

AmeriSource Second Quarter Earnings Increase 26%

April 29, 1999

Business Editors

MALVERN, Pa.--(BUSINESS WIRE)--April 29, 1999--

Strong Operating Margin Expansion Drives Earnings

AmeriSource Health Corp. (NYSE:AAS), one of the nation's leading wholesale pharmaceutical distributors, today reported its financial results for its second fiscal quarter ended March 31, 1999.

Net income advanced 26% to \$20.4 million compared to \$16.2 million recorded for the same period last year. Diluted earnings per share for the quarter rose 24% to \$.41 compared to \$.33 for the same period a year ago, adjusted for the two-for-one stock split effective March 24, 1999.

Diluted earnings per share exceeded the consensus estimate of \$.40 per share, and for the seventeenth consecutive quarter, exceeded the Company's internal goal of 20% or greater.

For the first six months of fiscal 1999, AmeriSource recorded net income of \$38.2 million, an increase of 25% from the \$30.7 million recorded one year ago. Diluted earnings per share for the first six months of \$.78 represents an increase of 24% from the \$.63 recorded in the first six months of last year.

Strong operating margin expansion driven by increased operating efficiencies and an improved customer contract portfolio were major factors driving the earnings improvement.

Revenue for the quarter and the first six months of fiscal 1999 was \$2.2 billion and \$4.3 billion, respectively. The modest decrease in revenue reflected last year's termination of service contracts with two major warehousing chain customers and one large mail order customer whose purchases resulted in operating margins below the Company's average.

Adjusting for the loss of these three accounts, revenues advanced 13% in the second quarter.

"This was another outstanding quarter" stated R. David Yost, President and CEO of AmeriSource. "In addition to turning in very solid financial results, the quarter was marked by several significant new customer contract wins in both the retail and institutional settings which will further support our growing revenue momentum".

He also added, "AmeriSource has signed 46 new Premier hospital accounts since being chosen as a preferred provider three months ago. In addition, the Company began servicing the VA contract which went into effect on April 1, 1999. Revenue from Premier and the VA is expected to ramp up in the second half of this fiscal year."

For the second quarter of fiscal 1999, the Company's gross margin, as a percentage of operating revenue, decreased 3 basis points to 5.13% as compared to 5.16% for the same period one year ago. Continued focus on cost reduction and productivity improvements reduced operating expenses as a percentage of operating revenues by 21 basis points to 3.18% versus 3.39% a year ago.

This, in combination with stable gross margin performance in the quarter, allowed the Company's operating margin to strongly expand up by 19 basis points to 1.95% compared to 1.76% for the same quarter last year.

As a result of continued disciplined capital usage, AmeriSource drove its interest expense down and its return on committed capital up in the quarter. Interest expense showed a significant decrease of 21% to \$9.5 million as compared to \$12.0 million for the same period last year. Expanding operating margins in combination with disciplined capital usage drove the Company's return on committed capital up to 26.1%, well in excess of its stated goal of 20% or greater.

AmeriSource also announced today that it has signed a definitive merger agreement for the acquisition of C. D. Smith Healthcare Inc. Based in St. Joseph, Mo., C. D. Smith is the seventh largest regional wholesale distributor of pharmaceuticals in the country with operating revenues of approximately \$800 million.

Under the terms of the agreement, shareholders of C.D. Smith will receive a fixed exchange of 2.69 million shares of AmeriSource common stock for all of the outstanding common shares of C. D. Smith. AmeriSource will assume about \$89.1 million in long-term debt for a total transaction value of about \$169.0 million based on AmeriSource's closing stock price of \$29.69 on April 28, 1999.

The combination has been structured as a tax-free transaction and will be accounted for as a pooling of interests. The transaction is expected to be completed by the end of June, 1999.

AmeriSource Health Corp. is a Fortune 200 company with revenue of \$8.7 billion for fiscal year 1998. The Company is one of the nation's leading pharmaceutical distributors and serves the healthcare industry from a nationwide network of 22 strategically located distribution centers. News and additional information about AmeriSource are available at www.amerisource.com

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

	Three Months Ended March 31, 1999	% of Operating Revenue	Three Months Ended March 31, 1998	% of Operating Revenue	%
					Change
Revenue:					
Operating revenue	\$2,167,984	100.00%	\$2,192,285	100.00%	-1%
Bulk deliveries to customer warehouses	7,909		26,069		
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Total revenue	2,175,893		2,218,354		
Cost of goods sold:					
Operating cost of goods sold	2,056,758	94.87%	2,079,272	94.84%	-1%
Cost of goods sold - bulk deliveries	7,909		26,069		
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Total cost of goods sold	2,064,667		2,105,341		
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Gross profit	111,226	5.13%	113,013	5.16%	-2%
Operating expenses:					
Selling and administrative	65,110	3.00%	70,687	3.22%	-8%
Depreciation	3,500	0.16%	3,358	0.15%	4%
Amortization	254	0.01%	361	0.02%	-30%
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Operating income	42,362	1.95%	38,607	1.76%	10%
Interest expense	9,510	0.44%	12,030	0.55%	-21%
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Income before taxes	32,852	1.52%	26,577	1.21%	24%
Taxes on income	12,484	0.58%	10,367	0.47%	20%
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Net income	\$20,368	0.94%	\$16,210	0.74%	26%
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Earnings per share:(a)					
Basic	\$0.42		\$0.34		
Assuming dilution	0.41		0.33		

Weighted average
common shares
outstanding: (a)

Basic	48,587	47,789
Assuming dilution	49,420	48,481

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

	Six Months Ended March 31, 1999	% of Operating Revenue	Six Months Ended March 31, 1998	% of Operating Revenue	% Change
Revenue:					
Operating revenue	\$4,328,888	100.00%	\$4,446,845	100.00%	-3%
Bulk deliveries to customer warehouses	16,671		51,067		
Total revenue	4,345,559		4,497,912		
Cost of goods sold:					
Operating cost of goods sold	4,115,969	95.08%	4,228,226	95.08%	-3%
Cost of goods sold - bulk deliveries	16,671		51,067		
Total cost of goods sold	4,132,640		4,279,293		
Gross profit	212,919	4.92%	218,619	4.92%	-3%
Operating expenses:					
Selling and administrative	126,123	2.91%	136,452	3.07%	-8%
Depreciation	7,000	0.16%	6,513	0.15%	7%
Amortization	510	0.01%	643	0.01%	-21%
Operating income	79,286	1.83%	75,011	1.69%	6%
Interest expense	17,651	0.41%	24,692	0.56%	-29%
Income before taxes	61,635	1.42%	50,319	1.13%	22%
Taxes on income	23,422	0.54%	19,626	0.44%	19%
Net income	\$38,213	0.88%	\$30,693	0.69%	25%

Earnings per share:		
Basic	\$0.79	\$0.64
Assuming dilution	0.78	0.63

Weighted average common shares outstanding:		
Basic	48,478	47,751
Assuming dilution	49,144	48,464

AMERISOURCE HEALTH CORP.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

ASSETS	(unaudited)		
	March 31, 1999	Sept. 30, 1998	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$119,134	\$48,461	\$70,673
Restricted cash	36,340	37,044	(704)
Accounts receivable, less allowance for doubtful accounts	480,326	458,238	22,088
Merchandise inventories	942,152	870,223	71,929
Prepaid expenses and other	3,816	4,356	(540)
Total current assets	1,581,768	1,418,322	163,446
Property and equipment, net	59,752	60,789	(1,037)
Other assets, less accumulated amortization	78,005	73,171	4,834
Total assets	\$1,719,525	\$1,552,282	\$167,243

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$917,292	\$873,181	\$44,111
Accrued expenses and other	42,518	48,532	(6,014)
Accrued income taxes	7,927	78	7,849
Deferred income taxes	100,671	93,385	7,286
Total current liabilities	1,068,408	1,015,176	53,232
Long-term debt:			
Revolving credit facility	210,004	145,000	65,004
Receivables securitization financing	299,965	299,948	17
Other debt	8,595	8,813	(218)
Other liabilities	8,664	8,036	628

Stockholders' equity:

Common stock and capital			
in excess of par value	255,305	244,938	10,367
Retained earnings (deficit)	(125,196)	(163,409)	38,213
Cost of common stock in			
treasury	(6,220)	(6,220)	0
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Total stockholders' equity	123,889	75,309	48,580
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Total liabilities and			
stockholders' equity	\$1,719,525	\$1,552,282	\$167,243
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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.

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