

## Amerisource Reports Consolidated Fourth Quarter and Fiscal 1999 Financial Results

November 3, 1999

### Fourth Quarter Earnings and Sales at Record Levels

MALVERN, Pa.--(BUSINESS WIRE)--Nov. 3, 1999--AmeriSource Health Corporation (NYSE - AAS - news) today reported record earnings for its fiscal 1999 fourth quarter and year ended September 30, 1999, before the impact of special charges and extraordinary items described below.

All results for fiscal 1999 and 1998 discussed below have been restated to reflect the pooling-of-interests accounting treatment applied with respect to the July 1999 C. D. Smith Healthcare merger and the March 1999 two-for-one stock split. All comparisons exclude special charges and extraordinary items in both 1999 and 1998, unless otherwise indicated.

For the quarter, income increased to a record \$23.0 million, up 28% from \$18.0 million for the same period last year. Diluted earnings per share set another record, up 29% to \$.45 when compared to \$.35 for the fourth quarter of fiscal 1998. On a pre-merger basis, the fourth quarter of fiscal 1999 was \$.45, an increase of 13% over the \$.40 for the fourth quarter of fiscal 1998.

For the year, income increased to \$82.9 million, up 33% from the previous year. Diluted earnings per share set another record at \$1.61, up 31% from \$1.23 in fiscal 1998.

R. David Yost, AmeriSource President and CEO said, "This was another outstanding year for AmeriSource. For the year, we grew our revenue over \$1.1 billion excluding three large account losses and C.D. Smith, while maintaining a high return on committed capital. Earnings for the year were strong. In addition, we completed one of the best acquisitions in the Company's history. We made solid investments during the year in technology and infrastructure and significantly expanded our management talent base, all of which positions us very well for the future."

Operating revenue for the fourth quarter of fiscal 1999 increased 15% to \$2.57 billion from the \$2.23 billion for the same quarter of the previous year. For the fiscal year ended September 30, 1999, operating revenue increased by 4% to \$9.76 billion from \$9.37 billion in fiscal 1998. Revenue growth for fiscal 1999 was adversely affected by the previously discussed termination of contracts with three large customers in fiscal 1998.

Without these customer losses, operating revenue increased 12% for the fiscal year ended September 30, 1999. C. D. Smith contributed approximately \$200 million to sales in the fourth fiscal quarter and \$800 million for the fiscal year. Traditional AmeriSource, excluding C.D. Smith, grew 16% in the quarter.

The combined customer mix for the year consists of 48% institutions/hospitals, 39% independent pharmacies, and 13% retail chains.

As a result of the C. D. Smith merger, the Company recorded special charges of \$14.9 million (pre-tax) for merger and restructuring costs in the fourth fiscal quarter. Also during the quarter, the Company recorded an extraordinary charge of \$3.4 million (after-tax) for costs associated with the extinguishment of debt.

These two charges represent approximately \$.30 per share on a diluted after-tax basis.

For the fourth quarter and full year of fiscal 1999, the Company's gross margin, as a percentage of operating revenue, decreased modestly to 4.90% and 4.85%, respectively. The comparable 1998 margins were 5.07% for the quarter and 4.93% for the full year.

AmeriSource recognized a LIFO credit in the fourth quarter of \$1.0 million versus a credit of \$7.8 million in the same quarter of fiscal 1998. For the fiscal year ended September 30, 1999, the Company had a LIFO charge of \$2.8 million versus a \$4.6 million credit reported in the prior year.

Continued focus on cost reduction and productivity improvements contributed to reduced total operating expenses as a percentage of operating revenue to 3.10% in the fourth quarter of fiscal 1999 from 3.14% in the fourth quarter of fiscal 1998. For the full year, cost controls and productivity improvements established new lows of operating expense for the Company.

Total operating expense as a percentage of operating revenue was reduced by 9 basis points to 3.07% in fiscal 1999 versus 3.16% in fiscal 1998. Operating expenses reflect the merger of C.D. Smith, which had a higher ratio of expense to operating revenue than AmeriSource.

On October 12, 1999, AmeriSource was advised by one of its retail chain customers, Jitney Jungle Stores of America, Inc., that it had announced reorganization under Chapter 11 of the U.S. Bankruptcy Code. AmeriSource recorded an additional bad debt expense of \$2.2 million in the fourth quarter relating to the outstanding receivables of this customer.

The Company's operating margin, as a percent of operating revenue for the fiscal year ended September 30, 1999, remained relatively stable at 1.78% vs. 1.77% for the prior year and was 1.80% for the fourth fiscal quarter, down from 1.93% in the prior year fourth quarter.

Interest expense declined by 22% to \$9.5 million in the fourth quarter of fiscal 1999 primarily due to lower average borrowing costs and the elimination of expense associated with the put warrants at C. D. Smith. These factors were partially offset by a higher average level of debt.

For the year, interest expense declined by 32% to \$39.7 million from \$58.2 million in fiscal 1998. \$7.5 million of the decline was explained by the reduction of the expense related to the C. D. Smith put warrants.

For the full year, on a pre-merger basis, AmeriSource's return on committed capital improved to 24.6% from the previous year's 24.2%, with both years well above the stated target of 20%.

R. David Yost also said, "We continue to see strong opportunities in the distribution business, supported by several trends that are currently driving the rapid growth of the pharmaceutical market. An aging population is now utilizing more pharmaceuticals, the FDA has accelerated the rate at which new drugs are approved for market, and, pharmaceutical therapy is recognized as extremely cost efficient. Combined, these factors are driving higher drug utilization in all avenues of health care. AmeriSource, with its national distribution network, value added programs, high service levels, and its

ability to capture the growing economies of scale, is poised to benefit from these trends that should continue to fuel our growth."

AmeriSource Health Corporation is a Fortune 200 company with revenue of \$9.8 billion for fiscal year 1999. The Company is one of the nation's leading wholesale pharmaceutical distributors and serves the healthcare industry from a nationwide network of 25 strategically located distribution centers. News and additional information about the company are available at [www.amerisource.com](http://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, continued industry consolidation, changes in customer mix, changes in pharmaceutical manufacturers' pricing and distribution policy, 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 1998 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)

	Fiscal Year Ended September 30 1999	Fiscal % of Operating Revenue	Fiscal Year Ended September 30 1998 (a)	Fiscal % of Operating Revenue	%
					Change
	-----	-----	-----	-----	-----
Revenue:					
Operating revenue	\$9,760,083	100.00%	\$9,373,482	100.00%	4%
Bulk deliveries to customer warehouses	47,280		129,555		
	-----		-----		
Total revenue	9,807,363		9,503,037		
Cost of goods sold:					
Operating cost of goods sold	9,287,018	95.15%	8,911,585	95.07%	4%
Cost of goods sold - bulk deliveries	47,280		129,555		
	-----		-----		
Total cost of goods sold	9,334,298		9,041,140		
Gross profit	473,065	4.85%	461,897	4.93%	2%
Operating expenses:					
Selling and administrative	281,798	2.89%	279,392	2.98%	1%
Depreciation and amortization	17,373	0.18%	16,885	0.18%	3%
Facility consolidations and employee severance	11,730	0.12%	8,283	0.09%	42%
Merger costs	3,162	0.03%	18,406	0.20%	-83%
	-----		-----		
Operating income	159,002	1.63%	138,931	1.48%	14%
Interest					

expense	39,356	0.40%	50,363	0.54%	-22%
Interest					
expense -					
adjustment of					
common stock					
put warrants					
to fair value	334	0.00%	7,816	0.08%	-96%
	-----		-----		
Income before					
taxes and					
extraordinary					
items	119,312	1.22%	80,752	0.86%	48%
Taxes on					
income	48,397	0.50%	34,722	0.37%	39%
	-----		-----		
Income before					
extraordinary					
items	70,915	0.73%	46,030	0.49%	54%
Extraordinary					
charge - early					
retirement of					
debt, net of					
income tax					
benefit	3,449		-		
	-----		-----		
Net income	\$67,466	0.69%	\$46,030	0.49%	47%
	=====		=====		

Earnings per					
share (a):					
Income before					
extraordinary					
item	\$1.40		\$0.92		
Extraordinary					
charge	(0.07)		-		
	-----		-----		
Net income	\$1.33		\$0.92		
	=====		=====		

Earnings per					
share -					
assuming					
dilution (a):					
Income before					
extraordinary					
item	\$1.38		\$0.91		
Extraordinary					
charge	(0.07)		-		
	-----		-----		
Net income	\$1.31		\$0.91		
	=====		=====		

Weighted average					
common shares					
outstanding (a):					
Basic	50,698		49,877		
Assuming					
dilution	51,683		50,713		

=====

Pro forma results excluding \$14,892 and \$26,689 of merger costs and costs related to facility consolidations and employee severance included in the years ended September 30, 1999 and 1998, respectively:

Operating income	\$173,894	\$165,620
Income before extraordinary item	\$82,922	\$62,310
Net income	\$79,473	\$62,310

Earnings per share (a):

Income before extraordinary item	\$1.64	\$1.25
Net income	\$1.57	\$1.25

Earnings per share - assuming dilution (a):

Income before extraordinary item	\$1.61	\$1.23
Net income	\$1.54	\$1.23

(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  
FINANCIAL SUMMARY  
(In thousands, except per share data)

	Three Months Ended September 30 1999	% of Operating Revenue	Three Months Ended September 30 1998 (a)	% of Operating Revenue	% Change
--	---	------------------------------	---	------------------------------	-------------

Revenue:

Operating revenue	\$2,568,766	100.00%	\$2,228,379	100.00%	15%
Bulk deliveries to customer warehouses	10,154		22,767		
Total revenue	2,578,920		2,251,146		

Cost of goods sold:

Operating cost of goods sold	2,442,838	95.10%	2,115,354	94.93%	15%
Cost of goods sold - bulk deliveries	10,154		22,767		
Total cost of goods sold	2,452,992		2,138,121		

Gross profit	125,928	4.90%	113,025	5.07%	11%
--------------	---------	-------	---------	-------	-----

Operating expenses:

Selling and administrative	75,057	2.92%	65,717	2.95%	14%
Depreciation and amortization	4,588	0.18%	4,291	0.19%	7%
Facility consolidations and employees severance	11,730	0.46%	8,283	0.37%	42%
Merger costs	3,162	0.12%	18,406	0.83%	-83%

Operating income	31,391	1.22%	16,328	0.73%	92%
------------------	--------	-------	--------	-------	-----

Interest expense	9,472	0.37%	9,936	0.45%	-5%
Interest expense - adjustment of common stock put warrants to fair value	-		2,138	0.10%	-100%
-----					
Income before taxes and extraordinary items	21,919	0.85%	4,254	0.19%	415%
Taxes on income	10,878	0.42%	2,527	0.11%	330%
-----					
Income before extraordinary items	11,041	0.43%	1,727	0.08%	539%
Extraordinary charge - early retirement of debt, net of income tax benefit	3,449		-		
-----					
Net income	\$7,592	0.30%	\$1,727	0.08%	340%
=====					

Earnings per share (a):					
Income before extraordinary item	\$0.22		\$0.03		
Extraordinary charge	(0.07)		-		
-----					
Net income	\$0.15		\$0.03		
=====					

Earnings per share - assuming dilution (a):					
Income before extraordinary item	\$0.21		\$0.03		
Extraordinary charge	(0.07)		-		
-----					
Net income	\$0.15 (b)		\$0.03		
=====					

Weighted average common shares outstanding (a):					
Basic	51,173		50,124		
Assuming dilution	51,647		50,861		

=====

Pro forma results excluding \$14,892 and \$26,689 of merger costs and costs related to facility consolidations and employee severance

included in the three months ended September 30, 1999 and 1998, respectively:

Operating income	\$46,283	\$43,017
Income before extraordinary item	\$23,048	\$18,007
Net income	\$19,599	\$18,007

Earnings per share (a):

Income before extraordinary item	\$0.45	\$0.36
Net income	\$0.38	\$0.36

Earnings per share - assuming dilution (a):

Income before extraordinary item	\$0.45	\$0.35
Net income	\$0.38	\$0.35

(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.

(b) Does not equal sum of amounts due to rounding.

AMERISOURCE HEALTH CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

ASSETS

Sept. 30, 1999    Sept. 30, 1998(a)    Increase  
(Decrease)

Current assets:

Cash and cash equivalents	\$59,497	\$48,511	\$10,986
Restricted cash	-	41,833	(41,833)
Accounts receivable, less allowance for doubtful accounts	612,520	509,130	103,390
Merchandise inventories	1,243,153	954,010	289,143
Prepaid expenses and other	4,836	5,042	(206)

Total current assets 1,920,006 1,558,526 361,480

Property and equipment, net 64,384 67,955 (3,571)

Other assets, less accumulated amortization 76,209 99,791 (23,582)

Total assets \$2,060,599 \$1,726,272 \$334,327

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$1,175,619	\$947,016	\$228,603
Accrued expenses and other	50,329	52,188	(1,859)
Accrued income taxes	10,854	466	10,388
Deferred income taxes	90,481	93,362	(2,881)

Total current liabilities 1,327,283 1,093,032 234,251

Long-term debt:

Revolving credit facility	225,227	218,590	6,637
Receivables securitization			
financing	325,000	299,948	25,052
Other debt	8,478	20,926	(12,448)

Other liabilities	8,334	8,036	298
Common stock put warrants	-	10,385	(10,385)

Stockholders' equity:

Common stock and capital in			
excess of par value	268,364	245,138	23,226
Retained earnings (deficit)	(94,632)	(162,098)	67,466
Cost of common stock in			
treasury	(7,269)	(7,353)	84
Note receivable from ESOP	(186)	(332)	146

-----  
Total stockholders'  
equity           166,277   75,355   90,922  
-----

Total liabilities  
and stockholders'  
equity           \$2,060,599 \$1,726,272 \$334,327  
=====

(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.

---

**Contact:**

AmeriSource Health Corp.  
MaryBeth M. Alvin, Director, Investor Relations  
610/993-3411  
malvin@amerisource.com