%	70,245	2.48%	13%
Depreciation and amortization	3,894	0.12%	3,947	0.14%	-1%
Operating income	53,894	1.63%	45,735	1.62%	18%
Equity in net loss of unconsolidated affiliate	774	0.02%	0	0.00%	N/A
Interest expense	10,876	0.33%	10,898	0.39%	0%
Income before taxes	42,244	1.28%	34,837	1.23%	21%
Taxes on income	16,053	0.49%	13,238	0.47%	21%

Net income	\$ 26,191	0.79%	\$ 21,599	0.76%	21%
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Earnings per
share (a):

Basic	\$ 0.50	\$ 0.42
Assuming dilution	\$ 0.49	\$ 0.42

Weighted
average
common shares
outstanding (a):

Basic	52,354	51,287
Assuming dilution	54,578	51,492

AMERISOURCE HEALTH CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

ASSETS (unaudited)

	December 31, 2000	September 30, 2000	Increase (Decrease)
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Current assets:

Cash and cash equivalents	\$ 162,360	\$ 120,818	\$ 41,542
Accounts receivable, less allowance for doubtful accounts	722,930	623,961	98,969
Merchandise inventories	1,917,605	1,570,504	347,101
Prepaid expenses and other	4,854	5,336	(482)

Total current assets	2,807,749	2,320,619	487,130
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Property and equipment, net	66,801	64,962	1,839
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Other assets, less accumulated
amortization

81,207	72,986	8,221
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Total assets	\$ 2,955,757	\$ 2,458,567	\$ 497,190
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 1,755,469	\$ 1,584,133	\$ 171,336
Accrued expenses and other	43,267	49,398	(6,131)
Accrued income taxes	21,517	12,284	9,233
Deferred income taxes	107,953	105,654	2,299

Total current liabilities	1,928,206	1,751,469	176,737
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Long-term debt:

Revolving credit facility	0	20,000	(20,000)
Receivables securitization financing	385,000	385,000	0
Convertible subordinated notes	300,000	0	300,000
Other debt	8,152	8,217	(65)

Other liabilities	11,626	11,587	39
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Stockholders' equity:			
Common stock and capital in			
excess of par value	298,420	284,132	14,288
Retained earnings	30,573	4,382	26,191
Cost of common stock in			
treasury	(6,220)	(6,220)	0

Total stockholders' equity	322,773	282,294	40,479

Total liabilities and			
stockholders' equity	\$ 2,955,757	\$ 2,458,567	\$ 497,190
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