

AmeriSource Reports Record Fiscal Third Quarter Revenues and Earnings; Operating Revenue Up 19 Percent, EPS Increased 23 Percent

July 27, 2000

VALLEY FORGE, Pa.--(BW HealthWire)--July 27, 2000--AmeriSource Health Corporation (NYSE:AAS) today reported record results for its fiscal third quarter and nine months ended June 30, 2000.

Operating revenue increased 19 percent, or \$466 million, to \$2.9 billion in the quarter compared to \$2.5 billion for the same period last year. Net income for the quarter, was up 15 percent to \$25.1 million, which included the positive impact of \$696,000 for the reversal of restructuring reserves. Net income for same quarter last year was \$21.8 million. Fiscal third quarter 2000 earnings per share increased 23 percent to \$.48 per diluted share from \$.39 per diluted share in the prior year. Excluding the reversal, net income and earnings per diluted share for the quarter were \$24.4 million and \$.47, respectively.

For the first nine months of fiscal 2000, operating revenue increased 19 percent to \$8.6 billion compared to \$7.2 billion in the prior year. Net income for the first nine months of fiscal 2000 increased by 19 percent to \$71.0 million or \$1.37 per diluted share from \$59.9 million or \$1.16 per diluted share for the same period one year ago. Excluding the reversal in the third quarter, net income and earnings per diluted share for the fiscal 2000 nine-month period were \$70.3 million and \$1.36, respectively. Subsequent discussion of the third quarter and nine months does not include the restructuring reversal.

R. David Yost, AmeriSource President and Chief Executive Officer, said, "This was another outstanding quarter for AmeriSource. Return on committed capital (ROCC), our key financial measurement of success because it best reflects our decisions in managing our assets and operating the Company, was a strong 24.3 percent, well above our goal. We continued to deliver strong, profitable revenue growth in all market segments and across all regions.

"Our market leading acute-care hospital segment, which we now call 'Health Systems,' continues to strengthen as we build business through buying group alliances such as Novation and Premier. Our current discussions with Novation customers during the critical summer renewal period are extremely promising, and we expect to add significant new revenue in the first quarter of FY2001.

"Our recent win of \$1.2 billion in business over three years from Anthem Prescription Management and Option Care has accelerated our growing Alternate Site segment, and the new, five-year contract with Medi-Cap Pharmacies--valued at over \$1 billion--leads our retail chain efforts. Independent retail pharmacies, where AmeriSource is a major player, continue to grow same store sales in double digits."

Kurt J. Hilzinger, AmeriSource Chief Operating Officer, continued, "Positive impact from our centralization initiatives was also clearly evident in the quarter with improved procurement performance, expense control and capital productivity. In addition, we added new offerings for our customers as we continually focus on ways to improve their businesses. The acquisition of Pharmaceutical Healthcare Solutions brings the leading indigent care pharmaceutical recovery program and new consulting services to the Health Systems market. The roll out of iECHO, our internet-based B2B portal for ordering and information, already has more than 1,000 participants, and Virtual Internet Pharmacy (VIP), our on-line e-commerce service for independent and chain retail pharmacies, is growing rapidly. Earlier this month we signed a strategic alliance with healthAtoZ.com, which will bring the content of this leading wellness and disease management site to all VIP websites."

For the third quarter of fiscal 2000, the Company's gross margin as a percentage of operating revenue was 4.44 percent versus 4.60 percent in the prior year. This expected year-to-year decline in gross margin primarily reflects a shift in customer mix to a higher level of institutional business. The Company's customer mix in the current quarter consists of 51 percent institutional, which encompasses Health Systems and Alternate Site, and 49 percent retail, including independent and chain pharmacies.

Operating expenses as a percentage of operating revenue declined 11 basis points to 2.80 percent in the third quarter of fiscal 2000 from 2.91 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 15 percent to \$47.8 million in the third quarter of fiscal year 2000 from \$41.5 million for the same quarter last year.

For the first nine months of fiscal year 2000 operating income increased 13 percent over the same period last year. For the fiscal third quarter, operating margin, as a percentage of operating revenue, was 1.64 percent compared to 1.69 percent for the prior year period.

Interest expense, excluding the adjustment of a common stock put warrant to fair value in fiscal 1999, increased by 2.0 percent to \$8.4 million, reflecting the net impact of lower average levels of debt and lower borrowing spreads offset by higher interest rates.

In looking ahead, Mr. Yost said, "Our customer portfolio has never been stronger and our organization has never been more solid. AmeriSource operates in an industry with good fundamentals, and we are exceptionally well positioned in the healthcare supply channel. Our focus on ROCC underlies our continuing commitment to our long-term goals: being recognized by our customers as the highest quality service provider, delivering strong and consistent financial performance, and building value for our shareholders."

About AmeriSource

AmeriSource Health Corporation, with more than \$11 billion in operating revenue, is a leading distributor of pharmaceutical and related healthcare 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 24 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 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 1999 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. -0-

AMERISOURCE HEALTH CORPORATION
FINANCIAL SUMMARY
(In thousands, except per share data)
(unaudited)

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999(a)	% of Operating Revenue	% of Operating Revenue	% Change
Revenue:					
Operating revenue	\$2,921,424	100.00%	\$2,455,797	100.00%	19%
Bulk deliveries to customer warehouses	10,282	12,740			
Total revenue	2,931,706	2,468,537			
Cost of goods sold:					
Operating cost of goods sold	2,791,794	95.56%	2,342,772	95.40%	19%
Cost of goods sold - bulk deliveries	10,282	12,740			
Total cost of goods sold	2,802,076	2,355,512			
Gross profit	129,630	4.44%	113,025	4.60%	15%
Operating expenses:					
Selling and administrative	77,944	2.67%	67,330	2.74%	16%
Depreciation and amortization	3,910	0.13%	4,228	0.17%	-8%
Facility consolidations and employee severance	(1,123)	-0.04%	0	0.00%	N/A
Operating income	48,899	1.67%	41,467	1.69%	18%
Interest expense	8,383	0.29%	8,218	0.33%	2%
Interest expense - adjustment of common stock put warrant to fair value	0	(1,499)	-0.06%	-100%	
Income before taxes	40,516	1.39%	34,748	1.41%	17%
Taxes on income	15,396	0.53%	12,988	0.53%	19%

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Net income	\$25,120	0.86%	\$21,760	0.89%	15%
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Earnings per
share (a):

Basic	\$0.49	\$0.43
Assuming dilution (b)	\$0.48	\$0.39

Weighted average
common shares
outstanding (a):

Basic	51,583	50,731
Assuming dilution	52,086	51,666

(a) Prior year restated for July 1999 C. D. Smith merger accounted for as a pooling of interests. (b) Note - earnings per share assuming dilution before facility consolidations and employee severance was \$0.47 for the three months ended June 30, 2000.

AMERISOURCE HEALTH CORPORATION
FINANCIAL SUMMARY
(In thousands, except per share data)
(unaudited)

Nine		Nine		
Months Ended	% of	Months Ended	% of	
June 30,	Operating	June 30,	Operating	%
2000	Revenue	1999(a)	Revenue	Change
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Revenue:

Operating revenue	\$8,582,219	100.00%	\$7,191,317	100.00%	19%
Bulk deliveries to customer warehouses	31,072		37,126		
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Total revenue	8,613,291		7,228,443		

Cost of
goods sold:

Operating cost of goods sold	8,201,256	95.56%	6,844,180	95.17%	20%
Cost of goods sold - bulk deliveries	31,072		37,126		
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Total cost of
goods sold

8,232,328	6,881,306
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Gross profit	380,963	4.44%	347,137	4.83%	10%
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Operating
expenses:

Selling and administrative	224,512	2.62%	206,741	2.87%	9%
Depreciation and amortization	11,826	0.14%	12,785	0.18%	-8%
Facility consolidations					

and employee severance	(1,123)	-0.01%	0	0.00%	N/A
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Operating income	145,748	1.70%	127,611	1.77%	14%
Interest expense	31,203	0.36%	29,884	0.42%	4%
Interest expense - adjustment of common stock put warrant to fair value	0	0.00%	334	0.00%	-100%
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Income before taxes	114,545	1.33%	97,393	1.35%	18%
Taxes on income	43,527	0.51%	37,519	0.52%	16%
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Net income	\$71,018	0.83%	\$59,874	0.83%	19%
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Earnings per share (a):		
Basic	\$1.38	\$1.18
Assuming dilution (b)	\$1.37	\$1.16

Weighted average common shares outstanding (a):		
Basic	51,414	50,540
Assuming dilution	51,770	51,695

(a) Prior year restated for July 1999 C. D. Smith merger accounted for as a pooling of interests.

(b) Note - earnings per share assuming dilution before facility consolidations and employee severance was \$1.36 for the nine months ended June 30, 2000.

AMERISOURCE HEALTH CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

ASSETS	(unaudited)		
	June 30, 2000	September 30, 1999	Increase (Decrease)
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Current assets:			
Cash and cash equivalents	\$ 36,160	\$ 59,497	(\$ 23,337)
Accounts receivable, less allowance for doubtful accounts	595,397	612,520	(17,123)
Merchandise inventories	1,629,073	1,243,153	385,920
Prepaid expenses and other	5,564	4,836	728
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Total current assets	2,266,194	1,920,006	346,188

Property and equipment, net	64,884	64,384	500
Other assets, less accumulated amortization	71,702	76,209	(4,507)
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Total assets	\$ 2,402,780	\$ 2,060,599	\$ 342,181
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 1,449,529	\$ 1,175,619	\$ 273,910
Accrued expenses and other	51,645	50,329	1,316
Accrued income taxes	15,289	10,854	4,435
Deferred income taxes	99,667	90,481	9,186
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Total current liabilities	1,616,130	1,327,283	288,847
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Long-term debt:			
Revolving credit facility	149,591	225,227	(75,636)
Receivables securitization financing	375,000	325,000	50,000
Other debt	8,288	8,478	(190)

Other liabilities	8,628	8,334	294
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Stockholders' equity:			
Common stock and capital in excess of par value	274,977	267,315	7,662
Accumulated deficit	(23,614)	(94,632)	71,018
Cost of common stock in treasury	(6,220)	(6,220)	0
Note receivable from ESOP	0	(186)	186
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Total stockholders' equity	245,143	166,277	78,866
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Total liabilities and stockholders' equity	\$ 2,402,780	\$ 2,060,599	\$ 342,181
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