

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (date of earliest event reported):  
February 14, 2018

CHEMED CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other  
jurisdiction of  
incorporation)

1-8351  
(Commission File Number)

31-0791746  
(I.R.S. Employer  
Identification  
Number)

Suite 2600, 255 East 5th Street, Cincinnati, OH  
(Address of principal executive offices)

45202  
(Zip Code)

Registrant's telephone number, including area code:  
(513) 762-6690

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## Item 2.02 Results of Operations and Financial Condition

On February 14, 2018 Chemed Corporation issued a press release announcing its financial results for the quarter ended December 31, 2017. A copy of the release is furnished herewith as Exhibit 99.

### Item 9.01 Financial Statements and Exhibits

d) Exhibit

[\(99\) Registrant's press release dated February 14, 2017](#)

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHEMED CORPORATION

Dated: February 14, 2018

By: /s/ Michael D. Witzeman  
Michael D. Witzeman  
Vice President and Controller

## Chemed Reports Fourth-Quarter 2017 Results

CINCINNATI--(BUSINESS WIRE)--February 14, 2018--Chemed Corporation (Chemed) (NYSE:CHE), which operates VITAS Healthcare Corporation (VITAS), the nation's largest provider of end-of-life care, and Roto-Rooter, the nation's largest commercial and residential plumbing and drain cleaning services provider, reported financial results for its fourth quarter ended December 31, 2017, versus the comparable prior-year period, as follows:

Consolidated operating results:

- Revenue increased 6.2% to \$428 million
- GAAP Diluted Earnings-per-Share of \$3.25, an increase of 67.5%
- Adjusted Diluted EPS of \$2.32, an increase of 10.5%

VITAS segment operating results:

- Net Patient Revenue of \$292 million, an increase of 2.8%
- Average Daily Census (ADC) of 16,920, an increase of 4.7%
- Admissions of 16,575, an increase of 4.3%
- Net Income of \$42.8 million, an increase of 62.2%
- Adjusted EBITDA of \$47.5 million, an increase of 2.7%

Roto-Rooter segment operating results:

- Revenue of \$136 million, an increase of 14.1%
- Net Income of \$25.6 million, an increase of 87.0%
- Adjusted EBITDA of \$31.1 million, an increase of 24.2%
- Adjusted EBITDA margin of 22.8%, an increase of 185 basis points

### VITAS

Net revenue for VITAS was \$292 million in the fourth quarter of 2017, which is an increase of 2.8%, when compared to the prior-year period. This revenue increase is comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 0.8%, a 4.7% increase in average daily census, offset by Medicare Cap which reduced revenue 0.9% and acuity mix shift which negatively impacted revenue 1.7%, when compared to the prior-year period.

In the fourth quarter of 2017, VITAS had a 24.3/75.7 RHC Days-of-Care ratio and generated approximately \$1.3 million in SIA revenue. This compares to a fourth-quarter 2016 RHC Days-of-Care ratio of 24.2/75.8 and SIA revenue of \$1.2 million.

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VITAS recorded \$2.4 million in Medicare Cap billing limitations for two programs in the quarter, all of which are related to the 2018 Medicare Cap billing period.

At December 31, 2017, VITAS had 30 Medicare provider numbers, two of which have an estimated 2018 Medicare Cap billing limitation.

Of VITAS' 30 unique Medicare provider numbers, 25 provider numbers have a Medicare Cap cushion of 10% or greater, three provider numbers have a cap cushion between 5% and 10% and two provider numbers have a Medicare Cap liability on a trailing twelve-month period.

Average revenue per patient per day in the quarter was \$189.33, which is 1.0% below the prior-year period. Routine home care reimbursement and high acuity care averaged \$163.50 and \$713.35, respectively. During the quarter, high acuity days of care were 4.7% of total days of care, 58 basis points less than the prior-year quarter.

The fourth quarter of 2017 gross margin, excluding Medicare Cap, was 24.5%, which is a 41-basis point improvement when compared to the fourth quarter of 2016.

Selling, general and administrative expense was \$22.6 million in the fourth quarter of 2017, which is a decrease of 3.2% compared to the prior-year quarter. Adjusted EBITDA, excluding Medicare Cap, totaled \$49.9 million in the quarter, an increase of 7.9%. Adjusted EBITDA margin, excluding Medicare Cap, was 16.9% in the quarter which is a 66 basis point improvement when compared to the prior-year period.

#### Roto-Rooter

Roto-Rooter's plumbing and drain cleaning business generated sales of \$136 million for the fourth quarter of 2017, an increase of \$16.8 million, or 14.1%, over the prior-year quarter. Revenue from water restoration totaled \$22.1 million, an increase of \$8.4 million or, 61.7%, when compared to the prior-year quarter.

Roto-Rooter's gross margin in the quarter was 49.3%, a 241 basis point improvement when compared to the fourth quarter of 2016. Adjusted EBITDA in the fourth quarter of 2017 totaled \$31.1 million, an increase of 24.2%, and the Adjusted EBITDA margin was 22.8% in the quarter, 185 basis points higher than the prior year.

#### Chemed Consolidated

As of December 31, 2017, Chemed had total cash and cash equivalents of \$11 million and debt of \$101 million.

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In June 2014, Chemed entered into a five-year Amended and Restated Credit Agreement that consisted of a \$100 million amortizable term loan and a \$350 million revolving credit facility. The interest rate on this facility has a floating rate that is currently LIBOR plus 112.5 basis points. At December 31, 2017, the Company had approximately \$288 million of undrawn borrowing capacity under this credit agreement.

The Company did not repurchase any shares of Chemed stock in the quarter. Chemed repurchased a total of 500,000 shares in 2017 for \$95 million which equates to a cost per share of \$189.28. As of December 31, 2017, there was \$55.5 million of remaining share repurchase authorization under this plan.

#### Guidance for 2018

Revenue growth for VITAS in 2018, prior to Medicare Cap, is estimated to be in the range of 2.5% to 3.5%. Admissions and Average Daily Census in 2018 are estimated to expand approximately 3% to 4% and full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 15.4%. We are currently estimating \$5.0 million for Medicare Cap billing limitations in the 2018 calendar year.

Roto-Rooter is forecasted to achieve full-year 2018 revenue growth of 4.0% to 5.0%. This revenue estimate is based upon increased job pricing of approximately 2% and continued growth in water restoration services. Adjusted EBITDA margin for 2018 is estimated at 22.3%.

Based upon the above, full-year 2018 adjusted earnings per diluted share, excluding non-cash expense for stock options, costs related to litigation, and other discrete items, is estimated to be in the range of \$10.60 to \$10.85. This compares to Chemed's 2017 reported adjusted earnings per diluted share of \$8.43. This 2018 guidance assumes an effective corporate tax rate of 25.7%.

#### Conference Call

Chemed will host a conference call and webcast at 10 a.m., ET, on Thursday, February 15, 2018, to discuss the Company's quarterly results and to provide an update on its business. The dial-in number for the conference call is (844) 743-2500 for U.S. and Canadian participants and +1 (661) 378-9533 for international participants. The participant passcode/Conference ID is 3768588. A live webcast of the call can be accessed on Chemed's website at [www.chemed.com](http://www.chemed.com) by clicking on Investor Relations Home.

A taped replay of the conference call will be available beginning approximately 24 hours after the call's conclusion. It can be accessed by dialing (855) 859-2056 for U.S. and Canadian callers and +1 (404) 537-3406 for international callers and will be available for one week following the live call. The replay Conference ID is 3768588. An archived webcast will also be available at [www.chemed.com](http://www.chemed.com).

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Chemed Corporation operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to over 16,500 patients with severe, life-limiting illnesses. This type of care is focused on making the terminally ill patient's final days as comfortable and pain-free as possible.

Chemed operates in the residential and commercial plumbing and drain cleaning industry under the brand name Roto-Rooter. Roto-Rooter provides plumbing, drain cleaning, and water restoration services through company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in the republics of Indonesia and Singapore, and the Philippines.

This press release contains information about Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS, which are not measures derived in accordance with GAAP and which exclude components that are important to understanding Chemed's financial performance. In reporting its operating results, Chemed provides EBITDA, Adjusted EBITDA and Adjusted Diluted EPS measures to help investors and others evaluate the Company's operating results, compare its operating performance with that of similar companies that have different capital structures and evaluate its ability to meet its future debt service, capital expenditures and working capital requirements. Chemed's management similarly uses EBITDA, Adjusted EBITDA and Adjusted Diluted EPS to assist it in evaluating the performance of the Company across fiscal periods and in assessing how its performance compares to its peer companies. These measures also help Chemed's management to estimate the resources required to meet Chemed's future financial obligations and expenditures. Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. We calculated Adjusted EBITDA Margin by dividing Adjusted EBITDA by service revenue and sales. A reconciliation of Chemed's net income to its EBITDA, Adjusted EBITDA and Adjusted Diluted EPS is presented in the tables following the text of this press release.

#### Forward-Looking Statements

Certain statements contained in this press release and the accompanying tables are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "hope," "anticipate," "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements.

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These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care or plumbing and drain cleaning industries; periodic changes in reimbursement levels and procedures under Medicare and Medicaid programs; difficulties predicting patient length of stay and estimating potential Medicare reimbursement obligations; challenges inherent in Chemed's growth strategy; the current shortage of qualified nurses, other healthcare professionals and licensed plumbing and drain cleaning technicians; Chemed's dependence on patient referral sources; and other factors detailed under the caption "Description of Business by Segment" or "Risk Factors" in Chemed's most recent report on form 10-Q or

10-K and its other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the matters contained in such statements will be achieved.

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**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)(unaudited)

|   | Three Months Ended December 31, |            | For the Years Ended December 31, |              |
|---|---------------------------------|------------|----------------------------------|--------------|
|   | 2017                            | 2016       | 2017                             | 2016         |
| Service revenues and sales                        | \$ 428,357                      | \$ 403,476 | \$ 1,666,724                     | \$ 1,576,881 |
| Cost of services provided and goods sold          | 291,493                         | 279,083    | 1,150,532                        | 1,115,431    |
| Selling, general and administrative expenses (aa) | 71,621                          | 62,526     | 276,652                          | 243,572      |
| Depreciation                                      | 8,943                           | 8,660      | 35,488                           | 34,279       |
| Amortization                                      | 26                              | 85         | 137                              | 359          |
| Other operating expenses                          | (258)                           | -          | 90,880                           | 4,491        |
| Total costs and expenses                          | 371,825                         | 350,354    | 1,553,689                        | 1,398,132    |
| Income from operations                            | 56,532                          | 53,122     | 113,035                          | 178,749      |
| Interest expense                                  | (1,108)                         | (884)      | (4,272)                          | (3,715)      |
| Other income--net (bb)                            | 2,715                           | 87         | 8,154                            | 2,020        |
| Income before income taxes                        | 58,139                          | 52,325     | 116,917                          | 177,054      |
| Income taxes                                      | (3,587)                         | (20,136)   | (18,740)                         | (68,311)     |
| Net income  | \$ 54,552                       | \$ 32,189  | \$ 98,177                        | \$ 108,743   |

**Earnings Per Share**

|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| Net income                           | \$ 3.40 | \$ 1.99 | \$ 6.11 | \$ 6.64 |
| Average number of shares outstanding | 16,026  | 16,206  | 16,057  | 16,383  |

**Diluted Earnings Per Share**

|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| Net income                           | \$ 3.25 | \$ 1.94 | \$ 5.86 | \$ 6.48 |
| Average number of shares outstanding | 16,776  | 16,598  | 16,742  | 16,789  |

(aa) Selling, general and administrative ("SG&A") expenses comprise (in thousands):

|   | Three Months Ended December 31, |           | For the Years Ended December 31, |            |
|---|---------------------------------|-----------|----------------------------------|------------|
|   | 2017                            | 2016      | 2017                             | 2016       |
| SG&A expenses before long-term incentive compensation, expenses related to the O.I.G. investigation and the impact of market value adjustments related to deferred compensation plans | \$ 66,821                       | \$ 60,137 | \$ 258,034                       | \$ 234,321 |
| Market value adjustments related to deferred compensation plans   | 2,811                           | 205       | 8,430                            | 2,061      |
| Long-term incentive compensation  | 1,973                           | 1,029     | 4,994                            | 1,930      |
| Expenses related to the O.I.G. investigation  | 16                              | 1,155     | 5,194                            | 5,260      |
| Total SG&A expenses   | \$ 71,621                       | \$ 62,526 | \$ 276,652                       | \$ 243,572 |

(bb) Other income--net comprises (in thousands):

|   | Three Months Ended December 31, |        | For the Years Ended December 31, |          |
|---|---------------------------------|--------|----------------------------------|----------|
|   | 2017                            | 2016   | 2017                             | 2016     |
| Market value adjustments related to deferred compensation plans | \$ 2,811                        | \$ 205 | \$ 8,430                         | \$ 2,061 |
| Loss on disposal of property and equipment                      | (226)                           | (200)  | (707)                            | (424)    |
| Interest income   | 131                             | 82     | 427                              | 383      |
| Other   | (1)                             | -      | 4                                | -        |
| Total other income--net   | \$ 2,715                        | \$ 87  | \$ 8,154                         | \$ 2,020 |



**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)(unaudited)

|                             |   | December 31,      |                   |
|-----------------------------|---|-------------------|-------------------|
|                             |   | 2017              | 2016              |
| <b>Assets</b>               |   |                   |                   |
| Current assets              |   |                   |                   |
|                             | Cash and cash equivalents                                       | \$ 11,121         | \$ 15,310         |
|                             | Accounts receivable less allowances                             | 113,651           | 132,021           |
|                             | Inventories   | 5,334             | 5,755             |
|                             | Prepaid income taxes  | 29,848            | 3,709             |
|                             | Prepaid expenses  | 16,092            | 13,105            |
|                             | Total current assets  | 176,046           | 169,900           |
|                             | Investments of deferred compensation plans held in trust        | 62,067            | 54,389            |
|                             | Properties and equipment, at cost less accumulated depreciation | 143,034           | 121,302           |
|                             | Identifiable intangible assets less accumulated amortization    | 54,865            | 55,065            |
|                             | Goodwill  | 476,887           | 472,366           |
|                             | Other assets  | 7,127             | 7,037             |
|                             | Total Assets  | <u>\$ 920,026</u> | <u>\$ 880,059</u> |
| <b>Liabilities</b>          |   |                   |                   |
| Current liabilities         |   |                   |                   |
|                             | Accounts payable  | \$ 48,372         | \$ 39,586         |
|                             | Current portion of long-term debt                               | 10,000            | 8,750             |
|                             | Accrued insurance   | 46,968            | 47,960            |
|                             | Accrued compensation  | 62,933            | 53,979            |
|                             | Accrued legal   | 1,786             | 1,805             |
|                             | Other current liabilities                                       | 23,463            | 19,752            |
|                             | Total current liabilities                                       | 193,522           | 171,832           |
|                             | Deferred income taxes   | 16,640            | 14,291            |
|                             | Long-term debt  | 91,200            | 100,000           |
|                             | Deferred compensation liabilities                               | 61,800            | 54,288            |
|                             | Other liabilities   | 16,510            | 15,549            |
|                             | Total Liabilities   | <u>379,672</u>    | <u>355,960</u>    |
| <b>Stockholders' Equity</b> |   |                   |                   |
|                             | Capital stock   | 34,732            | 34,270            |
|                             | Paid-in capital   | 695,797           | 639,703           |
|                             | Retained earnings   | 1,038,955         | 958,149           |
|                             | Treasury stock, at cost   | (1,231,332)       | (1,110,536)       |
|                             | Deferred compensation payable in Company stock                  | 2,202             | 2,513             |
|                             | Total Stockholders' Equity                                      | <u>540,354</u>    | <u>524,099</u>    |
|                             | Total Liabilities and Stockholders' Equity                      | <u>\$ 920,026</u> | <u>\$ 880,059</u> |

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)(unaudited)

|   | For the Years Ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2017                             | 2016             |
| <b>Cash Flows from Operating Activities</b>   |                                  |                  |
| Net income  | \$ 98,177                        | \$ 108,743       |
| Adjustments to reconcile net income to net cash provided by operating activities:                 |                                  |                  |
| Depreciation and amortization   | 35,625                           | 34,638           |
| Provision for uncollectible accounts receivable   | 17,306                           | 16,319           |
| Stock option expense  | 10,485                           | 8,330            |
| Loss on sale of transportation equipment  | 5,266                            | -                |
| Noncash long-term incentive compensation  | 3,774                            | 1,301            |
| Provision/(benefit) for deferred income taxes   | 2,407                            | (6,707)          |
| Amortization of restricted stock awards   | 1,231                            | 1,855            |
| Noncash directors' compensation   | 766                              | 541              |
| Amortization of debt issuance costs   | 516                              | 519              |
| Noncash early retirement expense  | -                                | 1,747            |
| Changes in operating assets and liabilities, excluding amounts acquired in business combinations: |                                  |                  |
| (Increase)/decrease in accounts receivable  | 1,072                            | (42,142)         |
| Decrease in inventories   | 421                              | 559              |
| Increase in prepaid expenses  | (2,987)                          | (253)            |
| Increase in accounts payable and other current liabilities  | 12,890                           | 891              |
| (Decrease)/increase in income taxes   | (26,104)                         | 13,886           |
| Increase in other assets  | (8,330)                          | (5,224)          |
| Increase in other liabilities   | 8,561                            | 7,105            |
| Excess tax benefit on share-based compensation  | -                                | (7,195)          |
| Other sources   | 1,419                            | 480              |
| Net cash provided by operating activities   | <u>162,495</u>                   | <u>135,393</u>   |
| <b>Cash Flows from Investing Activities</b>   |                                  |                  |
| Capital expenditures  | (64,300)                         | (39,772)         |
| Business combinations, net of cash acquired   | (4,725)                          | -                |
| Other sources/(uses)  | 1,417                            | (90)             |
| Net cash used by investing activities   | <u>(67,608)</u>                  | <u>(39,862)</u>  |
| <b>Cash Flows from Financing Activities</b>   |                                  |                  |
| Proceeds from revolving line of credit  | 261,650                          | 184,550          |
| Payments on revolving line of credit  | (260,450)                        | (159,550)        |
| Purchases of treasury stock   | (94,640)                         | (102,313)        |
| Proceeds from exercise of stock options   | 27,092                           | 8,421            |
| Dividends paid  | (17,371)                         | (16,439)         |
| Capital stock surrendered to pay taxes on stock-based compensation                                | (14,223)                         | (8,772)          |
| Payments on other long-term debt  | (8,750)                          | (7,500)          |
| Decrease in cash overdrafts payable   | 6,700                            | (736)            |
| Excess tax benefit on share-based compensation  | -                                | 7,195            |
| Other sources   | 916                              | 196              |
| Net cash used by financing activities   | <u>(99,076)</u>                  | <u>(94,948)</u>  |
| <b>(Decrease)/Increase in Cash and Cash Equivalents</b>   | <u>(4,189)</u>                   | <u>583</u>       |
| Cash and cash equivalents at beginning of year  | 15,310                           | 14,727           |
| Cash and cash equivalents at end of period  | <u>\$ 11,121</u>                 | <u>\$ 15,310</u> |

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016**  
(in thousands)(unaudited)

|  | VITAS      | Roto-Rooter | Corporate   | Chemed<br>Consolidated |
|--|------------|-------------|-------------|------------------------|
| <b>2017</b>                                      |            |             |             |                        |
| Service revenues and sales (a)                   | \$ 292,283 | \$ 136,074  | \$ -        | \$ 428,357             |
| Cost of services provided and goods sold         | 222,497    | 68,996      | -           | 291,493                |
| Selling, general and administrative expenses (a) | 22,607     | 35,330      | 13,684      | 71,621                 |
| Depreciation                                     | 4,568      | 4,344       | 31          | 8,943                  |
| Amortization                                     | -          | 26          | -           | 26                     |
| Other operating expenses (a)                     | (5,524)    | -           | 5,266       | (258)                  |
| Total costs and expenses                         | 244,148    | 108,696     | 18,981      | 371,825                |
| Income/(loss) from operations                    | 48,135     | 27,378      | (18,981)    | 56,532                 |
| Interest expense                                 | (27)       | (65)        | (1,016)     | (1,108)                |
| Intercompany interest income/(expense)           | 3,177      | 1,562       | (4,739)     | -                      |
| Other income/(expense)—net                       | (31)       | (64)        | 2,810       | 2,715                  |
| Income/(loss) before income taxes                | 51,254     | 28,811      | (21,926)    | 58,139                 |
| Income taxes (a)                                 | (8,406)    | (3,228)     | 8,047       | (3,587)                |
| Net income/(loss)                                | \$ 42,848  | \$ 25,583   | \$ (13,879) | \$ 54,552              |
| <b>2016</b>                                      |            |             |             |                        |
| Service revenues and sales (b)                   | \$ 284,186 | \$ 119,290  | \$ -        | \$ 403,476             |
| Cost of services provided and goods sold         | 215,722    | 63,361      | -           | 279,083                |
| Selling, general and administrative expenses (b) | 23,354     | 30,922      | 8,250       | 62,526                 |
| Depreciation                                     | 4,690      | 3,838       | 132         | 8,660                  |
| Amortization                                     | 14         | 71          | -           | 85                     |
| Total costs and expenses                         | 243,780    | 98,192      | 8,382       | 350,354                |
| Income/(loss) from operations                    | 40,406     | 21,098      | (8,382)     | 53,122                 |
| Interest expense                                 | (35)       | (68)        | (781)       | (884)                  |
| Intercompany interest income/(expense)           | 2,130      | 981         | (3,111)     | -                      |
| Other income/(expense)—net                       | (57)       | (60)        | 204         | 87                     |
| Income/(loss) before income taxes                | 42,444     | 21,951      | (12,070)    | 52,325                 |
| Income taxes (b)                                 | (16,023)   | (8,272)     | 4,159       | (20,136)               |
| Net income/(loss)                                | \$ 26,421  | \$ 13,679   | \$ (7,911)  | \$ 32,189              |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(in thousands)(unaudited)

|  | VITAS        | Roto-Rooter | Corporate   | Chemed<br>Consolidated |
|--|--------------|-------------|-------------|------------------------|
| <b>2017</b>                                      |              |             |             |                        |
| Service revenues and sales (a)                   | \$ 1,148,260 | \$ 518,464  | \$ -        | \$ 1,666,724           |
| Cost of services provided and goods sold         | 886,062      | 264,470     | -           | 1,150,532              |
| Selling, general and administrative expenses (a) | 95,215       | 136,248     | 45,189      | 276,652                |
| Depreciation                                     | 18,616       | 16,667      | 205         | 35,488                 |
| Amortization                                     | 14           | 123         | -           | 137                    |
| Other operating expenses (a)                     | 85,614       | -           | 5,266       | 90,880                 |
| Total costs and expenses                         | 1,085,521    | 417,508     | 50,660      | 1,553,689              |
| Income/(loss) from operations                    | 62,739       | 100,956     | (50,660)    | 113,035                |
| Interest expense                                 | (188)        | (323)       | (3,761)     | (4,272)                |
| Intercompany interest income/(expense)           | 11,656       | 5,596       | (17,252)    | -                      |
| Other income/(expense)—net                       | (126)        | (148)       | 8,428       | 8,154                  |
| Income/(loss) before income taxes                | 74,081       | 106,081     | (63,245)    | 116,917                |
| Income taxes (a)                                 | (16,436)     | (32,782)    | 30,478      | (18,740)               |
| Net income/(loss)                                | \$ 57,645    | \$ 73,299   | \$ (32,767) | \$ 98,177              |
| <b>2016</b>                                      |              |             |             |                        |
| Service revenues and sales (b)                   | \$ 1,123,317 | \$ 453,564  | \$ -        | \$ 1,576,881           |
| Cost of services provided and goods sold         | 878,092      | 237,339     | -           | 1,115,431              |
| Selling, general and administrative expenses (b) | 92,550       | 118,812     | 32,210      | 243,572                |
| Depreciation                                     | 19,035       | 14,698      | 546         | 34,279                 |
| Amortization                                     | 55           | 304         | -           | 359                    |
| Other operating expenses (b)                     | 4,491        | -           | -           | 4,491                  |
| Total costs and expenses                         | 994,223      | 371,153     | 32,756      | 1,398,132              |
| Income/(loss) from operations                    | 129,094      | 82,411      | (32,756)    | 178,749                |
| Interest expense                                 | (211)        | (332)       | (3,172)     | (3,715)                |
| Intercompany interest income/(expense)           | 7,969        | 3,595       | (11,564)    | -                      |
| Other income/(expense)—net                       | 19           | (62)        | 2,063       | 2,020                  |
| Income/(loss) before income taxes                | 136,871      | 85,612      | (45,429)    | 177,054                |
| Income taxes (b)                                 | (51,910)     | (32,719)    | 16,318      | (68,311)               |
| Net income/(loss)                                | \$ 84,961    | \$ 52,893   | \$ (29,111) | \$ 108,743             |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING SUMMARIES OF EBITDA**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016**  
(in thousands)(unaudited)

|  | <b>VITAS</b>     | <b>Roto-Rooter</b> | <b>Corporate</b>  | <b>Chemed Consolidated</b> |
|--|------------------|--------------------|-------------------|----------------------------|
| <b>2017</b>                              |                  |                    |                   |                            |
| Net income/(loss)                        | \$ 42,848        | \$ 25,583          | \$ (13,879)       | \$ 54,552                  |
| Add/(deduct):                            |                  |                    |                   |                            |
| Interest expense                         | 27               | 65                 | 1,016             | 1,108                      |
| Income taxes                             | 8,406            | 3,228              | (8,047)           | 3,587                      |
| Depreciation                             | 4,568            | 4,344              | 31                | 8,943                      |
| Amortization                             | -                | 26                 | -                 | 26                         |
| EBITDA                                   | <u>55,849</u>    | <u>33,246</u>      | <u>(20,879)</u>   | <u>68,216</u>              |
| Add/(deduct):                            |                  |                    |                   |                            |
| Intercompany interest expense/(income)   | (3,177)          | (1,562)            | 4,739             | -                          |
| Interest income                          | (121)            | (10)               | -                 | (131)                      |
| Litigation settlement                    | (5,524)          | -                  | -                 | (5,524)                    |
| Loss on sale of transportation equipment | -                | -                  | 5,266             | 5,266                      |
| Medicare cap sequestration adjustment    | 342              | -                  | -                 | 342                        |
| Expenses related to OIG investigation    | 16               | -                  | -                 | 16                         |
| Amortization of stock awards             | 71               | 66                 | 160               | 297                        |
| Advertising cost adjustment (c)          | -                | (664)              | -                 | (664)                      |
| Stock option expense                     | -                | -                  | 2,747             | 2,747                      |
| Long-term incentive compensation         | -                | -                  | 1,973             | 1,973                      |
| Adjusted EBITDA                          | <u>\$ 47,456</u> | <u>\$ 31,076</u>   | <u>\$ (5,994)</u> | <u>\$ 72,538</u>           |
| <b>2016</b>                              |                  |                    |                   |                            |
| Net income/(loss)                        | \$ 26,421        | \$ 13,679          | \$ (7,911)        | \$ 32,189                  |
| Add/(deduct):                            |                  |                    |                   |                            |
| Interest expense                         | 35               | 68                 | 781               | 884                        |
| Income taxes                             | 16,023           | 8,272              | (4,159)           | 20,136                     |
| Depreciation                             | 4,690            | 3,838              | 132               | 8,660                      |
| Amortization                             | 14               | 71                 | -                 | 85                         |
| EBITDA                                   | <u>47,183</u>    | <u>25,928</u>      | <u>(11,157)</u>   | <u>61,954</u>              |
| Add/(deduct):                            |                  |                    |                   |                            |
| Intercompany interest expense/(income)   | (2,130)          | (981)              | 3,111             | -                          |
| Interest income                          | (69)             | (13)               | -                 | (82)                       |
| Expenses related to OIG investigation    | 1,155            | -                  | -                 | 1,155                      |
| Amortization of stock awards             | 86               | 76                 | 279               | 441                        |
| Advertising cost adjustment (c)          | -                | 20                 | -                 | 20                         |
| Litigation settlement costs              | -                | 1                  | -                 | 1                          |
| Stock option expense                     | -                | -                  | 2,071             | 2,071                      |
| Long-term incentive compensation         | -                | -                  | 1,029             | 1,029                      |
| Adjusted EBITDA                          | <u>\$ 46,225</u> | <u>\$ 25,031</u>   | <u>\$ (4,667)</u> | <u>\$ 66,589</u>           |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING SUMMARIES OF EBITDA**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(in thousands)(unaudited)

|  | <b>VITAS</b>      | <b>Roto-Rooter</b> | <b>Corporate</b>   | <b>Chemed<br/>Consolidated</b> |
|--|-------------------|--------------------|--------------------|--------------------------------|
| <b>2017</b>                                    |                   |                    |                    |                                |
| Net income/(loss)                              | \$ 57,645         | \$ 73,299          | \$ (32,767)        | \$ 98,177                      |
| Add/(deduct):                                  |                   |                    |                    |                                |
| Interest expense                               | 188               | 323                | 3,761              | 4,272                          |
| Income taxes                                   | 16,436            | 32,782             | (30,478)           | 18,740                         |
| Depreciation                                   | 18,616            | 16,667             | 205                | 35,488                         |
| Amortization                                   | 14                | 123                | -                  | 137                            |
| EBITDA   | <u>92,899</u>     | <u>123,194</u>     | <u>(59,279)</u>    | <u>156,814</u>                 |
| Add/(deduct):                                  |                   |                    |                    |                                |
| Intercompany interest expense/(income)         | (11,656)          | (5,596)            | 17,252             | -                              |
| Interest income                                | (388)             | (39)               | -                  | (427)                          |
| Litigation settlement                          | 84,476            | 213                | -                  | 84,689                         |
| Medicare cap sequestration adjustment          | 447               | -                  | -                  | 447                            |
| Loss on sale of transportation equipment       | -                 | -                  | 5,266              | 5,266                          |
| Program closure expenses                       | 1,138             | -                  | -                  | 1,138                          |
| Expenses related to OIG investigation          | 5,194             | -                  | -                  | 5,194                          |
| Amortization of stock awards                   | 291               | 269                | 670                | 1,230                          |
| Advertising cost adjustment (c)                | -                 | (1,371)            | -                  | (1,371)                        |
| Stock option expense                           | -                 | -                  | 10,485             | 10,485                         |
| Long-term incentive compensation               | -                 | -                  | 4,994              | 4,994                          |
| Adjusted EBITDA                                | <u>\$ 172,401</u> | <u>\$ 116,670</u>  | <u>\$ (20,612)</u> | <u>\$ 268,459</u>              |
| <b>2016</b>                                    |                   |                    |                    |                                |
| Net income/(loss)                              | \$ 84,961         | \$ 52,893          | \$ (29,111)        | \$ 108,743                     |
| Add/(deduct):                                  |                   |                    |                    |                                |
| Interest expense                               | 211               | 332                | 3,172              | 3,715                          |
| Income taxes                                   | 51,910            | 32,719             | (16,318)           | 68,311                         |
| Depreciation                                   | 19,035            | 14,698             | 546                | 34,279                         |
| Amortization                                   | 55                | 304                | -                  | 359                            |
| EBITDA   | <u>156,172</u>    | <u>100,946</u>     | <u>(41,711)</u>    | <u>215,407</u>                 |
| Add/(deduct):                                  |                   |                    |                    |                                |
| Intercompany interest expense/(income)         | (7,969)           | (3,595)            | 11,564             | -                              |
| Interest income                                | (325)             | (58)               | -                  | (383)                          |
| Early retirement expenses                      | 4,491             | -                  | -                  | 4,491                          |
| Expenses related to OIG investigation          | 5,260             | -                  | -                  | 5,260                          |
| Amortization of stock awards                   | 387               | 307                | 1,161              | 1,855                          |
| Medicare cap sequestration adjustment          | 228               | -                  | -                  | 228                            |
| Advertising cost adjustment (c)                | -                 | (1,333)            | -                  | (1,333)                        |
| Net expenses related to litigation settlements | 1,149             | 45                 | -                  | 1,194                          |
| Long-term incentive compensation               | -                 | -                  | 1,930              | 1,930                          |
| Stock option expense                           | -                 | -                  | 8,330              | 8,330                          |
| Adjusted EBITDA                                | <u>\$ 159,393</u> | <u>\$ 96,312</u>   | <u>\$ (18,726)</u> | <u>\$ 236,979</u>              |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**RECONCILIATION OF ADJUSTED NET INCOME**  
(in thousands, except per share data)(unaudited)

|  | Three Months Ended December 31, |                  | For the Years Ended December 31, |                   |
|--|---------------------------------|------------------|----------------------------------|-------------------|
|  | 2017                            | 2016             | 2017                             | 2016              |
| Net income as reported                     | \$ 54,552                       | \$ 32,189        | \$ 98,177                        | \$ 108,743        |
| Add/(deduct) after-tax cost of:            |                                 |                  |                                  |                   |
| Excess tax benefits on stock compensation  | (10,811)                        | -                | (18,932)                         | -                 |
| Impact of tax reform                       | (8,302)                         | -                | (8,302)                          | -                 |
| Litigation settlement                      | (3,425)                         | -                | 52,504                           | -                 |
| Loss on sale of transportation equipment   | 3,314                           | -                | 3,314                            | -                 |
| Stock option expense                       | 2,000                           | 1,308            | 6,892                            | 5,266             |
| Long-term incentive compensation           | 1,332                           | 651              | 3,243                            | 1,221             |
| Expenses of OIG investigation              | 9                               | 713              | 3,207                            | 3,248             |
| Program closure expenses                   | -                               | -                | 675                              | -                 |
| Expenses related to litigation settlements | -                               | 1                | -                                | 28                |
| Medicare cap sequestration adjustments     | 211                             | -                | 276                              | 141               |
| Early retirement expenses                  | -                               | -                | -                                | 2,840             |
| Adjusted net income                        | <u>\$ 38,880</u>                | <u>\$ 34,862</u> | <u>\$ 141,054</u>                | <u>\$ 121,487</u> |
| <br>                                       |                                 |                  |                                  |                   |
| Diluted Earnings Per Share As Reported     |                                 |                  |                                  |                   |
| Net income                                 | <u>\$ 3.25</u>                  | <u>\$ 1.94</u>   | <u>\$ 5.86</u>                   | <u>\$ 6.48</u>    |
| Average number of shares outstanding       | <u>16,776</u>                   | <u>16,598</u>    | <u>16,742</u>                    | <u>16,789</u>     |
| <br>                                       |                                 |                  |                                  |                   |
| Adjusted Diluted Earnings Per Share        |                                 |                  |                                  |                   |
| Adjusted net income                        | <u>\$ 2.32</u>                  | <u>\$ 2.10</u>   | <u>\$ 8.43</u>                   | <u>\$ 7.24</u>    |
| Average number of shares outstanding       | <u>16,776</u>                   | <u>16,598</u>    | <u>16,742</u>                    | <u>16,789</u>     |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**OPERATING STATISTICS FOR VITAS SEGMENT**  
(unaudited)

| OPERATING STATISTICS   | Three Months Ended December 31, |                          | For the Years Ended December 31, |                            |
|--|---------------------------------|--------------------------|----------------------------------|----------------------------|
|  | 2017                            | 2016                     | 2017                             | 2016                       |
| Net revenue (\$000) (d)  |                                 |                          |                                  |                            |
| Homecare   | \$ 242,554                      | \$ 228,463               | \$ 935,913                       | \$ 887,940                 |
| Inpatient  | 22,033                          | 23,724                   | 90,472                           | 97,580                     |
| Continuous care  | 30,131                          | 31,999                   | 124,557                          | 138,025                    |
| Total before Medicare cap allowance                                | <u>\$ 294,718</u>               | <u>\$ 284,186</u>        | <u>\$ 1,150,942</u>              | <u>\$ 1,123,545</u>        |
| Medicare cap allowance   | (2,435)                         | -                        | (2,682)                          | (228)                      |
| Total  | <u><u>\$ 292,283</u></u>        | <u><u>\$ 284,186</u></u> | <u><u>\$ 1,148,260</u></u>       | <u><u>\$ 1,123,317</u></u> |
| Net revenue as a percent of total before Medicare cap allowance    |                                 |                          |                                  |                            |
| Homecare   | 82.3 %                          | 80.4 %                   | 81.2 %                           | 78.9 %                     |
| Inpatient  | 7.5                             | 8.3                      | 7.9                              | 8.7                        |
| Continuous care  | 10.2                            | 11.3                     | 10.9                             | 12.4                       |
| Total before Medicare cap allowance                                | <u>100.0</u>                    | <u>100.0</u>             | <u>100.0</u>                     | <u>100.0</u>               |
| Medicare cap allowance   | (0.8)                           | -                        | (0.2)                            | -                          |
| Total  | <u><u>99.2 %</u></u>            | <u><u>100.0 %</u></u>    | <u><u>99.8 %</u></u>             | <u><u>100.0 %</u></u>      |
| Average daily census ("ADC") (days)                                |                                 |                          |                                  |                            |
| Homecare   | 12,861                          | 12,241                   | 12,549                           | 12,040                     |
| Nursing home   | 3,265                           | 3,065                    | 3,177                            | 3,037                      |
| Routine homecare   | 16,126                          | 15,306                   | 15,726                           | 15,077                     |
| Inpatient  | 342                             | 383                      | 354                              | 400                        |
| Continuous care  | 452                             | 471                      | 470                              | 515                        |
| Total  | <u><u>16,920</u></u>            | <u><u>16,160</u></u>     | <u><u>16,550</u></u>             | <u><u>15,992</u></u>       |
| Total Admissions   | 16,575                          | 15,889                   | 66,449                           | 65,094                     |
| Total Discharges   | 16,553                          | 16,282                   | 65,637                           | 64,689                     |
| Average length of stay (days)                                      | 91.4                            | 91.4                     | 88.8                             | 86.7                       |
| Median length of stay (days)                                       | 16.0                            | 16.0                     | 16.0                             | 16.0                       |
| ADC by major diagnosis   |                                 |                          |                                  |                            |
| Cerebro  | 36.1 %                          | 33.4 %                   | 35.5 %                           | 32.7 %                     |
| Neurological   | 18.5                            | 20.3                     | 19.2                             | 21.1                       |
| Cardio   | 16.4                            | 16.9                     | 16.5                             | 17.1                       |
| Cancer   | 14.1                            | 15.4                     | 14.6                             | 15.3                       |
| Respiratory  | 8.0                             | 7.8                      | 7.9                              | 7.8                        |
| Other  | 6.9                             | 6.2                      | 6.3                              | 6.0                        |
| Total  | <u><u>100.0 %</u></u>           | <u><u>100.0 %</u></u>    | <u><u>100.0 %</u></u>            | <u><u>100.0 %</u></u>      |
| Admissions by major diagnosis                                      |                                 |                          |                                  |                            |
| Cerebro  | 22.3 %                          | 21.6 %                   | 22.0 %                           | 21.0 %                     |
| Neurological   | 10.7                            | 11.3                     | 10.6                             | 11.0                       |
| Cancer   | 30.0                            | 32.2                     | 30.6                             | 31.8                       |
| Cardio   | 14.9                            | 16.0                     | 15.0                             | 15.4                       |
| Respiratory  | 10.7                            | 10.8                     | 10.8                             | 10.2                       |
| Other  | 11.4                            | 8.1                      | 11.0                             | 10.6                       |
| Total  | <u><u>100.0 %</u></u>           | <u><u>100.0 %</u></u>    | <u><u>100.0 %</u></u>            | <u><u>100.0 %</u></u>      |
| Direct patient care margins (e)                                    |                                 |                          |                                  |                            |
| Routine homecare   | 53.9 %                          | 53.1 %                   | 52.6 %                           | 52.1 %                     |
| Inpatient  | 8.5                             | 1.2                      | 5.4                              | 2.3                        |
| Continuous care  | 16.8                            | 15.8                     | 16.9                             | 14.2                       |
| Homecare margin drivers (dollars per patient day)                  |                                 |                          |                                  |                            |
| Labor costs  | \$ 55.65                        | \$ 56.11                 | \$ 56.80                         | \$ 56.41                   |
| Combined drug, home medical equipment and medical supplies cost    | 14.30                           | 14.99                    | 14.65                            | 15.66                      |
| Inpatient margin drivers (dollars per patient day)                 |                                 |                          |                                  |                            |
| Labor costs  | \$ 355.96                       | \$ 363.06                | \$ 366.41                        | \$ 350.56                  |
| Continuous care margin drivers (dollars per patient day)           |                                 |                          |                                  |                            |
| Labor costs  | \$ 583.45                       | \$ 602.30                | \$ 584.49                        | \$ 607.52                  |
| Bad debt expense as a percent of revenues                          | 1.1 %                           | 1.2 %                    | 1.1 %                            | 1.2 %                      |
| Accounts receivable --   |                                 |                          |                                  |                            |
| Days of revenue outstanding- excluding unapplied Medicare payments | 33.7                            | 36.5                     | n.a.                             | n.a.                       |
| Days of revenue outstanding- including unapplied Medicare payments | 25.0                            | 32.6                     | n.a.                             | n.a.                       |

The "Footnotes to Financial Statements" are integral parts of this financial information.



**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**FOOTNOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(unaudited)

- (a) Included in the results of operations for 2017 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

|   | <b>For the Three Months Ended December 31, 2017</b> |                    |                   |                     |
|---|---|--------------------|-------------------|---------------------|
|   | <b>VITAS</b>  | <b>Roto-Rooter</b> | <b>Corporate</b>  | <b>Consolidated</b> |
| Service revenues and sales:                   |   |                    |                   |                     |
| Medicare cap sequestration adjustment         | \$ (342)  | \$ -               | \$ -              | \$ (342)            |
| Selling, general and administrative expenses: |   |                    |                   |                     |
| Expenses related to OIG investigation         | (16)  | -                  | -                 | (16)                |
| Stock option expense                          | -   | -                  | (2,747)           | (2,747)             |
| Long-term incentive compensation              | -   | -                  | (1,973)           | (1,973)             |
| Other operating expenses:                     |   |                    |                   |                     |
| Litigation settlements                        | 5,524   | -                  | -                 | 5,524               |
| Loss on sale of transportation equipment      | -   | -                  | (5,266)           | (5,266)             |
| Pretax impact on earnings                     | 5,166   | -                  | (9,986)           | (4,820)             |
| Impact of tax reform                          | 11,057  | 7,761              | (10,516)          | 8,302               |
| Excess tax benefits on stock compensation     | -   | -                  | 10,811            | 10,811              |
| Income tax benefit on the above               | (1,961)   | -                  | 3,340             | 1,379               |
| After-tax impact on earnings                  | <u>\$ 14,262</u>                                    | <u>\$ 7,761</u>    | <u>\$ (6,351)</u> | <u>\$ 15,672</u>    |

|   | <b>For the Year Ended December 31, 2017</b> |                    |                   |                     |
|---|---|--------------------|-------------------|---------------------|
|   | <b>VITAS</b>                                | <b>Roto-Rooter</b> | <b>Corporate</b>  | <b>Consolidated</b> |
| Service revenues and sales:                   |   |                    |                   |                     |
| Medicare cap sequestration adjustment         | \$ (447)                                    | \$ -               | \$ -              | \$ (447)            |
| Selling, general and administrative expenses: |   |                    |                   |                     |
| Expenses related to OIG investigation         | (5,194)                                     | -                  | -                 | (5,194)             |
| Stock option expense                          | -   | -                  | (10,485)          | (10,485)            |
| Long-term incentive compensation              | -   | -                  | (4,994)           | (4,994)             |
| Other operating expenses:                     |   |                    |                   |                     |
| Litigation settlements                        | (84,476)                                    | (213)              | -                 | (84,689)            |
| Loss on sale of transportation equipment      | -   | -                  | (5,266)           | (5,266)             |
| Program closure expenses                      | (1,138)                                     | -                  | -                 | (1,138)             |
| Pretax impact on earnings                     | (91,255)                                    | (213)              | (20,745)          | (112,213)           |
| Impact of tax reform                          | 11,057                                      | 7,761              | (10,516)          | 8,302               |
| Excess tax benefits on stock compensation     | -   | -                  | 18,932            | 18,932              |
| Income tax benefit on the above               | 34,722                                      | 84                 | 7,296             | 42,102              |
| After-tax impact on earnings                  | <u>\$ (45,476)</u>                          | <u>\$ 7,632</u>    | <u>\$ (5,033)</u> | <u>\$ (42,877)</u>  |

- (b) Included in the results of operations for 2016 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

|   | <b>For the Three Months Ended December 31, 2016</b> |                    |                   |                     |
|---|---|--------------------|-------------------|---------------------|
|   | <b>VITAS</b>  | <b>Roto-Rooter</b> | <b>Corporate</b>  | <b>Consolidated</b> |
| Selling, general and administrative expenses: |   |                    |                   |                     |
| Expenses related to OIG investigation         | \$ (1,155)  | \$ -               | \$ -              | \$ (1,155)          |
| Expenses related to litigation settlements    | -   | (1)                | -                 | (1)                 |
| Stock option expense                          | -   | -                  | (2,071)           | (2,071)             |
| Long-term incentive compensation              | -   | -                  | (1,029)           | (1,029)             |
| Pretax impact on earnings                     | (1,155)   | (1)                | (3,100)           | (4,256)             |
| Income tax benefit on the above               | 442   | -                  | 1,141             | 1,583               |
| After-tax impact on earnings                  | <u>\$ (713)</u>                                     | <u>\$ (1)</u>      | <u>\$ (1,959)</u> | <u>\$ (2,673)</u>   |

|   | <b>For the Year Ended December 31, 2016</b> |                    |                   |                     |
|---|---|--------------------|-------------------|---------------------|
|   | <b>VITAS</b>                                | <b>Roto-Rooter</b> | <b>Corporate</b>  | <b>Consolidated</b> |
| Service revenues and sales:                   |   |                    |                   |                     |
| Medicare cap sequestration adjustment         | \$ (228)                                    | \$ -               | \$ -              | \$ (228)            |
| Selling, general and administrative expenses: |   |                    |                   |                     |
| Expenses related to OIG investigation         | (5,260)                                     | -                  | -                 | (5,260)             |
| Expenses related to litigation settlements    | -   | (45)               | -                 | (45)                |
| Stock option expense                          | -   | -                  | (8,330)           | (8,330)             |
| Long-term incentive compensation              | -   | -                  | (1,930)           | (1,930)             |
| Other operating expenses:                     |   |                    |                   |                     |
| Early retirement expenses                     | (4,491)                                     | -                  | -                 | (4,491)             |
| Pretax impact on earnings                     | (9,979)                                     | (45)               | (10,260)          | (20,284)            |
| Income tax benefit on the above               | 3,750                                       | 17                 | 3,773             | 7,540               |
| After-tax impact on earnings                  | <u>\$ (6,229)</u>                           | <u>\$ (28)</u>     | <u>\$ (6,487)</u> | <u>\$ (12,744)</u>  |

- (c) Under Generally Accepted Accounting Principles ("GAAP"), the Roto-Rooter segment expenses all advertising, including the cost of telephone directories, immediately upon the initial release of the advertising. Telephone directories are generally in circulation 12 months. If a directory is in circulation for a time period greater or less than 12 months, the publisher adjusts the directory billing for the change in billing period. The timing of when a telephone directory is published can and does fluctuate significantly on a quarterly basis. This "direct expensing" results in significant fluctuations in quarterly advertising expense. In the fourth quarters of 2017 and 2016, GAAP advertising expense for Roto-Rooter totaled \$8,145,000 and \$7,323,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the fourth quarters of 2017 and 2016 would total \$8,809,000 and \$7,303,000, respectively.

Similarly, for the years ended December 31, 2017 and 2016, GAAP advertising expense for Roto-Rooter totaled \$31,042,000 and \$26,717,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the years ended December 31, 2017 and 2016 would total \$32,413,000 and \$28,050,000, respectively.

- (d) VITAS has 11 large (greater than 450 ADC), 16 medium (greater than 200 but less than 450 ADC) and 17 small (less than 200 ADC) hospice programs. Of VITAS' 30 unique Medicare provider numbers, 23 provider numbers have a Medicare cap cushion of 10%, five provider numbers have Medicare cap cushion between 3% and 5% and two provider numbers have a Medicare cap liability for the current cap year.

- (e) Amounts exclude indirect patient care and administrative costs, as well as Medicare Cap billing limitation.

**CONTACT:**  
**Chemed Corporation**  
**David P. Williams, 513- 762-6901**

