

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):  
August 3, 2004

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)

2600 Chemed Center, 255 East 5th Street, Cincinnati, OH 45202  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:  
(513) 762-6900

Page 1 of 2

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

c) Exhibits

(99.1) Registrant's press release dated August 3, 2004.

(99.2) Registrant's earnings report dated August 3, 2004.

Item 12. Results of Operations and Financial Condition

On August 3, 2004, Chemed Corporation issued a press release announcing its financial results for the second quarter ended June 30, 2004. A copy of the release is furnished herewith as Exhibit 99.1.

A copy of the registrant's earnings report for the second quarter ended June 30, 2004 is filed herewith as Exhibit 99.2.

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: August 3, 2004

By: /s/ Arthur V. Tucker, Jr.

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Arthur V. Tucker, Jr.  
Vice President and Controller

Chemed Corporation Reports 2004 Second-Quarter Results;  
 Consolidated Diluted EPS of \$.66;  
 Proforma Consolidated Diluted EPS of \$.60

CINCINNATI--(BUSINESS WIRE)--Aug. 3, 2004--Chemed Corporation ("Chemed") (NYSE:CHE), which operates the nation's largest provider of end-of-life care under the VITAS Healthcare Corporation (VITAS) brand and commercial and residential plumbing and drain cleaning services provider under the Roto-Rooter brand (Roto-Rooter), today reported financial results for its second quarter ended June 30, 2004, versus the comparable prior-year period as follows:

- Consolidated Operating Results (GAAP)
  - Revenue increased 170% to \$209.0 million
  - Diluted EPS of \$.66
- Adjusted Proforma Consolidated Operating Results (Non GAAP)
  - Diluted EPS of \$.60
  - Adjusted EBITDA of \$24.5 million
- VITAS generated record revenue and ADC levels
  - Quarterly Net Patient Revenue of \$130.2 million, up 23%
  - Average Daily Census (ADC) of 8,581, up 19%
  - Net Income of \$7.9 million, up 81%
  - Adjusted EBITDA of \$16.3 million, an increase of 65%
  - Adjusted EBITDA margin of 12.5%
- Roto-Rooter segment reported increased Revenue, Net Income and Adjusted EBITDA
  - Revenue increased 7%
  - Net Income of \$5.2 million, an increase of 33%
  - Adjusted EBITDA of \$10.4 million

"The second quarter of 2004 represented our first full quarter of owning 100% of VITAS," said Kevin J. McNamara, Chemed president and chief executive officer. "The expansion of the VITAS business model continues to exceed our expectations. New starts have been accelerated and we continue to explore opportunities in terms of strategic acquisitions. This quarter includes \$1.9 million in revenue and \$1.0 million in pretax losses from our eight start-up sites. This compares to \$0.4 million in revenue and \$0.3 million operating losses in the prior year quarter. In addition, the VITAS operating infrastructure continues to show scalability and leverage as we look to expand our geographic coverage."

"The second quarter of 2004 operating results are largely devoid of the merger complexity that was contained in the first quarter of 2004. This results in more clarity and understanding of the fundamental performance of Chemed and its individual business segments," said David Williams, Chemed's chief financial officer. "To that end, we have further refined our reported operating segments to provide additional clarity. Chemed corporate support has been separated from these operating segments to assist in this analysis. We do caution everyone to carefully review the unusual issues relating to the refinancing and merger of VITAS in the first quarter of 2004 when reviewing our year-to-date results."

For a detailed presentation of reconciling items and related definitions and components, please refer to the attached schedules.

#### VITAS

The merger of VITAS was completed on February 24, 2004. Prior to that date the Company accounted for its 37% ownership of VITAS under the equity method of accounting. As a result, under generally accepted accounting principles (GAAP), only a portion of VITAS' operating results are fully consolidated into Chemed's first quarter of 2004 results.

VITAS had net patient revenue of \$130.2 million, income from operations of \$13.3 million, net income of \$7.9 million and Adjusted EBITDA of \$16.3 million in the second quarter of 2004.

VITAS generated revenue growth of 22.6% over the prior year period. Gross margins remained relatively flat at 21.8% in the second quarter of 2004 as compared to 22.2% in the prior year quarter. The second quarter 2004 gross margin includes an incremental \$0.7 million in start-up losses over the prior-year period which negatively impacted margins 50 basis points. Central support costs for VITAS, which are included as selling, general and administrative expenses in our statement of operations, declined 8.1%. On a proforma basis, VITAS increased net income 81% over the prior-year quarter.

VITAS' average daily census (ADC) in the second quarter of 2004

was 8,581. This compares to an ADC of 7,198 in the comparable prior year period, an increase of 19% and 6% sequential growth. Average length-of-stay (LOS) per patient was 59.9 days for the quarter and compares to 55.4 days in the second quarter of 2003. The median LOS was 12.0 days for both periods.

"We continue to see strong organic ADC growth across all levels of VITAS," said McNamara. "The ADC in our 22 base programs now exceeds an average of 375 patients per program. In our large programs, those with an average-daily-census in excess of 450, ADC growth was 16% for the quarter."

"The second quarter demonstrated the scalability and leverage that can be derived from VITAS' business model," Williams stated. "Even with revenue growth of almost 23%, VITAS successfully eliminated a number of private company expenses and maintained minimal expense growth in the core central support costs. This resulted in a sequential decline in these operating expenses of \$0.9 million, or 6.1%."

#### Roto-Rooter Segment

Roto-Rooter's plumbing and drain cleaning business generated sales of \$68.9 million for the second quarter of 2004, 6.7% higher than the \$64.6 million reported in the comparable prior-year quarter. Net income for the quarter totaled \$5.2 million, an increase of 33% over the prior year quarter. Adjusted EBITDA in the second quarter of 2004 totaled \$10.4 million, an increase of 33% over the Adjusted EBITDA of \$7.8 million generated in the second quarter of 2003.

"There are several factors contributing to the improvement in the plumbing and drain cleaning segment," stated McNamara. "We were able to successfully pass through modest price increases in many of our markets in 2004. In addition, job count increased 1.6% in the second quarter of 2004 over the prior-year period. We continue to see a firming of demand in the majority of our markets and specifically increased demand in commercial and residential plumbing. Our expense control at the field level resulted in a second quarter 2004 gross profit margin of 44.4%, which is 40 basis points above the second quarter of 2003."

#### Consolidated Financial Position

"Our cash position is solid," Williams stated. "As of June 30, 2004, we have over \$52 million in cash and approximately \$69 million of unused lines of credit under our Credit Facility. In addition, we have federal tax refunds in excess of \$15 million relating to the deductibility of stock option buy-outs at the VITAS level that should be received by the fourth quarter of 2004."

#### Guidance for the Remainder of the Year

"Looking ahead into the second half of 2004," Williams stated, "we anticipate sequential consolidated revenue in the third quarter to be modestly above the second quarter due to seasonality factors within Roto-Rooter. Roto-Rooter is estimated to generate a 3% to 4% sequential decline in revenue in the third quarter and 6% to 7% sequential revenue growth in the fourth quarter, which is consistent with historical seasonality over the past several years.

"VITAS has generated exceptional organic growth in the first half of 2004. Generally, this indicates a near-term flattening of census growth in the following one to two quarters. We are very optimistic as to the long-term sustainable trend line improvements in ADC, revenue, EBITDA margins and earnings per share. However, we should keep in perspective the reasonable fluctuations in growth patterns that will occur quarter to quarter. Capacity growth will be based upon our trailing ADC trends. We continue to grow staffing within all of our programs to ensure our ability to accept all hospice appropriate patients within a community. We anticipate fluctuations in margins quarter to quarter as capacity and central support resources are grown at a more predictable and methodical rate than our ADC.

"Accordingly, we conservatively estimate third quarter and fourth quarter sequential ADC growth of 2.5% to 3.0% and 2.0% to 2.5%, respectively. This conservative growth estimate should result in an ADC in excess of 9,100 in the fourth quarter of 2004. We are anticipating an average Medicare reimbursement rate increase of 3% effective October 1, 2004.

"Based upon these factors, and a diluted share count of 12.7 million, our expectation is that earnings per diluted share for the third quarter will be between \$.56 and \$.60 and the fourth quarter will be in the range of \$.68 to \$.72."

Chemed will hold a conference call to discuss second quarter results Wednesday, August 4, 2004, at 11:00 a.m. EDT. The dial-in number for the conference call is 800-945-0061 for U.S. and Canadian participants and 706-679-7146 for international participants. A taped replay of the conference call will be available approximately two hours after the call's conclusion. It can be accessed by dialing 800-642-1687 for U.S. and Canadian callers and 706-645-9291 for international callers. The conference identification number is 8344100. The telephone replay will be available for one week following the live call.

The conference call will be available live via webcast at Chemed's Web site at [www.Chemed.com](http://www.Chemed.com) by clicking on "Investor Relations Home" and then on "Featured Event: Web Cast-Live Q2 2004 Chemed Corporation Conference Call." An online replay will be available at [www.Chemed.com](http://www.Chemed.com) beginning approximately two hours after the completion of the live call and will remain available for 14 days.

Chemed Corporation operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to over 8,500 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 repair-and-maintenance-service industry under the brand names Roto-Rooter and Service America. Roto-Rooter provides plumbing and drain service through Company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in China/Hong Kong, Indonesia, Singapore, Japan, Mexico, the Philippines and the United Kingdom. Operating in Florida and Arizona, Service America furnishes residential and commercial appliance and heating and air conditioning repair and maintenance services.

This press release contains information about Chemed's adjusted EBITDA, which is not a measure derived in accordance with generally accepted accounting principles (GAAP), and which excludes components that are important to understanding Chemed's financial performance. Chemed provides adjusted EBITDA to help investors and others evaluate its 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 adjusted EBITDA should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. A reconciliation of Chemed's net income to its adjusted EBITDA 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. These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care, plumbing, drain cleaning and HVAC 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Service revenues and sales	\$208,994	\$77,271	\$340,042	\$154,916
Cost of services provided and goods sold	147,206	45,611	233,430	91,763
Selling, general and administrative expenses	37,913	25,090	68,936	51,147(d)
Depreciation	4,570	2,990	8,159	6,042
Long-term incentive compensation	-	-	9,058(a)	-
Total costs and expenses	189,689	73,691	319,583	148,952
Income from operations	19,305	3,580	20,459	5,964
Interest expense	(6,206)	(867)	(9,111)	(1,674)
Loss on extinguishment of debt	-	-	(3,330)(b)	-
Other income--net	231	2,455	1,810	6,717(e)
Income before income taxes	13,330	5,168	9,828(a, b)	11,007
Income taxes	(5,833)	(1,868)	(5,336)	(4,150)
Equity in income/(loss) of affiliate (VITAS)	821(c)	-	(3,284)(c)	-
Net Income	\$ 8,318(c)	\$ 3,300	\$ 1,208(c)	\$ 6,857(d, e)
Earnings Per Share				
Net income	\$ 0.67(c)	\$ 0.33	\$ 0.10(c)	\$ 0.69(d, e)
Average number of shares outstanding	12,325	9,908	11,619	9,899
Diluted Earnings Per Share				
Net income	\$ 0.66(c)	\$ 0.33	\$ 0.10(c)	\$ 0.69(d, e)
Average number of shares outstanding	12,677	9,942	11,848	9,922

(a) Amounts include a pretax charge of \$9,058,000 (\$5,894,000 aftertax or \$.51 per share and \$.50 per diluted share) for payouts under the Company's 2002 Executive Long-Term Incentive Plan in the first quarter of 2004.

(b) Amounts include a pretax charge of \$3,330,000 (\$2,164,000 aftertax or \$.19 per share and \$.18 per diluted share) from the early extinguishment of debt in the first quarter of 2004.

(c) Amounts include the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill. These charges comprise debt and transaction-related expenses that reduced the Company's equity in the earnings/(loss) of VITAS by \$3,800,000 (\$.33 per share and \$.32 per diluted share) during the

first six months of 2004.

(d) Amounts include a pretax charge of \$3,627,000 (\$2,358,000 aftertax or \$.24 per share) from severance charges in the first quarter of 2003.

(e) Amounts for 2003 include a pretax gain of \$3,544,000 (\$2,151,000 aftertax or \$.22 per share) from the sales of investments.

CHEMED CORPORATION  
CONSOLIDATED BALANCE SHEET  
(in thousands, except per share data)(unaudited)

	June 30,	
	2004	2003
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 52,644	\$ 45,342
Accounts receivable less allowances	59,032	13,381
Inventories	8,336	8,699
Statutory deposits	8,418	10,095
Prepaid income taxes	14,730	4,837
Current deferred income taxes	24,368	9,224
Prepaid expenses and other current assets	10,277	6,955
Total current assets	177,805	98,533
Investments of deferred compensation plans held in trust	19,623	16,411
Other investments	1,445	32,789
Note receivable	12,500	12,500
Properties and equipment, at cost less accumulated depreciation	62,601	46,906
Identifiable intangible assets less accumulated amortization	24,392	2,599
Goodwill less accumulated amortization	450,988	112,903
Other assets	26,497	19,004
Total Assets	\$775,851	\$ 341,645
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 43,143	\$ 6,976
Current portion of long-term debt	5,552	473
Income taxes	259	428
Deferred contract revenue	16,060	16,795
Accrued insurance	21,366	16,442
Other current liabilities	56,351	19,630
Total current liabilities	142,731	60,744
Long-term debt	289,551	25,715
Convertible junior subordinated debentures	-	14,186
Deferred compensation liabilities	19,622	16,395
Other liabilities	19,362	21,234
Total Liabilities	471,266	138,274
<b>Stockholders' Equity</b>		
Capital stock	13,406	13,451
Paid-in capital	207,916	169,402
Retained earnings	118,248	132,422
Treasury stock, at cost	(32,702)	(110,681)
Unearned compensation	(4,081)	(3,824)
Deferred compensation payable in Company stock	2,337	2,310
Notes receivable for shares sold	(539)	(926)
Accumulated other comprehensive income	-	1,217
Total Stockholders' Equity	304,585	203,371
Total Liabilities and Stockholders' Equity	\$775,851	\$ 341,645

CHEMED CORPORATION  
CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004					
-----					
Service revenues and sales	\$130,240	\$ 68,895	\$ 9,859	\$ -	\$208,994
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	101,790	38,281	7,135	-	147,206
Selling, general and administrative expenses	13,329	19,997	2,354	2,233	37,913
Depreciation	1,861	2,174	472	63	4,570
	-----	-----	-----	-----	-----
Total costs and expenses	116,980	60,452	9,961	2,296	189,689
	-----	-----	-----	-----	-----
Income/(loss) from operations	13,260	8,443	(102)	(2,296)	19,305
Interest expense	(30)	(33)	(3)	(6,140)	(6,206)
Other income--net	176	57	82	(84)	231
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	13,406	8,467	(23)	(8,520)	13,330
Income taxes	(5,499)	(3,317)	5	2,978	(5,833)
Equity in earnings of Vitas	-	-	-	821(a)	821(a)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (4,721)	\$ 8,318
	=====	=====	=====	=====	=====
2003					
-----					
Service revenues and sales	\$ -	\$ 64,592	\$12,679	\$ -	\$ 77,271
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	-	36,158	9,453	-	45,611
Selling, general and administrative expenses	-	20,854	2,595	1,641	25,090
Depreciation	-	2,292	606	92	2,990
	-----	-----	-----	-----	-----
Total costs and expenses	-	59,304	12,654	1,733	73,691
	-----	-----	-----	-----	-----
Income/(loss) from operations	-	5,288	25	(1,733)	3,580
Interest expense	-	(86)	(9)	(772)	(867)
Other income--net	-	1,026	122	1,307	2,455
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	-	6,228	138	(1,198)	5,168
Income taxes	-	(2,346)	(89)	567	(1,868)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ -	\$ 3,882	\$ 49	\$ (631)	\$ 3,300



(a) Amount includes the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill.

CHEMED CORPORATION  
CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004					
-----					
Service revenues and sales	\$181,352	\$138,122	\$20,568	\$ -	\$340,042
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	142,276	76,644	14,510	-	233,430
Selling, general and administrative expenses	18,720	41,002	4,719	4,495	68,936
Depreciation	2,609	4,420	1,001	129	8,159
Long-term incentive costs	-	1,558(a)	275(a)	7,225(a)	9,058
	-----	-----	-----	-----	-----
Total costs and expenses	163,605	123,624	20,505	11,849	319,583
	-----	-----	-----	-----	-----
Income/(loss) from operations	17,747	14,498	63	(11,849)	20,459
Interest expense	(58)	(59)	(7)	(8,987)	(9,111)
Loss on extinguishment of debt	-	-	-	(3,330)(b)	(3,330)(b)
Other income --net	207	1,059	181	363	1,810
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	17,896	15,498	237	(23,803)	9,828
Income taxes	(7,392)	(6,111)	(118)	8,285	(5,336)
Equity in loss of Vitas	-	-	-	(3,284)(c)	(3,284)(c)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ 10,504	\$ 9,387	\$ 119	\$(18,802)	\$ 1,208
	=====	=====	=====	=====	=====

2003					
-----					
Service revenues and sales	\$ -	\$129,317	\$25,599	\$ -	\$154,916
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	-	72,597	19,166	-	91,763
Selling, general					

and administrative expenses	-	39,297	5,087	6,763(d)	51,147(d)
Depreciation	-	4,624	1,240	178	6,042
	-----	-----	-----	-----	-----
Total costs and expenses	-	116,518	25,493	6,941	148,952
	-----	-----	-----	-----	-----
Income/(loss) from operations	-	12,799	106	(6,941)	5,964
Interest expense	-	(115)	(20)	(1,539)	(1,674)
Other income --net	-	652	206	5,859(e)	6,717(e)
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	-	13,336	292	(2,621)	11,007
Income taxes	-	(5,023)	(189)	1,062	(4,150)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ -	\$ 8,313	\$ 103	\$ (1,559)	\$ 6,857
	=====	=====	=====	=====	=====

- (a) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan in the first quarter of 2004. The aftertax cost of these charges was \$4,742,000 for Corporate, \$982,000 for Roto-Rooter and \$170,000 for Service America.
- (b) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax) in the first quarter of 2004.
- (c) Amount includes the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill. These charges comprise debt and transaction-related expenses that reduced the Company's equity in the earnings/(loss) of VITAS by \$3,800,000 (\$.33 per share and \$.32 per diluted share) during the first six months of 2004.
- (d) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance in the first quarter of 2003.
- (e) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments in the first quarter of 2003.

CHEMED CORPORATION  
PRO FORMA CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands, except per share data) (unaudited)

	Vitas	Roto-Rooter	Service America	Corporate	Chemed Consolidated
	-----	-----	-----	-----	-----
2004(a)					
Service revenues and sales	\$130,240	\$ 68,895	\$ 9,859	\$ -	\$208,994
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	101,790	38,281	7,135	-	147,206
Selling, general and administrative expenses	13,329	19,997	2,354	2,233	37,913
Depreciation	1,861	2,174	472	63	4,570
	-----	-----	-----	-----	-----

Total costs and expenses	116,980(c)	60,452	9,961	2,296	189,689
Income/(loss) from operations	13,260	8,443	(102)	(2,296)	19,305
Interest expense	(30)	(33)	(3)	(6,140)	(6,206)
Other income--net	176	57	82	(84)	231
Income/(loss) before income taxes	13,406	8,467	(23)	(8,520)	13,330
Income taxes	(5,499)	(3,317)	5	2,978	(5,833)
Net income/(loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (5,542)	\$ 7,497

Earnings Per Share					
Net Income					\$ 0.61
Average Shares Outstanding					12,325
Diluted Earnings Per Share					
Net Income					\$ 0.60
Average Shares Outstanding					12,677

2003(b)

Service revenues and sales	\$106,245	\$ 64,592	\$12,679	\$ -	\$183,516
Cost of services provided and goods sold	82,684	36,158	9,453	-	128,295
Selling, general and administrative expenses	14,504	20,854	2,595	1,506	39,459
Depreciation	1,983	2,292	606	92	4,973
Total costs and expenses	99,171(c)	59,304	12,654	1,598	172,727
Income/(loss) from operations	7,074	5,288	25	(1,598)	10,789
Interest expense	-	(86)	(9)	(6,342)	(6,437)
Other income--net	203	1,026	122	595	1,946
Income/(loss) before income taxes	7,277	6,228	138	(7,345)	6,298
Income taxes	(2,912)	(2,346)	(89)	2,546	(2,801)
Net income/(loss)	\$ 4,365	\$ 3,882	\$ 49	\$ (4,799)	\$ 3,497

Earnings Per Share					
Net Income					\$ 0.29
Average Shares Outstanding					11,908
Diluted Earnings Per Share					
Net Income					\$ 0.29

Average  
Shares  
Outstanding

=====  
11,942  
=====

- (a) The pro forma statement of operations for 2004 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2004, on the same terms and conditions as completed on February 24, 2004.
- (b) The pro forma statement of operations for 2003 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2003, on the same terms and conditions as completed on February 24, 2004.
- (c) Operating expenses for VITAS for 2004 and 2003 include additional amortization and depreciation expense resulting from purchase accounting adjustments to VITAS' assets in the amount of \$1,313,000 in each period.

CHEMED CORPORATION  
PRO FORMA CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands, except per share data) (unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004(a)					
-----					
Service revenues and sales	\$254,222	\$138,122	\$20,568	\$ -	\$412,912
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	201,124	76,644	14,510	-	292,278
Selling, general and administrative expenses	27,521	41,002	4,719	4,356	77,598
Depreciation	3,737	4,420	1,001	129	9,287
Long-term incentive costs	-	1,558(d)	275(d)	7,225(d)	9,058(d)
	-----	-----	-----	-----	-----
Total costs and expenses	232,382(c)	123,624	20,505	11,710	388,221
	-----	-----	-----	-----	-----
Income/(loss) from operations	21,840	14,498	63	(11,710)	24,691
Interest expense	(58)	(59)	(7)	(12,389)	(12,513)
Loss on extinguishment of debt	-	-	-	(3,330)(e)	(3,330)(e)
Other income--net	248	1,059	181	363	1,851
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	22,030	15,498	237	(27,066)	10,699
Income taxes	(8,924)	(6,111)	(118)	9,419	(5,734)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ 13,106	\$ 9,387	\$ 119	\$(17,647)	\$ 4,965
	=====	=====	=====	=====	=====

Earnings Per Share					
Net Income				\$ 0.41	=====
Average Shares Outstanding				12,168	=====
Diluted Earnings Per Share					
Net Income				\$ 0.40	=====
Average Shares Outstanding				12,397	=====

2003(b)

Service revenues and sales	\$206,427	\$129,317	\$25,599	\$ -	\$361,343
Cost of services provided and goods sold	163,603	72,597	19,166	-	255,366
Selling, general and administrative expenses	27,037	39,297	5,087	6,493(f)	77,914(f)
Depreciation	3,911	4,624	1,240	178	9,953
Total costs and expenses	194,551(c)	116,518	25,493	6,671	343,233
Income/(loss) from operations	11,876	12,799	106	(6,671)	18,110
Interest expense	-	(115)	(20)	(12,592)	(12,727)
Loss on extinguishment of debt	-	-	-	(3,330)(e)	(3,330)(e)
Other income--net	353	652	206	4,435(g)	5,646(g)
Income/(loss) before income taxes	12,229	13,336	292	(18,158)	7,699
Income taxes	(4,885)	(5,023)	(189)	6,154	(3,943)
Net income/(loss)	\$ 7,344	\$ 8,313	\$ 103	\$(12,004)	\$ 3,756

Earnings Per Share					
Net Income				\$ 0.32	=====
Average Shares Outstanding				11,899	=====
Diluted Earnings Per Share					
Net Income				\$ 0.32	=====
Average Shares Outstanding				11,922	=====

(a) The pro forma statement of operations for 2004 assumes the Company's acquisition of VITAS and its financing (including the

retirement of existing debt) were completed as of January 1, 2004, on the same terms and conditions as completed on February 24, 2004.

- (b) The pro forma statement of operations for 2003 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2003, on the same terms and conditions as completed on February 24, 2004.
- (c) Operating expenses for VITAS for 2004 and 2003 include additional amortization and depreciation expense resulting from purchase accounting adjustments to VITAS' assets in the amount of \$2,625,000 in each period.
- (d) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan in the first quarter of 2004. The aftertax cost of these charges was \$4,742,000 for Corporate, \$982,000 for Roto-Rooter and \$170,000 for Service America.
- (e) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax) in the first quarter of 2004.
- (f) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance charges in the first quarter of 2003.
- (g) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments in the first quarter of 2003.

CHEMED CORPORATION  
CONSOLIDATING SUMMARY OF EBITDA  
FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
<b>2004</b>					
-----					
Net income/ (loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (4,721)	\$ 8,318
Add/(deduct):					
Interest expense	30	33	3	6,140	6,206
Income taxes	5,499	3,317	(5)	(2,978)	5,833
Depreciation and amortization	2,971	2,240	473	62	5,746
	-----	-----	-----	-----	-----
EBITDA	16,407	10,740	453	(1,497)	26,103
Add/(deduct):					
Advertising cost adjustment(a)	-	(273)	-	-	(273)
Interest income	(65)	(27)	(74)	(386)	(552)
Equity in earnings of Vitas	-	-	-	(821)	(821)
	-----	-----	-----	-----	-----
Adjusted EBITDA	\$ 16,342	\$ 10,440	\$ 379	\$ (2,704)	\$ 24,457
	=====	=====	=====	=====	=====
<b>2003</b>					
-----					
Net income/ (loss)	\$ -	\$ 3,882	\$ 49	\$ (631)	\$ 3,300
Add/(deduct):					
Interest expense	-	86	9	772	867
Income taxes	-	2,346	89	(567)	1,868
Depreciation and amortization	-	2,353	714	98	3,165
	-----	-----	-----	-----	-----
EBITDA	-	8,667	861	(328)	9,200
Add/(deduct):					
Advertising cost adjustment(a)	-	(781)	-	-	(781)
Interest income	-	(60)	(90)	(553)	(703)
Dividend income from Vitas	-	-	-	(712)	(712)
	-----	-----	-----	-----	-----
Adjusted					

EBITDA	\$	-	\$ 7,826	\$ 771	\$ (1,593)	\$ 7,004
		=====	=====	=====	=====	=====

(a) 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 second quarters of 2004 and 2003, GAAP advertising expense for Roto-Rooter totaled \$4,152,000 and \$2,967,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the second quarters of 2004 and 2003 would total \$4,425,000 and \$3,748,000, respectively.

CHEMED CORPORATION  
CONSOLIDATING SUMMARY OF EBITDA  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004					
-----					
Net income/ (loss)	\$ 10,504	\$ 9,387	\$ 119	\$(18,802)	\$ 1,208
Add/(deduct):					
Interest expense	58	59	7	8,987	9,111
Income taxes	7,392	6,111	118	(8,285)	5,336
Depreciation and amortization	4,042	4,545	1,001	135	9,723
	-----	-----	-----	-----	-----
EBITDA	21,996	20,102	1,245	(17,965)	25,378
Add/(deduct):					
Long-term incentive compensation	-	1,558	275	7,225	9,058
Advertising cost adjustment(a)	-	(466)	-	-	(466)
Interest income	(96)	(64)	(118)	(834)	(1,112)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Equity in loss of Vitas	-	-	-	3,284	3,284
	-----	-----	-----	-----	-----
Adjusted EBITDA	\$ 21,900	\$ 21,130	\$ 1,402	\$ (4,960)	\$ 39,472
	=====	=====	=====	=====	=====

2003					
-----					
Net income/ (loss)	\$ -	\$ 8,313	\$ 103	\$ (1,559)	\$ 6,857
Add/(deduct):					
Interest expense	-	115	20	1,539	1,674
Income taxes	-	5,023	189	(1,062)	4,150
Depreciation and amortization	-	4,744	1,465	190	6,399
	-----	-----	-----	-----	-----
EBITDA	-	18,195	1,777	(892)	19,080
Add/(deduct):					
Severance charges	-	3,627	-	-	3,627
Advertising cost adjustment(a)	-	(2,326)	-	-	(2,326)
Interest income	-	(132)	(185)	(1,201)	(1,518)
Dividend income from Vitas	-	-	-	(1,424)	(1,424)
Gains on sales					

of investments	-	-	-	(3,544)	(3,544)
Adjusted EBITDA	\$ -	\$ 19,364	\$ 1,592	\$ (7,061)	\$ 13,895
	=====	=====	=====	=====	=====

(a) 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 first six months of 2004 and 2003, GAAP advertising expense for Roto-Rooter totaled \$8,130,000 and \$5,051,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the first six months of 2004 and 2003 would total \$8,596,000 and \$7,377,000, respectively.

CHEMED CORPORATION  
PRO FORMA CONSOLIDATING SUMMARY OF EBITDA  
FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas(a)	Roto-Rooter	Service America	Corporate(a)	Chemed Consolidated
	-----	-----	-----	-----	-----
2004					
-----					
Pro forma net income/(loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (5,542)	\$ 7,497
Add/(deduct):					
Interest expense	30	33	3	6,140	6,206
Income taxes	5,499	3,317	(5)	(2,978)	5,833
Depreciation and amortization	2,971	2,240	473	62	5,746
	-----	-----	-----	-----	-----
Pro forma EBITDA	16,407	10,740	453	(2,318)	25,282
Add/(deduct):					
Advertising cost adjustment(b)	-	(273)	-	-	(273)
Interest income	(65)	(27)	(74)	(386)	(552)
	-----	-----	-----	-----	-----
Pro forma adjusted EBITDA	\$ 16,342	\$ 10,440	\$ 379	\$ (2,704)	\$ 24,457
	=====	=====	=====	=====	=====
2003					
-----					
Pro forma net income/(loss)	\$ 4,365	\$ 3,882	\$ 49	\$ (4,799)	\$ 3,497
Add/(deduct):					
Interest expense	-	86	9	6,342	6,437
Income taxes	2,912	2,346	89	(2,546)	2,801
Depreciation and amortization	2,803	2,353	714	98	5,968
	-----	-----	-----	-----	-----
Pro forma EBITDA	10,080	8,667	861	(905)	18,703
Add/(deduct):					
Advertising cost adjustment(b)	-	(781)	-	-	(781)
Interest income	(203)	(60)	(90)	(553)	(906)
Dividend income from Vitas	-	-	-	(712)	(712)
	-----	-----	-----	-----	-----
Pro forma adjusted EBITDA	\$ 9,877	\$ 7,826	\$ 771	\$ (2,170)	\$ 16,304
	=====	=====	=====	=====	=====



- (a) Pro forma amounts for VITAS and Corporate assume the acquisition of VITAS and the related financing were both completed on January 1 of the respective years.
- (b) 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 second quarters of 2004 and 2003, GAAP advertising expense for Roto-Rooter totaled \$4,152,000 and \$2,967,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the second quarters of 2004 and 2003 would total \$4,425,000 and \$3,748,000, respectively.

CHEMED CORPORATION  
 PRO FORMA CONSOLIDATING SUMMARY OF EBITDA  
 FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
 (in thousands)(unaudited)

	Vitas(a)	Roto- Rooter	Service America	Corporate(a)	Chemed Consoli- dated
<b>2004</b>					
Pro forma net income/(loss)	\$ 13,106	\$ 9,387	\$ 119	\$(17,647)	\$ 4,965
Add/(deduct):					
Interest expense	58	59	7	12,389	12,513
Income taxes	8,924	6,111	118	(9,419)	5,734
Depreciation and amortization	5,650	4,545	1,001	135	11,331
Pro forma EBITDA	27,738	20,102	1,245	(14,542)	34,543
Add/(deduct):					
Long-term incentive compensation	-	1,558	275	7,225	9,058
Advertising cost adjustment(b)	-	(466)	-	-	(466)
Interest income	(137)	(64)	(118)	(834)	(1,153)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Pro forma adjusted EBITDA	\$ 27,601	\$ 21,130	\$ 1,402	\$(4,821)	\$ 45,312
<b>2003</b>					
Pro forma net income/(loss)	\$ 7,344	\$ 8,313	\$ 103	\$(12,004)	\$ 3,756
Add/(deduct):					
Interest expense	-	115	20	12,592	12,727
Income taxes	4,885	5,023	189	(6,154)	3,943
Depreciation and amortization	5,550	4,744	1,465	190	11,949
Pro forma EBITDA	17,779	18,195	1,777	(5,376)	32,375
Add/(deduct):					
Severance charges	-	3,627	-	-	3,627
Advertising cost adjustment(b)	-	(2,326)	-	-	(2,326)
Interest income	(353)	(132)	(185)	(1,201)	(1,871)
Dividend income from Vitas	-	-	-	(1,424)	(1,424)

Gains on sales of investments	-	-	-	(3,544)	(3,544)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Pro forma adjusted EBITDA	<u>\$ 17,426</u>	<u>\$ 19,364</u>	<u>\$ 1,592</u>	<u>\$ (8,215)</u>	<u>\$ 30,167</u>

- (a) Pro forma amounts for VITAS and Corporate assume the acquisition of VITAS and the related financing were both completed on January 1 of the respective years.
- (b) 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 first six months of 2004 and 2003, GAAP advertising expense for Roto-Rooter totaled \$8,130,000 and \$5,051,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the first six months of 2004 and 2003 would total \$8,596,000 and \$7,377,000, respectively.

CHEMED CORPORATION  
RECONCILIATION OF PRO FORMA ADJUSTED NET INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands, except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income as reported	\$ 8,318	\$ 3,300	\$ 1,208	\$ 6,857
Add/(deduct):				
Pro forma Vitas net income contribution for the period(a)	-	4,445	2,684	7,504
Pro forma financing costs related to acquisition of Vitas(b)	-	(3,620)	(2,211)	(7,184)
Pro forma loss on extinguishment of debt in 2003(b)	-	-	-	(2,164)
Pro forma elimination of equity in (earnings)/loss of Vitas in 2004(c)	(821)	-	3,284	-
Pro forma elimination of preferred dividend income from Vitas in 2003(c)	-	(628)	-	(1,257)
Pro forma net income	7,497	3,497	4,965	3,756
Add/(deduct):				
Aftertax cost of long-term incentive payout in 2004	-	-	5,894	-
Aftertax cost of loss on extinguishment of debt	-	-	2,164	2,164
Adjusted pro forma net income	<u>\$ 7,497</u>	<u>\$ 3,497</u>	<u>\$ 13,023</u>	<u>\$ 5,920</u>
Earnings Per Share As Reported				
Net income	<u>\$ 0.67</u>	<u>\$ 0.33</u>	<u>\$ 0.10</u>	<u>\$ 0.69</u>
Average number of shares				

outstanding	12,325	9,908	11,619	9,899
	=====	=====	=====	=====
Diluted Earnings Per Share As Reported				
Net income	\$ 0.66	\$ 0.33	\$ 0.10	\$ 0.69
	=====	=====	=====	=====
Average number of shares outstanding	12,677	9,942	11,848	9,922
	=====	=====	=====	=====
Adjusted Pro Forma Earnings Per Share				
Net income	\$ 0.61	\$ 0.29	\$ 1.07	\$ 0.50
	=====	=====	=====	=====
Average number of shares outstanding	12,325	11,908	12,168	11,899
	=====	=====	=====	=====
Adjusted Pro Forma Diluted Earnings Per Share				
Net income	\$ 0.60	\$ 0.29	\$ 1.05	\$ 0.50
	=====	=====	=====	=====
Diluted average number of shares outstanding	12,677	11,942	12,397	11,922
	=====	=====	=====	=====

- (a) Amounts represent the additional net income VITAS would contribute assuming the acquisition were completed on January 1 of the respective years (excluding Chemed management fees).
- (b) Amounts represent the additional financing costs, including a loss on early extinguishment of debt in 2003, that would have been incurred assuming the financing were completed on January 1 of the respective years.
- (c) Amounts represent the impact of eliminating the Company's prior investments in VITAS, assuming the acquisition of VITAS were completed on January 1 of the respective years.

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

Chemed Corporation Reports 2004 Second-Quarter Results;  
Consolidated Diluted EPS of \$.66

CINCINNATI, August 3, 2004--Chemed Corporation ("Chemed") (NYSE:CHE), which operates the nation's largest provider of end-of-life care under the VITAS Healthcare Corporation (VITAS) brand and commercial and residential plumbing and drain cleaning services provider under the Roto-Rooter brand (Roto-Rooter), today reported financial results for its second quarter ended June 30, 2004, versus the comparable prior-year period as follows:

- o Consolidated Operating Results (GAAP)
  - o Revenue increased 170% to \$209.0 million
  - o Diluted EPS of \$.66
- o VITAS generated record revenue and ADC levels
  - o Quarterly Net Patient Revenue of \$130.2 million, up 23%
  - o Average Daily Census (ADC) of 8,581, up 19%
  - o Net Income of \$7.9 million, up 81%
- o Roto-Rooter segment reported increased Revenue and Net Income
  - o Revenue increased 7%
  - o Net Income of \$5.2 million, an increase of 33%

"The second quarter of 2004 represented our first full quarter of owning 100% of VITAS," said Kevin J. McNamara, Chemed president and chief executive officer. "The expansion of the VITAS business model continues to exceed our expectations. New starts have been accelerated and we continue to explore opportunities in terms of strategic acquisitions. This quarter includes \$1.9 million in revenue and \$1.0 million in pretax losses from our eight start-up sites. This compares to \$0.4 million in revenue and \$0.3 million operating losses in the prior year quarter. In addition, the VITAS operating infrastructure continues to show scalability and leverage as we look to expand our geographic coverage."

"The second quarter of 2004 operating results are largely devoid of the merger complexity that was contained in the first quarter of 2004. This results in more clarity and understanding of the fundamental performance of Chemed and its individual business segments," said David Williams, Chemed's chief financial officer. "To that end, we have further refined our reported operating segments to provide additional clarity. Chemed corporate support has been separated from these operating segments to assist in this analysis. We do caution everyone to carefully review the unusual issues relating to the refinancing and merger of VITAS in the first quarter of 2004 when reviewing our year-to-date results."

For a detailed presentation of reconciling items and related definitions and components, please refer to the attached schedules.

VITAS

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The merger of VITAS was completed on February 24, 2004. Prior to that date the Company accounted for its 37% ownership of VITAS under the equity method of accounting. As a result, under generally accepted accounting principles (GAAP), only a portion of VITAS' operating results are fully consolidated into Chemed's first quarter of 2004 results.

VITAS had net patient revenue of \$130.2 million, income from operations of \$13.3 million and net income of \$7.9 million in the second quarter of 2004.

VITAS generated revenue growth of 22.6% over the prior year period. Gross margins remained relatively flat at 21.8% in the second quarter of 2004 as compared to 22.2% in the prior year quarter. The second quarter 2004 gross margin includes an incremental \$0.7 million in start-up losses over the prior-year period which negatively impacted margins 50 basis points. Central support costs for VITAS, which are included as selling, general and administrative expenses in our statement of operations, declined 8.1%. On a proforma basis, VITAS increased net income 81% over the prior-year quarter.

VITAS' average daily census (ADC) in the second quarter of 2004 was 8,581. This compares to an ADC of 7,198 in the comparable prior year period, an increase of 19% and 6% sequential growth. Average length-of-stay (LOS) per patient was 59.9 days for the quarter and compares to 55.4 days in the second quarter of 2003. The median LOS was 12.0 days for both periods.

"We continue to see strong organic ADC growth across all levels of VITAS," said McNamara. "The ADC in our 22 base programs now exceeds an average of 375 patients per program. In our large programs, those with an average-daily-census in excess of 450, ADC growth was 16% for the quarter."

"The second quarter demonstrated the scalability and leverage that can be derived from VITAS' business model," Williams stated. "Even with revenue growth of almost 23%, VITAS successfully eliminated a number of private company expenses and maintained minimal expense growth in the core central support costs. This resulted in a sequential decline in these operating expenses of \$0.9 million, or 6.1%."

#### Roto-Rooter Segment

-----

Roto-Rooter's plumbing and drain cleaning business generated sales of \$68.9 million for the second quarter of 2004, 6.7% higher than the \$64.6 million reported in the comparable prior-year quarter. Net income for the quarter totaled \$5.2 million, an increase of 33% over the prior year quarter.

"There are several factors contributing to the improvement in the plumbing and drain cleaning segment," stated McNamara. "We were able to successfully pass through modest price increases in many of our markets in 2004. In addition, job count increased 1.6% in the second quarter of 2004 over the prior-year period. We continue to see a firming of demand in the majority of our markets and specifically increased demand in commercial and residential plumbing. Our expense control at the field level resulted in a second quarter 2004 gross profit margin of 44.4%, which is 40 basis points above the second quarter of 2003."

## Consolidated Financial Position

-----

"Our cash position is solid," Williams stated. "As of June 30, 2004, we have over \$52 million in cash and approximately \$69 million of unused lines of credit under our Credit Facility. In addition, we have federal tax refunds in excess of \$15 million relating to the deductibility of stock option buy-outs at the VITAS level that should be received by the fourth quarter of 2004."

## Guidance for the Remainder of the Year

-----

"Looking ahead into the second half of 2004," Williams stated, "we anticipate sequential consolidated revenue in the third quarter to be modestly above the second quarter due to seasonality factors within Roto-Rooter. Roto-Rooter is estimated to generate a 3% to 4% sequential decline in revenue in the third quarter and 6% to 7% sequential revenue growth in the fourth quarter, which is consistent with historical seasonality over the past several years."

"VITAS has generated exceptional organic growth in the first half of 2004. Generally, this indicates a near-term flattening of census growth in the following one to two quarters. We are very optimistic as to the long-term sustainable trend line improvements in ADC, revenue, EBITDA margins and earnings per share. However, we should keep in perspective the reasonable fluctuations in growth patterns that will occur quarter to quarter. Capacity growth will be based upon our trailing ADC trends. We continue to grow staffing within all of our programs to ensure our ability to accept all hospice appropriate patients within a community. We anticipate fluctuations in margins quarter to quarter as capacity and central support resources are grown at a more predictable and methodical rate than our ADC."

"Accordingly, we conservatively estimate third quarter and fourth quarter sequential ADC growth of 2.5% to 3.0% and 2.0% to 2.5%, respectively. This conservative growth estimate should result in an ADC in excess of 9,100 in the fourth quarter of 2004. We are anticipating an average Medicare reimbursement rate increase of 3% effective October 1, 2004."

"Based upon these factors, and a diluted share count of 12.7 million, our expectation is that earnings per diluted share for the third quarter will be between \$.56 and \$.60 and the fourth quarter will be in the range of \$.68 to \$.72."

## Conference Call

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Chemed will hold a conference call to discuss second quarter results Wednesday, August 4, 2004, at 11:00 a.m. EDT. The dial-in number for the conference call is 800-945-0061 for U.S. and Canadian participants and 706-679-7146 for international participants. A taped replay of the conference call will be available approximately two hours after the call's conclusion. It can be accessed by dialing 800-642-1687 for U.S. and Canadian callers and 706-645-9291 for international callers. The conference identification number is 8344100. The telephone replay will be available for one week following the live call.

The conference call will be available live via webcast at Chemed's Web site at [www.Chemed.com](http://www.Chemed.com) by clicking on "Investor Relations Home" and then on "Featured Event: Web Cast-Live Q2 2004 Chemed Corporation Conference Call." An online replay will be available at [www.Chemed.com](http://www.Chemed.com) beginning approximately two hours after the completion of the live call and will remain available for 14 days.

Chemed Corporation operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to over 8,500 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 repair-and-maintenance-service industry under the brand names Roto-Rooter and Service America. Roto-Rooter provides plumbing and drain service through Company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in China/Hong Kong, Indonesia, Singapore, Japan, Mexico, the Philippines and the United Kingdom. Operating in Florida and Arizona, Service America furnishes residential and commercial appliance and heating and air conditioning repair and maintenance services.

Forward-Looking Statements  
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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. These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care, plumbing, drain cleaning and HVAC 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.

CHEMED CORPORATION  
CONSOLIDATED STATEMENT OF INCOME  
(in thousands, except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Service revenues and sales	\$208,994	\$77,271	\$340,042	\$154,916
Cost of services provided and goods sold	147,206	45,611	233,430	91,763
Selling, general and administrative expenses	37,913	25,090	68,936	51,147(d)
Depreciation	4,570	2,990	8,159	6,042
Long-term incentive compensation	-	-	9,058(a)	-
Total costs and expenses	189,689	73,691	319,583	148,952
Income from operations	19,305	3,580	20,459	5,964
Interest expense	(6,206)	(867)	(9,111)	(1,674)
Loss on extinguishment of debt	-	-	(3,330)(b)	-
Other income--net	231	2,455	1,810	6,717(e)

Income before income taxes	13,330	5,168	9,828(a, b)	11,007
Income taxes	(5,833)	(1,868)	(5,336)	(4,150)
Equity in income/(loss) of affiliate (VITAS)	821(c)	-	(3,284)(c)	-
Net Income	\$ 8,318(c)	\$ 3,300	\$ 1,208(c)	\$ 6,857(d, e)

Earnings Per Share

Net income	\$ 0.67(c)	\$ 0.33	\$ 0.10(c)	\$ 0.69(d, e)
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Average number of shares outstanding

	12,325	9,908	11,619	9,899
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Diluted Earnings Per Share

Net income	\$ 0.66(c)	\$ 0.33	\$ 0.10(c)	\$ 0.69(d, e)
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Average number of shares outstanding

	12,677	9,942	11,848	9,922
--	--------	-------	--------	-------

(a) Amounts include a pretax charge of \$9,058,000 (\$5,894,000 aftertax or \$.51 per share and \$.50 per diluted share) for payouts under the Company's 2002 Executive Long-Term Incentive Plan in the first quarter of 2004.

(b) Amounts include a pretax charge of \$3,330,000 (\$2,164,000 aftertax or \$.19 per share and \$.18 per diluted share) from the early extinguishment of debt in the first quarter of 2004.

(c) Amounts include the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill. These charges comprise debt and transaction-related expenses that reduced the Company's equity in the earnings/(loss) of VITAS by \$3,800,000 (\$.33 per share and \$.32 per diluted share) during the first six months of 2004.

(d) Amounts include a pretax charge of \$3,627,000 (\$2,358,000 aftertax or \$.24 per share) from severance charges in the first quarter of 2003.

(e) Amounts for 2003 include a pretax gain of \$3,544,000 (\$2,151,000 aftertax or \$.22 per share) from the sales of investments.

CHEMED CORPORATION  
CONSOLIDATED BALANCE SHEET  
(in thousands, except per share data)(unaudited)

	June 30,	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$ 52,644	\$ 45,342
Accounts receivable less allowances	59,032	13,381
Inventories	8,336	8,699
Statutory deposits	8,418	10,095
Prepaid income taxes	14,730	4,837
Current deferred income taxes	24,368	9,224
Prepaid expenses and other current assets	10,277	6,955



Total current assets	177,805	98,533
Investments of deferred compensation plans held in trust	19,623	16,411
Other investments	1,445	32,789
Note receivable	12,500	12,500
Properties and equipment, at cost less accumulated depreciation	62,601	46,906
Identifiable intangible assets less accumulated amortization	24,392	2,599
Goodwill less accumulated amortization	450,988	112,903
Other assets	26,497	19,004
	-----	-----
Total Assets	\$775,851	\$ 341,645
	=====	=====

#### Liabilities

Current liabilities		
Accounts payable	\$ 43,143	\$ 6,976
Current portion of long-term debt	5,552	473
Income taxes	259	428
Deferred contract revenue	16,060	16,795
Accrued insurance	21,366	16,442
Other current liabilities	56,351	19,630
	-----	-----
Total current liabilities	142,731	60,744
Long-term debt	289,551	25,715
Convertible junior subordinated debentures	-	14,186
Deferred compensation liabilities	19,622	16,395
Other liabilities	19,362	21,234
	-----	-----
Total Liabilities	471,266	138,274
	-----	-----

#### Stockholders' Equity

Capital stock	13,406	13,451
Paid-in capital	207,916	169,402
Retained earnings	118,248	132,422
Treasury stock, at cost	(32,702)	(110,681)
Unearned compensation	(4,081)	(3,824)
Deferred compensation payable in Company stock	2,337	2,310
Notes receivable for shares sold	(539)	(926)
Accumulated other comprehensive income	-	1,217
	-----	-----
Total Stockholders' Equity	304,585	203,371
	-----	-----
Total Liabilities and Stockholders' Equity	\$775,851	\$ 341,645
	=====	=====

Book Value Per Share	\$ 24.49	\$ 20.60
	=====	=====

CHEMED CORPORATION  
CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004					
-----					
Service revenues and sales	\$130,240	\$ 68,895	\$ 9,859	\$ -	\$208,994
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	101,790	38,281	7,135	-	147,206
Selling, general and administrative expenses	13,329	19,997	2,354	2,233	37,913
Depreciation	1,861	2,174	472	63	4,570
	-----	-----	-----	-----	-----
Total costs					

and expenses	116,980	60,452	9,961	2,296	189,689
Income/(loss) from operations	13,260	8,443	(102)	(2,296)	19,305
Interest expense	(30)	(33)	(3)	(6,140)	(6,206)
Other income--net	176	57	82	(84)	231
Income/(loss) before income taxes	13,406	8,467	(23)	(8,520)	13,330
Income taxes	(5,499)	(3,317)	5	2,978	(5,833)
Equity in earnings of Vitas	-	-	-	821(a)	821(a)
Net income/(loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (4,721)	\$ 8,318

2003					
Service revenues and sales	\$ -	\$ 64,592	\$12,679	\$ -	\$ 77,271
Cost of services provided and goods sold	-	36,158	9,453	-	45,611
Selling, general and administrative expenses	-	20,854	2,595	1,641	25,090
Depreciation	-	2,292	606	92	2,990
Total costs and expenses	-	59,304	12,654	1,733	73,691
Income/(loss) from operations	-	5,288	25	(1,733)	3,580
Interest expense	-	(86)	(9)	(772)	(867)
Other income--net	-	1,026	122	1,307	2,455
Income/(loss) before income taxes	-	6,228	138	(1,198)	5,168
Income taxes	-	(2,346)	(89)	567	(1,868)
Net income/(loss)	\$ -	\$ 3,882	\$ 49	\$ (631)	\$ 3,300

(a) Amount includes the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill.

CHEMED CORPORATION  
CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Roto-Rooter	Service America	Corporate	Chemed Consolidated
2004					
Service revenues and sales	\$181,352	\$138,122	\$20,568	\$ -	\$340,042
Cost of services					

provided and goods sold	142,276	76,644	14,510	-	233,430
Selling, general and administrative expenses	18,720	41,002	4,719	4,495	68,936
Depreciation	2,609	4,420	1,001	129	8,159
Long-term incentive costs	-	1,558(a)	275(a)	7,225(a)	9,058
Total costs and expenses	163,605	123,624	20,505	11,849	319,583
Income/(loss) from operations	17,747	14,498	63	(11,849)	20,459
Interest expense	(58)	(59)	(7)	(8,987)	(9,111)
Loss on extinguishment of debt	-	-	-	(3,330)(b)	(3,330)(b)
Other income --net	207	1,059	181	363	1,810
Income/(loss) before income taxes	17,896	15,498	237	(23,803)	9,828
Income taxes	(7,392)	(6,111)	(118)	8,285	(5,336)
Equity in loss of Vitas	-	-	-	(3,284)(c)	(3,284)(c)
Net income/(loss)	\$ 10,504	\$ 9,387	\$ 119	\$ (18,802)	\$ 1,208

2003					
-----					
Service revenues and sales	\$ -	\$129,317	\$25,599	\$ -	\$154,916
Cost of services provided and goods sold	-	72,597	19,166	-	91,763
Selling, general and administrative expenses	-	39,297	5,087	6,763(d)	51,147(d)
Depreciation	-	4,624	1,240	178	6,042
Total costs and expenses	-	116,518	25,493	6,941	148,952
Income/(loss) from operations	-	12,799	106	(6,941)	5,964
Interest expense	-	(115)	(20)	(1,539)	(1,674)
Other income --net	-	652	206	5,859(e)	6,717(e)
Income/(loss) before income taxes	-	13,336	292	(2,621)	11,007
Income taxes	-	(5,023)	(189)	1,062	(4,150)
Net income/(loss)	\$ -	\$ 8,313	\$ 103	\$ (1,559)	\$ 6,857

- (a) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan in the first quarter of 2004. The aftertax cost of these charges was \$4,742,000 for Corporate, \$982,000 for Roto-Rooter and \$170,000 for Service America.
- (b) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax) in the first quarter of 2004.
- (c) Amount includes the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004, prior to the acquisition date. The accruals for transaction costs were adjusted in the second quarter of 2004, based on changed facts and circumstances. Of the total adjustment, 37% (less deferred income taxes) was credited to the Company's equity in the earnings of VITAS and 63% was credited to goodwill. These charges comprise debt and transaction-related expenses that reduced the Company's equity in the earnings/(loss) of VITAS by \$3,800,000 (\$.33 per share and \$.32 per diluted share) during the first six months of 2004.
- (d) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance in the first quarter of 2003.
- (e) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments in the first quarter of 2003.

CHEMED CORPORATION  
 PRO FORMA CONSOLIDATING STATEMENT OF OPERATIONS  
 FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003  
 (in thousands, except per share data) (unaudited)

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004(a)					
-----					
Service revenues and sales	\$130,240	\$ 68,895	\$ 9,859	\$ -	\$208,994
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	101,790	38,281	7,135	-	147,206
Selling, general and administrative expenses	13,329	19,997	2,354	2,233	37,913
Depreciation	1,861	2,174	472	63	4,570
	-----	-----	-----	-----	-----
Total costs and expenses	116,980(c)	60,452	9,961	2,296	189,689
	-----	-----	-----	-----	-----
Income/(loss) from operations	13,260	8,443	(102)	(2,296)	19,305
Interest expense	(30)	(33)	(3)	(6,140)	(6,206)
Other income-- net	176	57	82	(84)	231
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	13,406	8,467	(23)	(8,520)	13,330
Income taxes	(5,499)	(3,317)	5	2,978	(5,833)
	-----	-----	-----	-----	-----
Net income/ (loss)	\$ 7,907	\$ 5,150	\$ (18)	\$ (5,542)	\$ 7,497
	=====	=====	=====	=====	=====
Earnings Per Share					
Net Income					\$ 0.61
					=====
Average Shares Outstanding					12,325
					=====
Diluted Earnings Per Share					

Net Income					\$ 0.60
					=====
Average Shares Outstanding					12,677
					=====
2003(b)					
-----					
Service revenues and sales	\$106,245	\$ 64,592	\$12,679	\$ -	\$183,516
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	82,684	36,158	9,453	-	128,295
Selling, general and administrative expenses	14,504	20,854	2,595	1,506	39,459
Depreciation	1,983	2,292	606	92	4,973
	-----	-----	-----	-----	-----
Total costs and expenses	99,171(c)	59,304	12,654	1,598	172,727
	-----	-----	-----	-----	-----
Income/(loss) from operations	7,074	5,288	25	(1,598)	10,789
Interest expense	-	(86)	(9)	(6,342)	(6,437)
Other income--net	203	1,026	122	595	1,946
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	7,277	6,228	138	(7,345)	6,298
Income taxes	(2,912)	(2,346)	(89)	2,546	(2,801)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ 4,365	\$ 3,882	\$ 49	\$ (4,799)	\$ 3,497
	=====	=====	=====	=====	=====
Earnings Per Share					
Net Income					\$ 0.29
					=====
Average Shares Outstanding					11,908
					=====
Diluted Earnings Per Share					
Net Income					\$ 0.29
					=====
Average Shares Outstanding					11,942
					=====

(a) The pro forma statement of operations for 2004 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2004, on the same terms and conditions as completed on February 24, 2004.

(b) The pro forma statement of operations for 2003 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2003, on the same terms and conditions as completed on February 24, 2004.

(c) Operating expenses for VITAS for 2004 and 2003 include additional amortization and depreciation expense resulting from purchase accounting adjustments to VITAS' assets in the amount of \$1,313,000 in each period.

	Vitas	Roto- Rooter	Service America	Corporate	Chemed Consoli- dated
	-----	-----	-----	-----	-----
2004(a)					
-----					
Service revenues and sales	\$254,222	\$138,122	\$20,568	\$ -	\$412,912
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	201,124	76,644	14,510	-	292,278
Selling, general and administrative expenses	27,521	41,002	4,719	4,356	77,598
Depreciation	3,737	4,420	1,001	129	9,287
Long-term incentive costs	-	1,558(d)	275(d)	7,225(d)	9,058(d)
	-----	-----	-----	-----	-----
Total costs and expenses	232,382(c)	123,624	20,505	11,710	388,221
	-----	-----	-----	-----	-----
Income/ (loss) from operations	21,840	14,498	63	(11,710)	24,691
Interest expense	(58)	(59)	(7)	(12,389)	(12,513)
Loss on extinguishment of debt	-	-	-	(3,330)(e)	(3,330)(e)
Other income-- net	248	1,059	181	363	1,851
	-----	-----	-----	-----	-----
Income/ (loss) before income taxes	22,030	15,498	237	(27,066)	10,699
Income taxes	(8,924)	(6,111)	(118)	9,419	(5,734)
	-----	-----	-----	-----	-----
Net income/ (loss)	\$ 13,106	\$ 9,387	\$ 119	\$(17,647)	\$ 4,965
	=====	=====	=====	=====	=====
Earnings Per Share					
Net Income					\$ 0.41
					=====
Average Shares Outstanding					12,168
					=====
Diluted Earnings Per Share					
Net Income					\$ 0.40
					=====
Average Shares Outstanding					12,397
					=====
2003(b)					
-----					
Service revenues and sales	\$206,427	\$129,317	\$25,599	\$ -	\$361,343
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	163,603	72,597	19,166	-	255,366
Selling, general					

2003(b)

-----					
Service revenues and sales	\$206,427	\$129,317	\$25,599	\$ -	\$361,343
	-----	-----	-----	-----	-----
Cost of services provided and goods sold	163,603	72,597	19,166	-	255,366
Selling, general					

and administrative expenses	27,037	39,297	5,087	6,493(f)	77,914(f)
Depreciation	3,911	4,624	1,240	178	9,953
	-----	-----	-----	-----	-----
Total costs and expenses	194,551(c)	116,518	25,493	6,671	343,233
	-----	-----	-----	-----	-----
Income/(loss) from operations	11,876	12,799	106	(6,671)	18,110
Interest expense	-	(115)	(20)	(12,592)	(12,727)
Loss on extinguishment of debt	-	-	-	(3,330)(e)	(3,330)(e)
Other income-- net	353	652	206	4,435(g)	5,646(g)
	-----	-----	-----	-----	-----
Income/(loss) before income taxes	12,229	13,336	292	(18,158)	7,699
Income taxes	(4,885)	(5,023)	(189)	6,154	(3,943)
	-----	-----	-----	-----	-----
Net income/(loss)	\$ 7,344	\$ 8,313	\$ 103	\$(12,004)	\$ 3,756
	=====	=====	=====	=====	=====

Earnings Per Share

Net Income \$ 0.32  
=====

Average Shares Outstanding 11,899  
=====

Diluted Earnings Per Share

Net Income \$ 0.32  
=====

Average Shares Outstanding 11,922  
=====

- (a) The pro forma statement of operations for 2004 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2004, on the same terms and conditions as completed on February 24, 2004.
- (b) The pro forma statement of operations for 2003 assumes the Company's acquisition of VITAS and its financing (including the retirement of existing debt) were completed as of January 1, 2003, on the same terms and conditions as completed on February 24, 2004.
- (c) Operating expenses for VITAS for 2004 and 2003 include additional amortization and depreciation expense resulting from purchase accounting adjustments to VITAS' assets in the amount of \$2,625,000 in each period.
- (d) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan in the first quarter of 2004. The aftertax cost of these charges was \$4,742,000 for Corporate, \$982,000 for Roto-Rooter and \$170,000 for Service America.
- (e) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax) in the first quarter of 2004.
- (f) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance charges in the first quarter of 2003.
- (g) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments in the first quarter of 2003.

