CHEMED

ANNUAL REPORT

1999

PROVIDING ESSENTIAL SERVICES TO HOME OWNERS AND BUSINESSES, INDIVIDUALS AND FAMILIES

Chemed Corporation, headquartered in Cincinnati, is publicly traded on the New York Stock Exchange. Through three wholly owned subsidiaries, Roto-Rooter Inc., Patient Care Inc., and Service America Systems Inc., Chemed offers essential services to home owners and businesses, individuals and families.

Roto-Rooter provides plumbing and drain cleaning services, through both company operations and franchisees, to residential and commercial customers in the United States, Canada, and six overseas territories.

Patient Care delivers home healthcare services, focusing on personal care provided by its staff of well-trained home health aides.

Service America markets major-appliance and heating, ventilating, and air-conditioning (HVAC) repair through service contracts and provides repair, replacement, and maintenance on a retail basis as well.

FINANCIAL HIGHLIGHTS

Chemed Corporation and Subsidiary Companies

For the Years Ended December 31,	1999	1998	Change
Service Revenues and Sales	$453,593,000	$381,283,000	19 %
Income Before Capital Gains and Acquisition Expenses	$16,736,000	$12,459,000	34 %
Net Income [a, b]	$19,696,000	$19,909,000	(1)%
Earnings Per Share			
Income Before Capital Gains and Acquisition Expenses	$1.60	$1.24	29 %
Net Income [a, b]	$1.88	$1.98	(5)%
Average Number of Shares Outstanding	10,470,000	10,058,000	4 %
Dividends Per Share	$2.12	$2.12	— %
Number of Shareholders	4,864	5,271	(8)%
Number of Employees	7,817	7,671	2 %
Return on Average Equity	9.1%	8.9%	0.2 pts.

(a) Amounts include aftertax gains from sales of investments of $2,960,000, or $.28 per share, in 1999 and $7,945,000, or $.79 per share, in 1998.
(b) Amounts for 1998 include aftertax pooling-of-interests expenses of $495,000, or $.05 per share, relating to two Roto-Rooter acquisitions.

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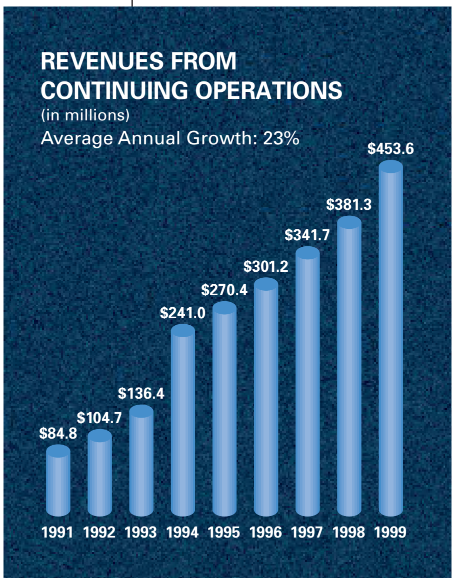
TO OUR FELLOW SHAREHOLDERS

February 29, 2000

The year 1999 was a watershed year for your company, a year in which we repositioned the company for exciting future growth and achieved outstanding financial results.



FINANCIAL RESULTS

For the year ended December 31, 1999, service revenues and sales rose 19% to $453.6 million from $381.3 million in 1998. Income from continuing operations before capital gains and acquisition expenses—Chemed's core earnings—increased 34% from $12.5 million, or $1.24 per share, in 1998 to $16.7 million, or $1.60 per share, in 1999. For 1999, earnings before capital gains, acquisition expenses, interest, taxes, depreciation, and amortization (EBITDA) totaled $52.1 million, an increase of 21% over 1998.

Net income of $19.7 million, or $1.88 per share, in 1999 includes aftertax capital gains from sales of investments of $3.0 million, or $.28 per share. In 1998, net income of $19.9 million, or $1.98 per share, included aftertax capital gains of $7.9 million, or $.79 per share.

OPERATIONS

Net income at Chemed's largest subsidiary, Roto-Rooter Inc., increased 38% in 1999, reaching $14.6 million, and operating profit grew 32%. Revenues rose 26% to $242.8 million from $192.1 million in 1998.

During 1999, Roto-Rooter completed six acquisitions, contributing $2.9 million to the year's revenues. Excluding acquisitions made during 1998 and 1999, net income, operating profit, and revenues grew on a unit-for-unit basis by 30%, 17%, and 14%, respectively.

Further benefiting Roto-Rooter's 1999 results was solid growth in sales of the company's manufactured equipment and drain care products, along with exciting international development. We added our sixth international franchise with the signing of a master franchise agreement for China and Hong Kong in September 1999.

In continuation of its aggressive acquisition program, Roto-Rooter purchased franchises in Las Vegas and Seattle in January 2000. Further, we announced

Edward L. Hutton (right), Chairman & Chief Executive Officer, and Kevin J. McNamara, President

the January 2000 signing of a master franchise agreement with pt Duta Sarana Perkasa (DUSASPUN) for the republics of Indonesia and Singapore. DUSASPUN is Indonesia's foremost supplier of concrete pipes for sewage and drainage lines and panels for environmentally friendly septic tank systems.

As the numbers show, Roto-Rooter's outstanding results have been achieved through a combination of exceptional internal growth and the acquisitions of Roto-Rooter franchises and local brand operations.

Patient Care Inc. increased revenues by 9.0% to $128.9 million and net income declined slightly from $3.4 million to $3.2 million in 1999. We achieved these results in a difficult reimbursement environment that limited the profitability of many home healthcare providers. Patient Care continued to minimize its presence as a direct provider of Medicare-reimbursed services and focused on seeking more attractive private-pay clients and fee-for-service arrangements.

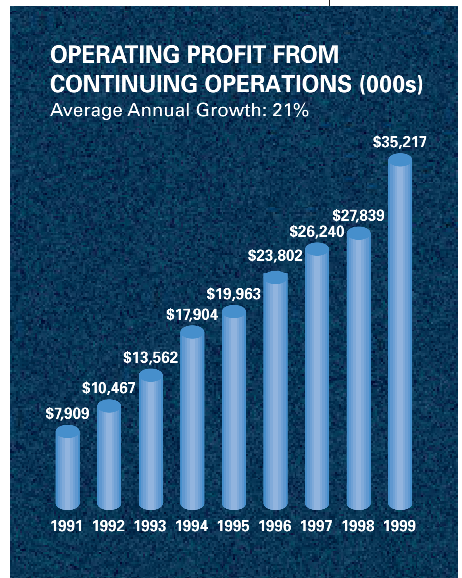
Service America, Chemed's provider of major-appliance and heating, ventilating and air-conditioning service, increased 1999 earnings by 2.4%, exceeding $2.3 million. Revenues of $73.9 million were up 4.2% over 1998's $71.0 million. In 1999, the company produced 15% growth in retail sales, primarily through air conditioner replacements. Service America's acquisition of Tucson, Arizona-based Action Service was also instrumental in fueling the company's retail sales growth.

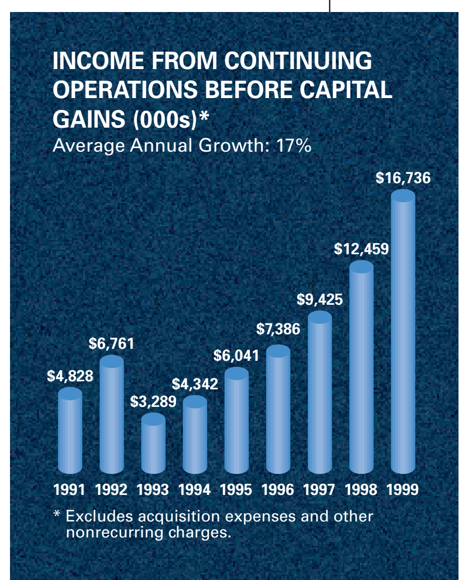
OUTLOOK

For 28 years, Chemed Corporation has provided both consistent growth and substantial annual dividends for its shareholders. The 1999 year was no exception, as you have just read.

Times change, however, as does the growing number of investment opportunities that present themselves. In order to take full advantage of Chemed's growth potential in 2000 and beyond, in November 1999, your Board of Directors announced a change in dividend policy. By lowering annual dividends, while appealing to yield-oriented stockholders through an offering of Convertible Trust Preferred Securities, Chemed can now accelerate acquisitions and internal growth, more aggressively building our Roto-Rooter business.

Home owners, families, and businesses rely more and more on outside services to accomplish what limited time and resources prevent them from doing on their own. Chemed's three core businesses—Roto-Rooter, Patient Care, and Service America—are uniquely prepared to provide those high-quality services now and as demand grows in the future. Through solid internal growth and strategic acquisitions, Chemed is poised to take full advantage of all opportunities that will ultimately benefit its shareholders. We look to the future with great confidence.





Edward L. Hutton
Chairman & Chief
Executive Officer

Kevin J. McNamara
President

FOCUSING ON GROWTH

More than at any time in our history, Chemed is aggressively pursuing growth, both from internal sources and strategic acquisitions. We made great strides during the 1999 year.

Roto-Rooter's plumbing repair revenues once again outpaced its traditional drain cleaning business. Moreover, revenues for both lines rose 28%. Patient Care sought out higher-growth sources of revenue such as private-pay clients and assisted-living facilities, while it reduced its exposure as a direct provider of Medicare-reimbursed services. Service America fine-tuned its contract business, while focusing on growth through retail sales and service.

Acquisitions also played a key role in our excellent 1999 performance. Roto-Rooter successfully integrated acquisitions made in 1998 and 1999 and completed two more in January 2000 in the states of Nevada and Washington. Roto-Rooter took its international expansion to new heights, signing master franchise agreements for China/Hong Kong in November 1999 and the republics of Indonesia and Singapore in January 2000. Through three acquisitions, Patient Care added Georgia, Maryland, northern Virginia, and the District of Columbia to its territories in 1999 and augmented operations in Chicago. Intent on building its retail business, Service America acquired an Arizona-based company with tremendous expertise to share in retail HVAC sales and service.

We expect our progress to continue, as we made a significant shift in our company philosophy that will enable us to accelerate our operating growth. During

Chemed Corporate Management: (back, left - right) David G. Sparks, Vice President; James H. Devlin, Vice President; David J. Lohbeck, Vice President; Thomas C. Hutton, Vice President; Arthur V. Tucker, Jr., Vice President & Controller; (front, l-r) Timothy S. O'Toole, Executive Vice President & Treasurer; Rick L. Arquilla, President & Chief Operating Officer of Roto-Rooter Services Company; Naomi C. Dallob, Vice President & Secretary; Kevin J. McNamara, President; Edward L. Hutton, Chairman & Chief Executive Officer; Sandra E. Laney, Senior Vice President & Chief Administrative Officer; Spencer S. Lee, Vice President; John M. Mount, Vice President; (not pictured) Paul C. Voet, Executive Vice President

the past decade, it has been our goal to increase annual dividends slowly while repositioning our assets dramatically to focus on growth. Our high dividend hindered that growth, however, and the resultant high yield caused investors to view Chemed as an income-producing stock, rather than a growth stock.

Thus, as we mentioned in the shareholder letter, Chemed's Board of Directors adopted a new dividend policy for 2000 and beyond. The policy reduced quarterly dividends from the prior rate of $.53 per share to a rate of $.10 per share. This will be instrumental in freeing cash previously tied up in paying the dividend to internally fund acquisitions. This enables the company to solidify its position as a growth company in the minds of investors and channel greater resources to future growth opportunities, particularly in our Roto-Rooter business.

Realizing that some Chemed stockholders relied on a high cash-return on their investment, the company offered a new class of high-yielding Convertible Trust Preferred Securities to holders of Chemed Capital Stock. Going forward, those who opted to exchange capital stock for the Preferred Securities will receive an annual distribution of $2.00 per Preferred Security, which will be paid quarterly. Shareholders' opportunity to exchange their capital stock for the Preferred Securities expired on January 31, 2000.

As we focus on accelerating earnings growth from our operating companies, Chemed's portfolio of private and publicly traded investments, which augmented earnings during the '90s, takes on a diminished role. Anchoring that portfolio has been two major publicly traded companies, XL Capital Ltd. (NYSE:XL) and Omnicare Inc. (NYSE:OCR), the latter of which Chemed helped create in the 1980s. So, let's take a look at our track record with start-ups.

Over the years, Chemed has served as an incubator for up-and-coming businesses and realized substantial rewards. Chemed created and took Omnicare public in 1981. Valued at approximately a billion dollars today, Omnicare is a leading geriatric pharmaceutical-care company. It serves more than 600,000 residents of approximately 8,800 long-term-care facilities in 43 states. Omnicare is also the nation's largest provider of professional pharmacy, related consulting, and data management services for skilled-nursing, assisted-living, and other institutional healthcare providers. In addition, Omnicare provides

Roto-Rooter Inc.: (l-r) Rick L. Arquilla, President & Chief Operating Officer, Roto-Rooter Services Company; Gary H. Sander, Senior Vice President, Roto-Rooter Services Company; Spencer S. Lee, Chairman & Chief Executive Officer, Roto-Rooter Inc.; David P. Williams, Senior Vice President & Chief Financial Officer, Roto-Rooter Inc.; Gary C. Burger, President, Roto-Rooter Corporation

Patient Care Inc.: (l-r) Roberta S. Brill, Executive Vice President; Timothy S. O'Toole, Chairman & Chief Executive Officer; Louis R. Tamburro, Executive Vice President & Chief Financial Officer; Elaine A. Boardman, President

Service America Systems Inc.: (l-r) Christopher J. Heaney, Vice President, Systems Development; Vivian M. Psinakis, Vice President & Chief Financial Officer; Stephen M. Boudreaux, Vice President, Operations; John M. Mount, President & Chief Executive Officer; Thomas H. Mullen, Vice President, Information Systems

comprehensive clinical research services for the pharmaceutical and biotechnology industries in 23 countries worldwide.

Another great success has been XL Capital, of which Chemed was a founding shareholder through a $5 million investment in 1986. With a market value today exceeding $5 billion, XL provides insurance and reinsurance coverages and financial products to customers worldwide.

Chemed has amassed more than $155 million in realized and unrealized pretax capital gains on these two companies alone since our initial investments. During 1999, Chemed's sales of Omnicare and XL Capital shares generated pretax capital gains of $4.5 million. Unrealized gains remaining in Chemed's portfolio at year-end 1999 totaled more than $5 million.

Also, since 1991, Chemed has held a $27 million investment in the preferred stock and warrants of Vitas Healthcare Corporation, the only national provider of hospice care. The preferred dividend yields 9% aftertax on our investment.

Just as we have reaped substantial monetary rewards from Omnicare, XL Capital, and Vitas, we hold great hopes for our current start-up, Cadre Computer Resources Inc.

Formed in 1992 from Chemed's information technology staff, Cadre performed just as we expected in 1999, generating a profit and nearly $8 million in revenues. On the cutting edge of today's e-business world, Cadre's entrepreneurial staff of consultants and programmers provides computer programming and Internet development services, strategic e-commerce consulting, and firewall security systems and training to support the products they offer. This business could indeed be a gem in the future for Chemed.

Looking beyond 2000, our determination to provide high-quality services to home owners and businesses, individuals and families remains constant. Through our three major subsidiaries—Roto-Rooter, Patient Care, and Service America—we will achieve more aggressive growth, seizing more opportunities as they present themselves. Unfettered by a high dividend, we are erasing preconceived notions about Chemed and attracting new notice in the investment world. Our excellent financial results for 1999 are only the beginning of what shareholders can expect from the future.

Chemed Corporate Management: (l-r) Marianne Lamey, Assistant Controller; Laura A. Volker, Assistant Controller; Mark W. Stephens, Assistant Treasurer; Paula W. Kittner, Assistant Treasurer

Chemed Corporate Management: (l-r) Lisa A. Dittman, Assistant Secretary; Anthony D. Vamvas III, Assistant Vice President; Joyce A. Lawrence, Assistant Secretary; Janelle M. Jessie, Assistant Vice President

ROTO-ROOTER INC.

Roto-Rooter Inc. is the largest provider of plumbing and drain cleaning services in the United States, consistently delivering exceptional value to its customers via its highly trained workforce. Its network of company-owned branches, independent contractors, and franchisees offers drain cleaning services to approximately 90% of the U.S. population and plumbing repair services to 80%. These services are essential to both the home owner and business community regardless of the season or condition of the economy.

Roto-Rooter produced stellar operating results in 1999, increased average earnings per technician by 13%, and successfully integrated the 21 acquisitions made in 1998 and 1999. Plumbing repair and drain cleaning services continued their outstanding records of growth. Both plumbing and drain cleaning revenues increased 28% over 1998 amounts. At $102.2 million, revenues from plumbing again outpaced revenues from drain cleaning, the core business of Roto-Rooter since it was founded in 1935. Drain cleaning revenues amounted to $96.6 million.

During 1999, Roto-Rooter significantly enhanced the income and benefits for technicians, enabling them to realize real wage gains beyond inflation. Roto-Rooter's workforce is the backbone of the company, and having the best-trained, most highly motivated service force in the industry is key to Roto-Rooter's success in the future. Significant wage increases for these employees help hiring and retention efforts, assuring continued long-term profit growth. Further, Roto-Rooter customers are served by the best-trained, highest-quality service force in the industry, translating directly into significant repeat business and continuing Roto-Rooter's cycle of success.

ROTO-ROOTER INC.

PRINCIPAL SERVICES & PRODUCTS
- Plumbing
- Sewer, drain & pipe cleaning
- Drain care products
- Heating, ventilating & air-conditioning (HVAC) services

PRINCIPAL MARKETS
- Residential
- Industrial
- Business/Commercial
- Municipal

Retaining the best-trained, best-paid service force is a high priority for Roto-Rooter. Sales of Roto-Rooter's high-quality drain care products can help service technicians increase their pay, while home owners benefit from healthier drains and septic systems, reducing their costs for emergency repairs.

In addition to the 15 acquisitions completed in 1998, Roto-Rooter completed six acquisitions in 1999. Franchises in Charlottesville, Virginia, Freehold, New Jersey, and Bloomington, Illinois, were purchased, as well as two independent plumbing companies, Cartwright's Plumbing and Heating in Santa Fe, New Mexico, and Guthries Plumbing, serving Lansing, Michigan. Rusk Heating and Cooling, the largest HVAC service company in Cincinnati, was also acquired in 1999. Together, 1998 and 1999 acquisitions contributed nearly $42 million to Roto-Rooter's full-year revenues. Setting the pace in the year 2000, Roto-Rooter has already purchased franchises in Nevada and Seattle, Washington, which generated combined revenues exceeding $9 million in 1999.

The sale of an international master franchise license in China/Hong Kong was another highlight of 1999. Underscoring Roto-Rooter's intent to expand internationally, a master franchise agreement was signed in January 2000 for the republics of Indonesia and Singapore. In addition, Roto-Rooter master franchises operate in Japan, the Philippines, Australia, and the United Kingdom.

Plumbing service is a highly fragmented industry upon which Roto-Rooter can continue to capitalize well into the future. The company remains committed to pursuing strategic acquisitions that provide expanded geographic coverage and promote continued double-digit growth. Roto-Rooter is also exploring opportunities in several related, site-delivered service industries with dynamics similar to those in the plumbing industry. From all angles, Roto-Rooter is poised to leverage its position as the market leader in 2000 and beyond.

PATIENT CARE INC.

Patient Care Inc. provides home healthcare services, a well-recognized low-cost alternative to caring for patients in institutional settings. Primarily through its large number of internally trained home health aides, Patient Care focuses on assisting individuals with daily living activities such as bathing, grooming, dressing, preparing meals, and eating.

Patient Care's 9.0% increase in 1999 revenues resulted in $3.2 million in net income, a slight decrease from 1998 levels, reflecting continued pressure on home health expenditures from reduced funding for Medicare services. Patient Care achieved numerous accomplishments during the year, developing new sources of revenue and completing important advancements in its operating systems. Patient Care also continued its successful emphasis on expense management.

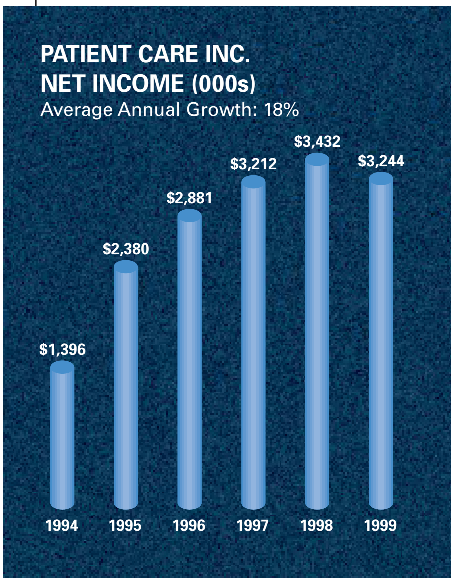
During 1999, Patient Care continued to minimize its presence as a direct provider of Medicare-reimbursed services. It opted instead to aggressively market its services to new sources of revenue, such as

PATIENT CARE INC.

PRINCIPAL SERVICE PROVIDERS
- Registered nurses
- Licensed practical nurses
- Home health aides
- Live-in aides
- Physical, speech, respiratory & occupational therapists
- Medical social workers
- Nutritionists

PRINCIPAL MARKETS
- Private individuals
- Certified home-healthcare agencies
- Hospital-related homecare programs
- Insurance companies & managed care organizations
- Nursing homes & assisted-living facilities
- Hospice programs

private-pay clients, assisted-living facilities, and geriatric care managers. Patient Care also initiated services to help patients and their families access community resources, assess home safety, manage bill payments and insurance claims, and, if necessary, place patients in nursing-home or assisted-living settings.



Further, Patient Care launched its Web site (www.patientcare.com), providing both helpful, online information and a channel to attract new business.

Patient Care continues to improve its operating systems so that tasks historically performed manually —scheduling home-health-aide visits, for example— are computerized. Patient Care's proprietary electronic nursing chart is another example of Patient Care's expanding use of technology. As a result, patients and home health staff alike enjoy more patient time and less paperwork time. Plus, Patient Care benefits from more productive and happier employees who no longer need to complete extensive paperwork at the end of their workday—a boon to employee recruiting and retention, as well. Further, Patient Care gains improved record-keeping for regulatory compliance and higher productivity for its caregivers.

Also during 1999, Patient Care completed three strategic acquisitions, augmenting its Chicago operations and entering Atlanta, Georgia, and greater Washington, D.C. The acquisition of Washington, D.C.-based Medical Personnel Services also gave Patient Care a solid foothold in a new service market, medical staffing.

SERVICE AMERICA SYSTEMS INC.

For more than 25 years, Service America has provided peace of mind to home owners and business owners through service contracts on air conditioners and major appliances. Over the years, coverage of plumbing and electrical systems was

Home care is an attractive, low-cost alternative to institutional settings, preferred by patients, families, healthcare providers, and insurers alike. With its reputation for high-quality care and rigorous quality-assurance programs, Patient Care is well-positioned to serve this growing market.

Service America affords worry-free protection to almost 200,000 service contract holders, repairing their major appliances and HVAC systems. During the past six years, Service America has emphasized retail sales and service, as well, growing revenues at a 42% per year rate.

added, and the company provided retail sales and service to its contract holders if they asked. After Chemed acquired Service America in 1991, this retail business surfaced as a diamond in the rough.

Through Chemed's management, Service America has focused on retail sales development, and in 1999, Service America made strides in this area by emphasizing air conditioner sales, along with duct cleaning services. As a result, 1999 retail revenues grew to $16.4 million, or 22% of Service America's revenues, up from $1.4 million, or 7%, in 1992—Service America's first full year as a Chemed company—for an average growth rate of 42% per year.

Also in 1999, Service America completed its first major acquisition, Tucson, Arizona-based Action Service. Strictly in the retail HVAC business, Action Service is sharing its proven sales and service techniques with all Service America locations. This expertise should further enhance Service America's retail growth in 2000 and beyond.

Throughout the year, Service America continued to fine-tune the team concept initiated in 1998. This concept organizes service technicians into performance-directed teams. Each team is charged with assigning service calls according to its members' skill sets, completing all work, and ensuring customer satisfaction. These efforts met with continued success in 1999 and will help to position Service America as the HVAC service provider of choice in the years to come.

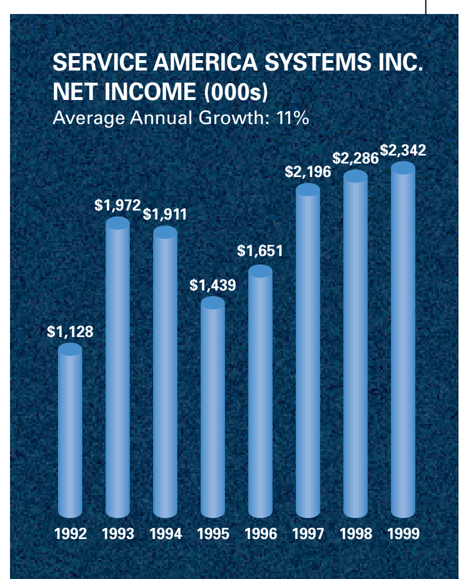
SERVICE AMERICA SYSTEMS INC.

PRINCIPAL SERVICES & PRODUCTS

- Service contracts for HVAC & major-appliance repair, minor plumbing & electrical repairs
- Retail maintenance, repair & replacement services for major appliances & HVAC systems
- Air conditioning sales
- Duct cleaning

PRINCIPAL MARKETS

- Home owners
- Retirees
- Absentee home owners
- Dual-income households
- Condominium & home owners' associations



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PRICEWATERHOUSECOOPERS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Chemed Corporation

In our opinion, the consolidated financial statements appearing on pages 12 through 27 of this report present fairly, in all material respects, the financial position of Chemed Corporation and its subsidiaries ("the Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PriceWaterhouseCoopers LLP

Cincinnati, Ohio
February 1, 2000

STATEMENT OF ACCOUNTING POLICIES

Chemed Corporation and Subsidiary Companies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Chemed Corporation and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

CASH EQUIVALENTS

Cash equivalents comprise short-term highly liquid investments that have been purchased within three months of their date of maturity.

OTHER INVESTMENTS

Other investments are recorded at their estimated fair values. In calculating realized gains and losses on the sales of investments, the specific-identification method is used to determine the cost of investments sold.

INVENTORIES

Inventories are stated at the lower of cost or market. For determining the value of inventories, the first-in, first-out ("FIFO") method is used.

DEPRECIATION AND PROPERTIES AND EQUIPMENT

Depreciation of properties and equipment is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs, renewals and betterments that do not materially prolong the useful lives of the assets are expensed as incurred. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected currently in income.

INTANGIBLE ASSETS

Goodwill and identifiable intangible assets arise from purchase business combinations and are amortized using the straight-line method over the estimated useful lives of the assets, but not in excess of 40 years.

The lives of the Company's gross intangible assets at December 31, 1999, were (in thousands):

1 – 10 years	$ 5,158
11 – 20 years	3,077
31 – 40 years	200,722

The Company periodically makes an estimation and valuation of the future benefits of its intangible assets based on key financial indicators. If the projected undiscounted cash flows of a major business unit indicate that goodwill or identifiable intangible assets have been impaired, a write-down to fair value is made.

REVENUE RECOGNITION

Revenues received under prepaid contractual service agreements are recognized on a straight-line basis over the life of the contract. All other service revenues and sales are recognized when the services are provided or the products are delivered.

COMPUTATION OF EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per share reflect the dilutive impact of the Company's outstanding stock options and nonvested stock awards.

EMPLOYEE STOCK OWNERSHIP PLANS

Contributions to the Company's Employee Stock Ownership Plans ("ESOP") are based on established debt repayment schedules. Shares are allocated to participants based on the principal and interest payments made during the period. The Company's policy is to record its ESOP expense by applying the transition rule under the level-principal amortization concept.

STOCK-BASED COMPENSATION PLANS

The Company uses Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, to account for stock-based compensation. Since the Company's stock options qualify as fixed options under APB 25 and since the option price equals the market price on the date of grant, there is no compensation cost recorded for stock options. Restricted stock is recorded as compensation cost over the requisite vesting periods based on the market value on the date of grant.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in prior years' financial statements have been reclassified to conform to the 1999 presentation.

CONSOLIDATED STATEMENT OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Years Ended December 31,	1999	1998	1997
Continuing Operations			
Service revenues and sales	$453,593	$381,283	$341,729
Cost of services provided and goods sold	276,759	237,148	212,647
General and administrative expenses	95,683	80,145	76,047
Selling and marketing expenses	41,237	33,249	24,931
Depreciation	13,129	10,649	8,622
Acquisition expenses (Note 2)	—	752	—
Total costs and expenses	426,808	361,943	322,247
Income from operations	26,785	19,340	19,482
Interest expense	(6,858)	(6,793)	(10,552)
Other income—net (Note 4)	11,026	19,578	18,951
Income before income taxes	30,953	32,125	27,881
Income taxes (Note 5)	(11,257)	(12,216)	(10,804)
Income from continuing operations	19,696	19,909	17,077
Discontinued Operations (Note 3)	—	—	13,160
Net Income	$ 19,696	$ 19,909	$ 30,237
Earnings Per Share			
Income from continuing operations	$ 1.88	$ 1.98	$ 1.72
Net income	$ 1.88	$ 1.98	$ 3.04
Average number of shares outstanding	10,470	10,058	9,940
Diluted Earnings Per Share (Note 13)			
Income from continuing operations	$ 1.87	$ 1.97	$ 1.71
Net income	$ 1.87	$ 1.97	$ 3.02
Average number of shares outstanding	10,514	10,100	10,014

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except share and per share data)

December 31,	1999	1998
Assets		
Current assets		
Cash and cash equivalents (Note 6)	$ 17,282	$ 41,358
Accounts receivable less allowances of $4,554 (1998—$3,601)	55,889	45,260
Inventories, primarily general merchandise and finished goods	9,794	9,828
Statutory deposits	14,254	16,698
Current deferred income taxes (Note 5)	9,294	6,807
Other current assets	5,289	4,680
Total current assets	111,802	124,631
Other investments (Note 12)	37,849	55,778
Properties and equipment, at cost less accumulated depreciation (Note 7)	71,728	61,721
Identifiable intangible assets less accumulated amortization of $6,558 (1998—$5,369)	12,597	12,960
Goodwill less accumulated amortization of $26,545 (1998—$21,879)	163,257	155,965
Other assets	24,070	18,649
Total Assets	$421,303	$429,704
Liabilities		
Current liabilities		
Accounts payable	$ 11,246	$ 10,318
Current portion of long-term debt (Note 8)	11,719	4,393
Income taxes (Note 5)	8,714	12,563
Deferred contract revenue	25,630	26,571
Other current liabilities (Note 9)	41,119	37,253
Total current liabilities	98,428	91,098
Long-term debt (Note 8)	78,580	80,407
Other liabilities (Note 9)	32,251	34,843
Total Liabilities	209,259	206,348
Stockholders' Equity		
Capital stock—authorized 15,000,000 shares $1 par; issued 13,664,892 shares (1998—13,605,481 shares)	13,665	13,605
Paid-in capital	164,549	162,252
Retained earnings	144,322	146,961
Treasury stock—3,268,783 shares (1998—3,190,757 shares), at cost	(99,437)	(97,237)
Unearned compensation (Note 10)	(17,056)	(20,558)
Deferred compensation payable in Company stock (Note 10)	5,340	5,071
Accumulated other comprehensive income	3,392	13,262
Notes receivable for shares sold (Note 14)	(2,731)	—
Total Stockholders' Equity	212,044	223,356
Commitments and contingencies (Notes 9 and 11)		
Total Liabilities and Stockholders' Equity	$421,303	$429,704

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	1999	1998	1997
Cash Flows from Operating Activities			
Net income	$ 19,696	$ 19,909	$ 30,237
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	20,129	17,284	15,163
Gains on sales of investments	(4,661)	(12,589)	(12,235)
Provision for uncollectible accounts receivable	2,235	2,452	702
Provision for deferred income taxes	128	3,426	(1,820)
Discontinued operations	—	—	(13,160)
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Increase in accounts receivable	(13,949)	(3,848)	(7,327)
Decrease/(increase) in statutory reserve requirements	2,444	(561)	3,825
Increase in inventories and other current assets	(541)	(938)	(762)
Increase/(decrease) in accounts payable, deferred contract revenue and other current liabilities	5,094	(4,593)	2,209
Increase/(decrease) in income taxes	(3,108)	475	7,565
Other—net	75	(239)	(650)
Net cash provided by continuing operations	27,542	20,778	23,747
Net cash provided by discontinued operations	—	—	9,699
Net cash provided by operating activities	27,542	20,778	33,446
Cash Flows from Investing Activities			
Capital expenditures	(22,411)	(21,997)	(20,117)
Business combinations, net of cash acquired (Note 2)	(15,518)	(14,843)	(14,669)
Proceeds from sales of investments	7,701	14,963	14,060
Net proceeds from discontinued operations (Note 3)	(2,533)	(5,607)	154,691
Investing activities of discontinued operations	—	—	(6,792)
Purchase of Roto-Rooter minority interest	(1,708)	(1,556)	(2,734)
Other—net	2,295	3,794	1,514
Net cash provided/(used) by investing activities	(32,174)	(25,246)	125,953
Cash Flows from Financing Activities			
Dividends paid	(22,456)	(21,674)	(21,000)
Proceeds from issuance of long-term debt (Note 8)	10,000	—	35,000
Repayment of long-term debt (Note 8)	(2,982)	(2,891)	(96,487)
Acquisition of shares for stock purchase plan	(2,731)	—	—
Purchases of treasury stock	(1,724)	(399)	—
Prepayment of ESOP debt (Note 10)	—	—	(16,201)
Decrease in bank notes and loans payable	—	—	(5,000)
Other—net	449	(168)	1,219
Net cash used by financing activities	(19,444)	(25,132)	(102,469)
Increase/(decrease) in cash and cash equivalents	(24,076)	(29,600)	56,930
Cash and cash equivalents at beginning of year	41,358	70,958	14,028
Cash and cash equivalents at end of year	$ 17,282	$ 41,358	$ 70,958

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock—at Cost	Unearned Compensation	Deferred Compensation Payable in Company Stock	Accumulated Other Comprehensive Income	Notes Receivable for Shares Sold	Total
Balance at December 31, 1996	$ 12,768	$ 150,296	$ 139,262	$ (82,943)	$ (27,554)	$ —	$ 26,062	$ —	$ 217,891
Net income	—	—	30,237	—	—	—	—	—	30,237
Dividends paid ($2.09 per share)	—	—	(21,000)	—	—	—	—	—	(21,000)
Other comprehensive income	—	—	—	—	—	—	(6,105)	—	(6,105)
Decrease in unearned compensation (Note 10)	—	—	—	—	5,788	—	—	—	5,788
Stock awards and exercise of stock options (Note 14)	252	8,558	—	(5,120)	(2,193)	—	—	—	1,497
Other	—	(369)	181	—	—	—	—	—	(188)
Balance at December 31, 1997	13,020	158,485	148,680	(88,063)	(23,959)	—	19,957	—	228,120
Net income	—	—	19,909	—	—	—	—	—	19,909
Dividends paid ($2.12 per share)	—	—	(21,674)	—	—	—	—	—	(21,674)
Other comprehensive income	—	—	—	—	—	—	(6,695)	—	(6,695)
Decrease in unearned compensation (Note 10)	—	—	—	—	3,934	—	—	—	3,934
Reclassification of employee benefit trust liabilities/(assets)	—	—	—	(5,345)	—	5,345	—	—	—
Pooling of interests (Note 2)	469	200	(104)	—	—	—	—	—	565
Purchases of treasury stock	—	—	—	(399)	—	—	—	—	(399)
Stock awards and exercise of stock options (Note 14)	118	4,266	—	(3,581)	(533)	—	—	—	270
Other	(2)	(699)	150	151	—	(274)	—	—	(674)
Balance at December 31, 1998	**13,605**	**162,252**	**146,961**	**(97,237)**	**(20,558)**	**5,071**	**13,262**	**—**	**223,356**
Net income	**—**	**—**	**19,696**	**—**	**—**	**—**	**—**	**—**	**19,696**
Dividends paid ($2.12 per share)	**—**	**—**	**(22,456)**	**—**	**—**	**—**	**—**	**—**	**(22,456)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(9,870)**	**—**	**(9,870)**
Decrease in unearned compensation (Note 10)	**—**	**—**	**—**	**—**	**4,498**	**—**	**—**	**—**	**4,498**
Sale of shares for notes	**—**	**—**	**—**	**2,731**	**—**	**—**	**—**	**(2,731)**	**—**
Purchases of treasury stock	**—**	**—**	**—**	**(4,455)**	**—**	**—**	**—**	**—**	**(4,455)**
Stock awards (Note 14)	**54**	**1,690**	**—**	**(326)**	**(996)**	**—**	**—**	**—**	**422**
Other	**6**	**607**	**121**	**(150)**	**—**	**269**	**—**	**—**	**853**
Balance at December 31, 1999	**$ 13,665**	**$164,549**	**$144,322**	**$ (99,437)**	**$ (17,056)**	**$ 5,340**	**$ 3,392**	**$ (2,731)**	**$212,044**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	1999	1998	1997
Net income	$19,696	$19,909	$30,237
Other comprehensive income net of income tax:			
Unrealized holding gains/(losses) arising during the period	(6,910)	1,250	1,547
Less reclassification adjustment for gains included in net income	(2,960)	(7,945)	(7,652)
Total	(9,870)	(6,695)	(6,105)
Comprehensive income	$ 9,826	$13,214	$24,132

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of these statements.

1. SEGMENTS AND NATURE OF THE BUSINESS

Chemed is a diversified public corporation with strategic positions in plumbing, drain cleaning, and heating, ventilating and air conditioning ("HVAC") services (Roto-Rooter); home healthcare services (Patient Care); and residential appliance and air conditioning repair services (Service America). Relative contributions to aftertax segment earnings were 72%, 16% and 12% in 1999, respectively.

The business segments are defined as follows:

- The Roto-Rooter segment includes the combined operations of the Roto-Rooter Group ("Roto-Rooter"), a group of wholly owned businesses that provide repair and maintenance services to residential and commercial accounts. Such services include plumbing; sewer, drain and pipe cleaning; and HVAC services. They are delivered through company-owned, contractor-operated and franchised locations. Roto-Rooter also manufactures and sells products and equipment used to provide such services.
- The Patient Care segment includes the consolidated operations of the wholly owned businesses comprising the Patient Care Group ("Patient Care"), which offers complete, professional home-healthcare services primarily in the New York-New Jersey-Connecticut area. Services provided include skilled nursing; home health aid; physical, speech, respiratory and occupational therapies; medical social work; and nutrition.
- The Service America segment includes the consolidated operations of the wholly owned businesses comprising the Service America Systems Group ("Service America"). The group provides HVAC and appliance repair and maintenance services primarily to residential customers through service contracts and retail sales. In addition, Service America sells air conditioning equipment and duct cleaning services.

Substantially all of the Company's service revenues and sales from continuing operations are generated from business within the United States. Within the Patient Care segment, balances due from the U.S. federal government at December 31, 1999, accounted for approximately 13% of the Company's consolidated accounts receivable balance. No other single customer's balance at December 31, 1999, accounted for more than 10% of the Company's consolidated accounts receivable balance. In addition, substantially all of Patient Care's accounts receivable at December 31, 1999 ($31.8 million), was generated from customers located in the northeastern United States.

Management closely monitors accounts receivable balances and has established policies regarding the extension of credit and compliance therewith. The Patient Care segment historically has experienced a relatively low level of losses on the collection of its receivables.

Approximately 36% of Patient Care's net revenues are derived from services provided directly to patients with coverage under the federal government's Medicare program or under joint federal-and-state-sponsored Medicaid programs. In addition, 34% of Patient Care's revenues arise from contracts with other certified home-health agencies to provide services to recipients under these entitlement programs.

Financial data by business segment shown on pages 26 and 27 of this annual report are integral parts of these financial statements.

2. BUSINESS COMBINATIONS

During 1999, 10 purchase business combinations were completed within the Roto-Rooter, Patient Care and Service America segments for aggregate purchase prices of $15.5 million in cash.

During 1998, 16 purchase business combinations were completed within the Roto-Rooter, Patient Care and Service America segments for aggregate purchase prices of $18.6 million in cash. In addition, two pooling-of-interests business combinations were completed within the Roto-Rooter segment upon the issuance of 469,560 shares of Chemed Capital Stock. Also, during 1997, 12 purchase business combinations were completed within the Roto-Rooter and Patient Care segments for aggregate purchase prices of $12.7 million in cash.

All of the aforementioned Roto-Rooter business combinations involved operations primarily in the business of providing plumbing repair, HVAC and drain cleaning services. All of the Patient Care acquisitions involved operations primarily in the business of providing home healthcare services, and the Service America acquisitions provide HVAC and appliance repair and maintenance services.

The unaudited pro forma results of operations, assuming purchase business combinations completed in 1999, 1998 and 1997 were completed on January 1 of the preceding year, are presented below (in thousands, except per share data):

Continuing Operations	For the Years Ended December 31, 1999	1998	1997
Service revenues and sales	**$458,578**	$409,935	$383,203
Income from continuing operations	**20,017**	21,202	19,590
Earnings per share	**1.91**	2.11	1.97
Diluted earnings per share	**1.90**	2.10	1.96

The excess of the purchase price over the fair value of the net assets acquired in purchase business combinations is classified as goodwill. A summary of net assets acquired in purchase business combinations follows (in thousands):

	For the Years Ended December 31, 1999	1998	1997
Working capital	**$ 2,935**	$ 1,038	$ 2,961
Identifiable intangible assets	**765**	485	1,105
Goodwill	**11,893**	17,294	11,449
Other assets and liabilities—net	**(75)**	(307)	(827)
Total net assets	**15,518**	18,510	14,688
Less—cash and cash equivalents acquired	**—**	(767)	(19)
—present value of deferred payments	**—**	(2,900)	—
Net cash used	**$15,518**	$14,843	$14,669

The combined impact of the two pooling-of-interests transactions on the Company's historical consolidated financial statements was not material; consequently, prior-period financial statements were not restated for these transactions. The results of operations of all business combinations have been included in the Company's consolidated financial statements from the effective date of each combination.

In connection with the pooling-of-interests transactions in 1998, the Company incurred expenses aggregating $752,000 ($495,000 aftertax or $.05 per share).

3. DISCONTINUED OPERATIONS

Effective September 20, 1997, the Company sold all of the wholly owned businesses comprising The Omnia Group ("Omnia") to Banta Corporation for $50.7 million in cash plus deferred payments with a present value of $1.5 million. The Company recognized a loss of $19.2 million (net of income tax benefit of $1.2 million) on the sale of Omnia.

On September 30, 1997, Chemed's 81%-owned subsidiary, National Sanitary Supply Company ("National"), was merged with TFBD Inc., a wholly owned subsidiary of Unisource Worldwide Inc. ("Unisource"). In exchange for its ownership interest in National, Chemed received $120.2 million in cash. In addition, Unisource repaid approximately $18.1 million of intercompany borrowings owed to Chemed by National. The Company recognized a gain of $28.7 million (net of income taxes of $32.4 million) on the sale of National.

During 1997, combined revenues, income before income taxes and net income of National and Omnia were $285,055,000, $5,519,000 and $3,069,000, respectively. The Company recorded an aftertax net gain on the sale of National and Omnia of $9,493,000 and accrual adjustments aggregating $598,000 relating to operations discontinued in 1991.

4. OTHER INCOME—NET

Other income—net comprises the following (in thousands):

	For the Years Ended December 31, 1999	1998	1997
Gain on sales of investments	**$ 4,661**	$12,589	$12,235
Dividend income	**2,626**	2,822	2,920
Unrealized gains/(losses) on investments	**1,966**	(266)	—
Interest income	**1,589**	4,049	3,687
Other—net	**184**	384	109
Total other income—net	**$11,026**	$19,578	$18,951

5. INCOME TAXES

The provision for income taxes comprises the following (in thousands):

	For the Years Ended December 31,		
Continuing Operations	1999	1998	1997
Current			
U.S. federal	$ 9,024	$ 7,457	$ 9,752
U.S. state and local	1,917	1,213	1,985
Foreign	188	120	245
Deferred			
U.S. federal	171	3,432	(971)
Foreign	(43)	(6)	(207)
Total	$11,257	$12,216	$10,804
Discontinued Operations			
Current			
U.S. federal	$ (770)	$ 237	$26,853
U.S. state and local	—	—	5,807
Deferred U.S. federal	770	(237)	(54)
Total	$ —	$ —	$32,606

A summary of the significant temporary differences that give rise to deferred income tax assets/(liabilities) follows (in thousands):

	December 31,	
	1999	1998
Accruals related to discontinued operations	$ 6,337	$ 6,958
Deferred compensation	5,656	4,598
Accrued insurance expense	4,667	4,491
Accrued state taxes	1,932	—
Allowances for uncollectible accounts receivable	1,601	1,264
Amortization of intangibles	1,262	1,827
Severance payments	963	1,562
Other	3,519	3,145
Gross deferred income tax assets	25,937	23,845
Accelerated tax depreciation	(6,045)	(4,649)
Market valuation of investments	(2,259)	(7,097)
Cash to accrual adjustments	(2,123)	(1,601)
Other	(1,788)	(1,756)
Gross deferred income tax liabilities	(12,215)	(15,103)
Net deferred income tax assets	$13,722	$ 8,742

Included in other assets at December 31, 1999, are deferred income tax assets of $4,428,000 (December 31, 1998—$1,935,000). Based on the Company's history of prior operating earnings and its expectations for future growth, management has determined that the operating income of the Company will, more likely than not, be sufficient to ensure the full realization of the deferred income tax assets.

The difference between the effective tax rate for continuing operations and the statutory U.S. federal income tax rate is explained as follows:

	For the Years Ended December 31,		
	1999	1998	1997
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Nondeductible amortization of goodwill	4.5	4.2	5.0
State and local income taxes, less federal income tax benefit	4.0	2.4	4.6
Domestic dividend exclusion	(2.3)	(2.2)	(2.6)
Tax adjustments related to finalization of prior years' audits	(1.7)	—	—
Tax benefit on dividends paid to ESOPs	(1.3)	(1.3)	(2.6)
Other—net	(1.8)	(.1)	(.6)
Effective tax rate	36.4%	38.0%	38.8%

Income taxes included in the components of other comprehensive income are as follows (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Unrealized holding gains/(losses)	$(3,721)	$ 673	$ 833
Reclassification adjustment	(1,701)	(4,644)	(4,583)

The total amount of income taxes paid during the year ended December 31, 1999, was $13,982,000 (1998—$8,069,000; 1997—$36,849,000).

6. CASH EQUIVALENTS

Included in cash and cash equivalents at December 31, 1999, are cash equivalents in the amount of $14,514,000 (1998—$38,330,000). The cash equivalents at both dates consist of investments in various money market funds and repurchase agreements yielding interest at a weighted average rate of 2.5% in 1999 and 4.8% in 1998.

From time to time throughout the year, the Company invests its excess cash in repurchase agreements directly with major commercial banks. The collateral is not physically held by the Company, but the term of such repurchase agreements is less than 10 days. Investments of significant amounts are spread among a number of banks, and the amounts invested in each bank are varied constantly.

7. PROPERTIES AND EQUIPMENT

A summary of properties and equipment follows (in thousands):

	December 31, 1999	December 31, 1998
Land	**$ 2,245**	$ 2,243
Buildings	**17,822**	16,205
Transportation equipment	**37,549**	30,246
Machinery and equipment	**28,471**	24,867
Furniture and fixtures	**35,116**	30,670
Projects under construction	**5,935**	1,940
Total properties and equipment	**127,138**	106,171
Less accumulated depreciation	**(55,410)**	(44,450)
Net properties and equipment	**$ 71,728**	$ 61,721

8. LONG-TERM DEBT AND LINES OF CREDIT

A summary of the Company's long-term debt follows (in thousands):

	December 31, 1999	December 31, 1998
Senior notes:		
8.15%, due 2000 – 2004	**$50,000**	$50,000
7.31%, due 2005 – 2009	**25,000**	25,000
10.67%, due 1999 – 2003	**4,000**	5,000
Revolving Credit Agreement:		
6.33%, due 2001	**10,000**	—
Employee Stock Ownership Plans loan guarantees:		
8.14% (1998—7.50%), due 1999 – 2000	**568**	2,494
Other	**731**	2,306
Subtotal	**90,299**	84,800
Less current portion	**(11,719)**	(4,393)
Long-term debt, less current portion	**$78,580**	$80,407

SENIOR NOTES

In March 1997, the Company borrowed $25,000,000 from several insurance companies. Principal is repayable in five annual installments of $5,000,000 beginning on March 15, 2005, and bears interest at the rate of 7.31% per annum. Interest is payable on March 15 and September 15 of each year.

In December 1992, the Company borrowed $50,000,000 from several insurance companies. Principal is repayable in five annual installments of $10,000,000 beginning on December 15, 2000, and bears interest at the rate of 8.15% per annum. Interest is payable on June 15 and December 15 of each year.

In November 1988, the Company borrowed $11,000,000 from a consortium of insurance companies. Annual installments of $1,000,000 were due and paid November 1, 1993 through 1999. The remaining $4,000,000 bears interest at the rate of 10.67% with annual principal payments of $1,000,000 due on November 1, 2000 through 2003. Interest is payable on May 1 and November 1 of each year.

REVOLVING CREDIT AGREEMENT AND LINES OF CREDIT

In June 1996, the Company entered into an amended revolving credit agreement with Bank of America National Trust and Savings Association to borrow up to $85,000,000 at any time during the five-year period ending June 20, 2001. Unpaid principal, which amounts to $10,000,000 at December 31, 1999, is due on June 20, 2001. The interest rate is based on various stipulated market rates of interest.

In addition, the Company had approximately $26,600,000 of unused short-term lines of credit with various banks at December 31, 1999.

EMPLOYEE STOCK OWNERSHIP PLANS ("ESOPs") LOAN GUARANTEES

The Company has guaranteed ESOP loans made by various institutional lenders. Payments by the ESOPs, including both principal and interest, are due on March 31 and June 30, 2000. The loans are secured in part by the unallocated shares of the Company's capital stock held by the ESOP trusts. Interest rates are subject to adjustments for changes in rates of specified U.S. Treasury obligations, U.S. federal statutory income tax rates and certain federal tax law changes.

The market value of the unallocated shares of the Company's capital stock held by the ESOPs at December 31, 1999, based on that day's closing price of $28.63, was $8,479,000 as compared with aggregate loan guarantees of $568,000.

OTHER

Other long-term debt has arisen from the assumption of loans in connection with various acquisitions. Interest rates range from 7% to 9%, and the obligations are due on various dates through 2009.

The following is a schedule by year of required long-term debt payments as of December 31, 1999 (in thousands):

2000	$11,719
2001	21,129
2002	11,078
2003	11,059
2004	10,059
After 2004	25,255
Total long-term debt	$90,299

The various loan agreements contain certain covenants which could restrict the amount of cash dividend payments, net rental payments, treasury stock purchases and certain other transactions of the Company. The Company does not anticipate that the restrictions imposed by the agreements will materially restrict its future operations or ability to pay dividends.

The total amount of interest paid during the year ended December 31, 1999, was $6,706,000 (1998—$6,994,000; 1997—$9,949,000). Total interest capitalized during the year ended December 31, 1999, was $927,000 (1998—$308,000; 1997—nil).

9. OTHER LIABILITIES

At December 31, 1999, other current liabilities included accrued insurance liabilities of $14,336,000 and accrued wages of $5,888,000 (1998—$12,600,000 and $5,408,000, respectively). Other liabilities at December 31, 1999, include deferred compensation liabilities totaling $12,896,000 (1998—$9,993,000).

At December 31, 1999, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois Chemicals Inc. ("DuBois") amounts to $4,157,000. Of this balance, $3,657,000 is included in other liabilities and $500,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $16,890,000. On the basis of a continuing evaluation of the Company's potential liability by the Company's environmental adviser, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

10. PENSION AND RETIREMENT PLANS

Retirement obligations under various plans cover substantially all full-time employees who meet age and/or service eligibility requirements. The major plans providing retirement benefits to the Company's employees are defined contribution plans.

The Company has established two ESOPs which purchased a total of $56,000,000 of the Company's capital stock. Until December 1997, the ESOPs were financed by loans from banks and insurance companies, and payment was guaranteed by the Company. Due to the sales of Omnia and National in 1997, the Company restructured the ESOPs and internally financed approximately $16.2 million of the $21.8 million ESOP loans outstanding at December 31, 1997. Prior to September 30, 1997, substantially all Chemed headquarters and Omnia employees and substantially all employees of National not covered by collective bargaining agreements were participants in the ESOPs. Beginning January 1, 1998, eligible employees of Roto-Rooter began to participate in the ESOPs. Eligible employees of Roto-Rooter and Patient Care are also covered by other defined contribution plans.

Expenses charged to continuing operations for the Company's pension and profit-sharing plans, ESOPs, excess benefit plans and other similar plans comprise the following (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
ESOPs:			
Interest expense	**$ 23**	$ 173	$ 336
Compensation cost	**1,057**	1,038	1,426
Pension, profit-sharing and other similar plans	**7,255**	3,471	3,586
Total	**$8,335**	$4,682	$5,348
Dividends on ESOP shares used for debt service	**$1,502**	$1,643	$2,570

At December 31, 1999, there were 401,282 allocated shares (December 31, 1998—356,915 shares) and 296,157 unallocated shares (December 31, 1998—376,346 shares) in the ESOP trusts.

The Company has an excess benefit plan for key employees whose participation in the ESOPs is limited by ERISA rules. Benefits are determined based on theoretical participation in the qualified ESOPs. Prior to September 1, 1998, the value of these benefits was invested in shares of the Company's stock and in mutual funds, which were held by grantor trusts. Beginning September 1, 1998, current benefits are invested in only mutual funds and participants are not permitted to diversify accumulated benefits which have been invested in shares of the Company's stock. At December 31, 1999, the trusts' assets invested in shares of the Company's capital stock are included in treasury stock, and the corresponding liability is included in a separate component of shareholders' equity. The assets of these excess benefit plans and of Roto-Rooter and Service America excess benefits plans, all of which are invested in various mutual funds, are included in other assets, and the corresponding liabilities are included in other liabilities. At December 31, 1999, these trusts held 156,852 shares of the Company's stock (December 31, 1998—147,310 shares).

11. LEASE ARRANGEMENTS

The Company, as lessee, has operating leases which cover its corporate office headquarters; various plant, warehouse and office facilities; office equipment; and transportation equipment. The remaining terms of these leases range from one year to eight years, and in most cases, management expects that these leases will be renewed or replaced by other leases in the normal course of business. All major plants and warehouses and substantially all equipment are owned by the Company.

The following is a summary of future minimum rental payments and sublease rentals to be received under operating leases that have initial or remaining noncancelable terms in excess of one year at December 31, 1999 (in thousands):

2000	**$ 8,760**
2001	**7,811**
2002	**6,884**
2003	**5,750**
2004	**5,122**
After 2004	**7,265**
Total minimum rental payments	**41,592**
Less minimum sublease rentals	**(4,781)**
Net minimum rental payments	**$36,811**

Total rental expense incurred under operating leases for continuing operations follows (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Total rental payments	**$12,265**	$ 9,540	$ 9,993
Less sublease rentals	**(1,914)**	(1,602)	(2,426)
Net rental expense	**$10,351**	$ 7,938	$ 7,567

12. FINANCIAL INSTRUMENTS

The following methods and assumptions are used in estimating the fair value of each class of the Company's financial instruments:

- For cash and cash equivalents, accounts receivable, statutory deposits and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments.
- For other investments and other assets, fair value is based upon quoted market prices for these or similar securities, if available. Included in other investments, below, is the Company's investment in privately held Vitas Healthcare Corporation ("Vitas"), which provides noncurative care to chronically ill patients. Since it is not considered practicable to obtain an appraisal of the value of Vitas Common Stock Purchase Warrants ("Warrants"), it has been assumed that the market value of the Warrants is equal to book value at December 31, 1999, and December 31, 1998 ($1,500,000). The value of the Vitas 9% Cumulative Preferred Stock ("Preferred") is based on the present value of the mandatory redemption payments, using an interest rate of 9.0%, a rate which management believes is reasonable in view of risk factors attendant to the investment. During 1998, the Company and Vitas agreed to extend the redemption date of the Preferred to April 1, 2000. It is considered reasonably possible that the redemption date will again be extended in the year 2000.
- The fair value of the Company's long-term debt is estimated by discounting the future cash outlays associated with each debt instrument using interest rates currently available to the Company for debt issues with similar terms and remaining maturities.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

December 31,	Carrying Amount	Fair Value
1999		
Other investments[(a)]	**$37,849**	**$37,489**
Long-term debt	**90,299**	**89,680**
1998		
Other investments[(a)]	$55,778	$55,778
Long-term debt	84,800	90,058

(a) Amounts include $27,243,000 invested in the Preferred, which is recorded in other investments.

The Company has classified its investments in equity securities and certain debt securities as either trading or available-for-sale. The trading category includes those investments which are held principally for sale in the near term. All other investments are classified in the available-for-sale category. Investments included in cash equivalents are considered to be trading securities, and all other investments are considered to be available-for-sale.

Disclosures regarding the Company's investments, all of which are equity securities classified as available-for-sale, are summarized below (in thousands):

	December 31,	
	1999	1998
Aggregate fair value	**$37,849**	$55,778
Gross unrealized holding gains	**5,290**	20,466
Gross unrealized holding losses	**70**	60
Amortized cost	**32,629**	35,372

The chart below summarizes information with respect to available-for-sale securities sold during the period (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Proceeds from sale	**$ 7,701**	$14,963	$14,060
Gross realized gains	**4,675**	12,857	12,248
Gross realized losses	**14**	268	13

13. EARNINGS PER SHARE

Diluted earnings per share were calculated as follows (in thousands, except per share data):

	Income from Continuing Operations			Net Income		
For the Years Ended December 31,	Income (Numerator)	Shares (Denominator)	Income Per Share	Income (Numerator)	Shares (Denominator)	Income Per Share
1999						
Earnings	**$19,696**	**10,470**	**$1.88**	**$19,696**	**10,470**	**$1.88**
Nonvested stock awards	**—**	**43**		**—**	**43**	
Dilutive stock options	**—**	**1**		**—**	**1**	
Diluted earnings	**$19,696**	**10,514**	**$1.87**	**$19,696**	**10,514**	**$1.87**
1998						
Earnings	$19,909	10,058	$1.98	$19,909	10,058	$1.98
Nonvested stock awards	—	37		—	37	
Dilutive stock options	—	5		—	5	
Diluted earnings	$19,909	10,100	$1.97	$19,909	10,100	$1.97
1997						
Earnings	$17,077	9,940	$1.72	$30,237	9,940	$3.04
Nonvested stock awards	—	34		—	34	
Dilutive stock options	—	40		—	40	
Subsidiary stock options	—	—		(10)	—	
Diluted earnings	$17,077	10,014	$1.71	$30,227	10,014	$3.02

Earnings per share and diluted earnings per share from discontinued operations in 1997 were $1.32 and $1.31, respectively.

During 1999, the following options, whose exercise prices were greater than the average market price during most of the year (and therefore excluded from the computation of diluted earnings per share), were outstanding at December 31, 1999:

Grant Date	Number of Options	Exercise Price
May 1999	497,625	$32.19
May 1997	171,688	35.94
March 1998	165,112	39.13
May 1996	162,793	38.75
May 1995	89,713	32.19
February 1995	68,000	33.63
March 1994	37,925	32.13
April 1998	12,000	40.53
May 1998	1,750	37.78

During 1998, the following options, whose exercise prices were greater than the average market price during the last six months of the year (and therefore excluded from the computation of diluted earnings per share), were outstanding at December 31, 1998:

Grant Date	Number of Options	Exercise Price
May 1997	196,063	$35.94
March 1998	179,600	39.13
May 1996	164,150	38.75
April 1998	14,000	40.53
May 1998	2,000	37.78

During 1997, all stock options outstanding were dilutive at some time during the year.

14. STOCK INCENTIVE PLANS

The Company has eight Stock Incentive Plans under which 2,850,000 shares of Chemed Capital Stock are issued to key employees pursuant to the grant of stock awards and/or options to purchase such shares. All options granted under these plans provide for a purchase price equal to the market value of the stock at the date of grant. Two plans, covering a total of 700,000 shares, were adopted in May 1999.

Under the plan adopted in 1983, both nonstatutory and incentive stock options have been granted. Incentive stock options granted under the 1983 plan become exercisable in full six months following the date of the grant; nonstatutory options granted under the 1983 plan become exercisable in four annual installments commencing six months after the date of grant. Under the Long Term Incentive Plan, adopted in 1999, up to 250,000 shares may be issued to employees who are not officers or directors of the Company or its subsidiaries.

The other plans are not qualified, restricted or incentive stock option plans under the Internal Revenue Code. Options generally become exercisable six months following the date of grant in either three or four equal annual installments.

Data relating to the Company's capital stock issued to employees follow:

	1999		1998		1997	
	Number of Shares	**Average Price**	Number of Shares	Average Price	Number of Shares	Average Price
Stock options:						
Outstanding at January 1	**772,001**	**$36.31**	680,013	$34.93	644,025	$33.70
Granted	**510,650**	**32.19**	199,250	39.23	212,800	35.94
Exercised	**—**	**—**	(93,599)	32.43	(166,712)	31.45
Forfeited	**(55,895)**	**36.10**	(13,663)	36.87	(10,100)	34.94
Outstanding at December 31	**1,226,756**	**34.60**	772,001	36.31	680,013	34.93
Exercisable at December 31	**722,375**	**35.21**	482,746	35.29	369,279	34.03
Stock awards issued	**57,816**	**31.38**	25,039	39.65	86,149	35.48

The weighted average contractual life of options outstanding at December 31, 1999, was 7.7 years. The range of exercise prices for these options was from $21.94 to $40.53. At December 31, 1999, there were 310,906 shares available for granting of stock options and awards.

Total compensation cost recognized for stock awards for continuing operations was $1,620,000 in 1999 (1998—$1,309,000; 1997—$886,000). The shares of capital stock were issued to key employees and directors at no cost and generally are restricted as to the transfer of ownership. Restrictions covering between 7% and 33% of each holder's shares lapse annually.

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, requires the presentation of pro forma data assuming all options granted after December 31, 1994, are recorded at fair value. Summarized below are pro forma data developed by applying the Black-Scholes valuation method to the Company's stock options (in thousands, except per share data):

	For the Years Ended December 31,		
Pro Forma Results	**1999**	1998	1997
Net income	**$18,972**	$19,138	$29,802
Earnings per share	**1.81**	1.90	3.00
Diluted earnings per share	**1.80**	1.89	2.98
Per share average fair value of options granted	**3.43**	5.21	5.74
Assumptions			
Average risk-free interest rate	**5.8%**	5.6%	6.6%
Expected volatility	**19.7**	19.0	21.4
Expected life of options	**6 yrs.**	6 yrs.	6 yrs.

For all periods, it was assumed that the annual dividend would be increased $.01 per share per quarter in the fourth quarter of every odd-numbered year. This assumption was based on the facts and circumstances which existed at the time options were granted and should not be construed to be an indication of future dividend amounts to be paid.

In view of the fact that the fair value method of accounting is applied to option grants only after 1994, the above pro forma data do not reflect the full impact of applying such fair value method to all of Chemed's stock options.

During 1999, the Company purchased 101,500 shares of its capital stock in open-market transactions and sold these shares to certain employees at fair market value in exchange for interest-bearing notes secured by the shares. The outstanding principal of $2,731,000 at December 31, 1999, is classified as a reduction of stockholders' equity.

15. SUBSEQUENT EVENT

In December 1999, the Company commenced an Exchange Offer whereby stockholders were permitted to exchange up to 2,000,000 shares of capital stock for Convertible Trust Preferred Securities ("Trust Securities") on a one-for-one basis. When the Exchange Offer expired on January 31, 2000, approximately 576,000 capital shares were exchanged for Trust Securities with a redemption value of approximately $15.5 million.

The Trust Securities pay an annual cash distribution of $2.00 per security (payable at the quarterly rate of $.50 per security commencing in March 2000) and are convertible into capital stock at a price of $37 per security. The Trust Securities mature in 30 years and are callable after three years.

The impact of the Exchange Offer on earnings per share is not material.

SEGMENT DATA

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	1999	1998	1997
Revenues by Type of Service			
Roto-Rooter			
Plumbing repair and maintenance	$102,218	$ 80,150	$ 59,986
Sewer and drain cleaning	96,629	75,599	66,843
HVAC repair and maintenance	14,928	12,164	5,334
Industrial and municipal sewer and drain cleaning	11,857	10,527	9,028
Other products and services	17,187	13,610	12,692
Total Roto-Rooter	242,819	192,050	153,883
Patient Care			
Home health aides	90,580	85,732	86,038
Registered nurses	19,900	16,151	18,114
Live-in aides	8,138	9,618	9,707
Other services	10,262	6,781	7,284
Total Patient Care	128,880	118,282	121,143
Service America			
Repair service contracts	57,520	56,753	54,318
Demand repair services	16,380	14,198	12,385
Total Service America	73,900	70,951	66,703
Other	7,994	—	—
Total service revenues and sales	$453,593	$381,283	$341,729
Aftertax Earnings by Segment[a]			
Roto-Rooter	$ 14,562	$ 10,530	$ 9,491
Patient Care	3,244[e]	3,432	3,212
Service America	2,342	2,286	2,196
Other	42	—	—
Total segment earnings	20,190	16,248	14,899
Corporate			
Gains on sales of investments	2,960	7,945	7,652
Overhead	(4,701)	(4,955)	(4,794)
Net investing and financing income/(expense)	1,247	1,408	(1,482)
Acquisition expenses	—	(495)	—
Discontinued operations	—	—	13,160
Other	—	(242)	802
Net income	$ 19,696	$ 19,909	$ 30,237
Interest Income			
Roto-Rooter	$ 19	$ 191	$ 24
Patient Care	15	13	48
Service America	979	1,126	1,029
Subtotal	1,013	1,330	1,101
Corporate	847	2,913	2,687
Intercompany eliminations	(271)	(194)	(101)
Total interest income	$ 1,589	$ 4,049	$ 3,687

SEGMENT DATA (CONTINUED)

	1999	1998	1997
Interest Expense			
Roto-Rooter	$ 2,119	$ 957	$ 145
Patient Care	760	536	613
Service America	—	—	—
Subtotal	2,879	1,493	758
Corporate	6,587	6,759	10,351
Intercompany eliminations	(2,608)	(1,459)	(557)
Total interest expense	$ 6,858	$ 6,793	$ 10,552
Income Tax Provision			
Roto-Rooter	$ 11,713	$ 8,744	$ 7,684
Patient Care	1,159	1,144	1,764
Service America	2,404	2,405	2,309
Other	27	—	—
Subtotal	15,303	12,293	11,757
Corporate	(4,046)	(77)	(953)
Total income tax provision	$ 11,257	$ 12,216	$ 10,804
Identifiable Assets			
Roto-Rooter	$183,797	$175,036	$148,352
Patient Care	86,277	67,961	63,154
Service America	69,632	71,049	70,266
Other	3,354	—	—
Total identifiable assets	343,060	314,046	281,772
Corporate assets[b]	78,243	115,658	167,066
Total assets	$421,303	$429,704	$448,838
Additions to Long-Lived Assets[c]			
Roto-Rooter	$ 17,208	$ 27,969	$ 16,965
Patient Care	12,001	9,744	8,765
Service America	5,111	3,294	6,032
Other	416	—	—
Subtotal	34,736	41,007	31,762
Corporate assets	1,010	506	2,262
Total additions	$ 35,746	$ 41,513	$ 34,024
Depreciation and Amortization[d]			
Roto-Rooter	$ 11,707	$ 9,378	$ 7,387
Patient Care	2,686	2,160	1,951
Service America	3,790	3,726	3,775
Other	396	—	—
Subtotal	18,579	15,264	13,113
Corporate assets[b]	1,550	2,020	2,050
Total depreciation and amortization	$ 20,129	$ 17,284	$ 15,163

(a) Aftertax earnings represent the net income of the business segments, excluding acquisition expenses.

(b) Corporate assets consist primarily of cash and cash equivalents, marketable securities, properties and equipment and other investments.

(c) Long-lived assets include goodwill, identifiable intangible assets and property and equipment.

(d) Depreciation and amortization include amortization of goodwill, identifiable intangible assets and other assets.

(e) Amount includes $872,000 aftertax income from favorable adjustments to prior years' cost reports.

SELECTED FINANCIAL DATA

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data, employee numbers, footnote data, ratios and percentages)

	1999	1998	1997
Summary of Operations			
Continuing operations			
Total service revenues and sales	$453,593	$381,283	$341,729
Gross profit	176,834	144,135	129,082
Depreciation	13,129	10,649	8,622
Income from operations	26,785	19,340	19,482
Income from continuing operations before capital gains[d]	16,736	11,964	9,425
Income from continuing operations	19,696	19,909	17,077
Discontinued operations[a]	—	—	13,160
Cumulative effect of a change in accounting principle	—	—	—
Net income	19,696	19,909	30,237
Earnings per share:			
Income from continuing operations before capital gains[d]	$ 1.60	$ 1.19	$ .95
Income from continuing operations	1.88	1.98	1.72
Net income	1.88	1.98	3.04
Average number of shares outstanding	10,470	10,058	9,940
Diluted earnings per share:			
Income from continuing operations before capital gains[d]	$ 1.59	$ 1.18	$ .94
Income from continuing operations	1.87	1.97	1.71
Net income	1.87	1.97	3.02
Average number of shares outstanding	10,514	10,100	10,014
Cash dividends per share	$ 2.12	$ 2.12	$ 2.09
Financial Position—Year-End			
Cash, cash equivalents and marketable securities	$ 17,282	$ 41,358	$ 70,958
Working capital	13,374	33,533	83,103
Properties and equipment, at cost less accumulated depreciation	71,728	61,721	53,089
Total assets	421,303	429,704	448,838
Long-term debt	78,580	80,407	83,720
Stockholders' equity	212,044	223,356	228,120
Book value per share	$ 20.40	$ 21.45	$ 22.64
Book value per share assuming dilution	20.31	21.36	22.54
Other Statistics—Continuing Operations			
Net cash provided/(used) by continuing operations	$ 27,542	$ 20,778	$ 23,747
Capital expenditures	22,411	21,997	20,117
Number of employees[b]	7,817	7,671	6,849
Number of service and sales representatives	5,796	5,759	5,101
Dividend payout ratio[c]	112.8%	107.1%	68.8%
Debt to total capital ratio	29.9	27.5	28.1
Return on average equity[c]	9.1	8.9	13.8
Return on average total capital employed[c]	7.7	7.7	9.9
Current ratio	1.14	1.37	1.88

(a) Discontinued operations include National Sanitary Supply Company and The Omnia Group, discontinued in 1997; accrual adjustments in 1997 relating to the gain on the sale of Omnicare Inc. ("Omnicare"); Omnicare, discontinued in 1994; accrual adjustments from 1992 through 1996 related to the gain on the sale of DuBois Chemicals Inc. ("DuBois"); DuBois, sold in 1991; and adjustments to accruals in 1991 related to operations discontinued in 1986.

(b) Numbers reflect full-time-equivalent employees.

(c) These computations are based on net income and, with respect to return on average capital employed, various related adjustments.

(d) Amounts exclude gains on sales of investments.

1996	1995	1994	1993	1992	1991
$301,213	$270,449	$240,994	$136,428	$104,688	$ 84,774
118,440	103,412	90,189	54,325	44,750	39,034
7,353	6,505	5,833	3,914	2,854	2,811
17,481	14,102	10,703	7,388	4,599	996
7,386	5,833	3,650	3,289	6,761	4,204
25,117	11,715	7,027	7,563	8,660	6,788
7,211	11,467	36,895	10,266	6,991	46,179
—	—	—	1,651	—	—
32,328	23,182	43,922	19,480	15,651	52,967
$ .75	$ .59	$ .37	$ .34	$ .69	$ .42
2.56	1.19	.71	.78	.89	.68
3.30	2.36	4.47	2.00	1.60	5.27
9,801	9,830	9,830	9,756	9,783	10,043
$ .74	$ .58	$ .36	$ .33	$ .68	$ .42
2.54	1.18	.70	.76	.88	.67
3.26	2.33	4.42	1.97	1.59	5.27
9,879	9,898	9,907	9,824	9,838	10,055
$ 2.08	$ 2.06	$ 2.04	$ 2.01	$ 2.00	$ 1.97
$ 14,028	$ 30,497	$ 24,866	$ 20,133	$ 51,142	$ 82,994
8,996	7,159	(14,573)	(29,070)	5,574	48,991
40,661	37,860	35,677	33,873	26,419	25,951
509,361	476,732	453,801	385,922	363,960	330,712
158,140	85,317	92,033	97,906	103,580	77,007
217,891	208,657	186,320	137,151	133,511	139,407
$ 21.89	$ 21.18	$ 18.89	$ 14.00	$ 13.68	$ 14.08
21.76	21.06	18.76	13.91	13.62	14.07
$ 13,519	$ 5,385	$ 13,378	$ 6,029	$ 8,583	$ 10,828
10,988	9,219	9,606	7,420	3,835	7,008
5,884	5,278	4,497	2,711	1,726	1,666
4,315	3,835	3,203	1,832	1,090	1,069
63.0%	87.3%	45.6%	101.0%	125.0%	37.4%
44.6	32.8	36.6	44.2	45.2	34.8
15.3	11.9	28.4	14.3	11.6	42.5
10.9	9.3	16.4	9.7	8.7	24.4
1.10	1.07	.86	.68	1.08	1.82

SUPPLEMENTAL REVENUE AND PROFIT STATISTICS BY BUSINESS SEGMENT

Chemed Corporation and Subsidiary Companies

(in thousands, except percentages and footnote data)

	Continuing Operations				
	Roto-Rooter	Patient Care	Service America	Other	Total
Service Revenues and Sales					
1999	**$242,819**	**$128,880**	**$ 73,900**	**$ 7,994**	**$453,593**
1998	192,050	118,282	70,951	—	381,283
1997	153,883	121,143	66,703	—	341,729
1996	140,163	99,565	61,485	—	301,213
1995	121,999	90,727	57,723	—	270,449
1994	109,098	69,064	62,832	—	240,994
1993	95,555	—	40,873	—	136,428
1992	86,185	—	18,503	—	104,688
1991	79,217	—	5,557	—	84,774
% of Total					
1999	**54%**	**28%**	**16%**	**2%**	**100%**
1991	93	—	7	—	100
Operating Profit[a]					
1999	**$ 26,310**	**$ 5,157**[d]	**$ 3,679**	**$ 71**	**$ 35,217**
1998	19,244[b]	5,104	3,491	—	27,839
1997	17,256	5,541	3,443	—	26,240
1996	15,707	5,592	2,503	—	23,802
1995	13,134[c]	4,923	1,906	—	19,963
1994	12,071	2,772	3,061	—	17,904
1993	9,854	—	3,708	—	13,562
1992	8,626	—	1,841	—	10,467
1991	7,328	—	581	—	7,909
% of Total					
1999	**75%**	**15%**	**10%**	**—**	**100%**
1991	93	—	7	—	100

(a) Operating profit is total service revenues and sales less operating expenses and includes 100% of all consolidated operations. In computing operating profit, none of the following items has been added or deducted: general corporate expenses, interest expense, and other income—net.

(b) Amount includes $752,000 of expenses incurred in connection with pooling-of-interest business combinations in 1998.

(c) Amount includes nonrecurring charges of $538,000 incurred as a result of discussions related to Chemed's proposal to acquire the 42% minority interest in Roto-Rooter.

(d) Amount includes $1,453,000 pretax income from favorable adjustments to prior years' cost reports.

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales[a]	**$105,735**	**$111,385**	**$114,428**	**$122,045**	**$453,593**
Gross profit[a]	**$ 40,676**	**$ 43,012**	**$ 44,390**	**$ 48,756**	**$176,834**
Income from operations	**$ 5,792**	**$ 6,199**	**$ 7,844**	**$ 6,950**	**$ 26,785**
Interest expense	**(1,594)**	**(1,507)**	**(1,448)**	**(2,309)**	**(6,858)**
Other income—net	**4,609**	**3,735**	**1,128**	**1,554**	**11,026**
Income before income taxes	**8,807**	**8,427**	**7,524**	**6,195**	**30,953**
Income taxes	**(3,452)**	**(3,313)**	**(3,112)**	**(1,380)**	**(11,257)**
Net Income	**$ 5,355**	**$ 5,114**	**$ 4,412**	**$ 4,815**	**$ 19,696**
Earnings Per Share					
Net income	**$ .51**	**$ .49**	**$ .42**	**$ .46**	**$ 1.88**
Average number of shares outstanding	**10,471**	**10,473**	**10,480**	**10,455**	**10,470**
Diluted Earnings Per Share					
Net income	**$ .51**	**$ .49**	**$ .42**	**$ .46**	**$ 1.87**
Average number of shares outstanding	**10,516**	**10,512**	**10,527**	**10,500**	**10,514**

(a) Amounts for each of the first three quarters of 1999 were reclassified to conform with the fourth quarter presentation.

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales	$ 88,412	$ 94,943	$ 96,517	$101,411	$381,283
Gross profit	$ 32,536	$ 36,582	$ 36,695	$ 38,322	$144,135
Income from operations	$ 3,745	$ 5,246	$ 5,891	$ 4,458	$ 19,340
Interest expense	(1,758)	(1,841)	(1,798)	(1,396)	(6,793)
Other income—net	8,333	5,612	3,691	1,942	19,578
Income before income taxes	10,320	9,017	7,784	5,004	32,125
Income taxes	(4,069)	(3,451)	(3,092)	(1,604)	(12,216)
Net Income	$ 6,251	$ 5,566	$ 4,692	$ 3,400	$ 19,909
Earnings Per Share					
Net income	$ .63	$ .56	$ .47	$ .33	$ 1.98
Average number of shares outstanding	9,989	10,005	10,003	10,231	10,058
Diluted Earnings Per Share					
Net income	$ .62	$ .55	$ .47	$ .33	$ 1.97
Average number of shares outstanding	10,090	10,057	10,032	10,274	10,100

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Significant factors affecting the Company's consolidated cash flows during 1999 and financial position at December 31, 1999, include the following:

- Operations generated cash of $27.5 million;
- Capital expenditures totaled $22.4 million;
- The Company used $15.5 million of cash to finance purchase business combinations;
- Sales of investments generated cash proceeds of $7.7 million; and
- The Company increased its long-term borrowings by $7.0 million.

The ratio of total debt to total capital was approximately 30% at December 31, 1999, and 28% at December 31, 1998. The Company's current ratio at December 31, 1999, was 1.1 as compared with 1.4 at December 31, 1998. This decline is primarily attributable to the expenditure of $15.5 million of cash on business combinations and capital expenditures of $22.4 million, offset by a $7.0 million net increase in long-term debt during the year.

The Company had $101.6 million of unused lines of credit with various banks at December 31, 1999.

CASH FLOW

The Company's cash flows for 1999 and 1998 are summarized as follows (in millions):

	For the Years Ended December 31, 1999	1998
Cash from continuing operations	$ 27.5	$ 20.8
Proceeds from sales of investments	7.7	15.0
Cash dividends	(22.5)	(21.7)
Cash excess after cash dividends	12.7	14.1
Capital expenditures	(22.4)	(22.0)
Business combinations	(15.5)	(14.8)
Net increase/(decrease) in long-term debt (excluding ESOP debt obligations)	7.0	(2.9)
Net uses from discontinued operations	(2.5)	(5.6)
Other—net	(3.4)	1.6
Decrease in cash and cash equivalents	$(24.1)	$(29.6)

For 1999, the cash excess from operations and sales of investments, less cash dividend payments, was $12.7 million as compared with $14.1 million in 1998. This excess was available to assist in funding the Company's capital expenditure requirements.

In November 1999, the Board of Directors ("Board") announced a change in its dividend policy in order to position the Company to take full advantage of growth possibilities in 2000 and beyond. Under the new policy, in February 2000 the quarterly cash dividend, which has been $.53 per share for the past nine quarters, was lowered to $.10 per share for the first quarter of 2000 (payable on March 10 to holders of record February 18, 2000).

Also in November, the Board announced an Exchange Offer whereby stockholders were permitted to exchange shares of capital stock for shares of Convertible Trust Preferred Securities ("Trust Securities") on a one-for-one basis. The Trust Securities pay an annual cash distribution of $2.00 per security and are convertible into capital stock at a price of $37 per security. The offer expired on January 31, 2000. Approximately 576,000 capital shares were exchanged for Trust Securities with a redemption value of approximately $15.5 million. The Trust Securities mature in 30 years and are callable after three years.

It is projected that the new dividend policy, combined with the distribution requirement of the Trust Securities, will reduce the projected outlay for cash dividends in 2000 by approximately $17 million as compared with the dividend outlay for 1999. This cash will be used to accelerate acquisitions and to finance internal growth. Nonetheless, the dividend rate is set each quarter with a long-term perspective, taking into consideration the Company's financial position, earnings and cash flow, as well as interest rates, market conditions and other economic factors.

COMMITMENTS AND CONTINGENCIES

In connection with the sale of DuBois Chemicals Inc. ("DuBois"), the Company provided allowances and accruals relating to several long-term costs, including income tax matters, lease commitments and environmental costs. In the aggregate, the Company believes these allowances and accruals are adequate as of December 31, 1999.

Based on a recent assessment of Chemed's environmental-related liability under the DuBois sale agreement, Chemed's adviser has estimated Chemed's liability to be $4.2 million. As of December 31, 1999, the Company is contingently liable for additional cleanup and related costs up to a maximum of $16.9 million, for which no provision has been recorded.

The Company's various loan agreements and guarantees of indebtedness contain certain restrictive covenants; however, management believes that such covenants will not adversely affect the operations of the Company. Under the most restrictive of these covenants, the Company projects that it can incur additional debt of approximately $65 million as of December 31, 1999.

Since 1991, the Company has carried an investment in the mandatorily redeemable preferred stock ($27 million par value) of Vitas Healthcare Corporation ("Vitas"), a privately held provider of hospice services to the terminally ill. During its three most recent fiscal years, Vitas has increased net income and is continuing to pursue various long-term financing alternatives. During 1998, Vitas and the Company agreed to extend the redemption dates on the preferred stock to April 1, 2000, to facilitate Vitas' pursuit of long-term financing alternatives. It is considered reasonably possible that the redemption date will again be extended in 2000.

During 1999, Vitas made payments of $1.7 million on preferred dividends due in 1999. An additional $1.2 million was paid in January 2000, leaving $715,000 in arrears as of January 31, 2000. Payment of the arrearage is anticipated during the first half of 2000. On the basis of information currently available, management believes its investment in Vitas is fully recoverable and that no impairment exists.

It is management's opinion that the Company has no long-range commitments that would have a significant impact on its liquidity, financial condition or the results of its operations. Due to the nature of the environmental liabilities, it is not possible to forecast the timing of the cash payments for these potential liabilities. Based on the Company's available credit lines, sources of borrowing and liquid investments, management believes its sources of capital and liquidity are satisfactory for the Company's needs for the foreseeable future.

RESULTS OF OPERATIONS

Set forth below by business segment are the growth in sales and service revenues and the aftertax earnings margin:

	Percent Increase/(Decrease) in Service Revenues and Sales	
	1999 vs. 1998	1998 vs. 1997
Roto-Rooter	**26%**	25%
Patient Care	**9**	(2)
Service America	**4**	6
Total	**19**	12

	Aftertax Earnings as a Percent of Service Revenues and Sales (Aftertax Margin)		
	1999	1998	1997
Roto-Rooter	**6.0%**	5.5%	6.2%
Patient Care	**2.5**	2.9	2.7
Service America	**3.2**	3.2	3.3
Total	**4.5**	4.3	4.4

1999 VERSUS 1998

The Roto-Rooter segment recorded service revenues and sales of $242,819,000 during 1999, an increase of 26% versus revenues of $192,050,000 in 1998. This growth was attributable primarily to Roto-Rooter's plumbing and sewer and drain cleaning businesses, both of which recorded 28% revenue increases for the 1999 period. Excluding businesses acquired in 1999 and 1998, this segment's total revenues and net income for 1999 increased 14% and 30%, respectively, versus amounts recorded in 1998. Including acquisitions, Roto-Rooter recorded a 38% increase in aftertax earnings for 1999. The operating margin of this segment increased .5%, primarily due to an increase in the gross profit margin.

Revenues of the Patient Care segment increased 9% from $118,282,000 in 1998 to $128,880,000 in 1999. Excluding the revenues of businesses acquired in 1998 and 1999, revenues for 1999 declined 2% versus revenues for 1998. This revenue decline was anticipated and is primarily attributable to the implementation of the Medicare provisions of the Balanced Budget Act of 1997. Higher workers' compensation costs, as a percent of revenues, are primarily responsible for the decline in the aftertax margin from 2.9% in 1998 to 2.5% in 1999.

The Service America segment recorded total revenues of $73,900,000 during 1999, an increase of 4% versus revenues of $70,951,000 recorded in 1998. Retail sales of Service America for 1999, which account for approximately 22% of total sales, increased 15% versus such sales for 1998. Aftertax earnings for 1999 increased 2% versus aftertax earnings for 1998. The aftertax margin of this segment was 3.2% in both 1999 and 1998.

Income from operations increased from $19,340,000 in 1998 to $26,785,000 in 1999, primarily as a result of significantly higher operating profit recorded by Roto-Rooter during 1999.

Also reflecting strong operational performance by Roto-Rooter in 1999, earnings before interest, taxes, depreciation and amortization ("EBITDA") excluding capital gains and acquisition expenses totaled $52,109,000 in 1999, an increase of 21% versus EBITDA for 1998.

Interest expense for 1999 totaled $6,858,000 versus expense of $6,793,000 recorded in 1998.

Other income declined from $19,578,000 in 1998 to $11,026,000 in 1999, primarily as a result of lower gains on the sales of investments and lower interest income in 1999.

The Company's effective income tax rate was 36.4% in 1999 as compared with 38.0% in 1998. The decline in the effective rate was largely attributable to adjustments recorded during 1999 from the finalization of federal income tax audits for prior years.

Income from continuing operations declined from $19,909,000 ($1.98 per share) in 1998 to $19,696,000 ($1.88 per share) in 1999. Excluding acquisition expenses in 1998 ($495,000 or $.05 per share) and realized investment gains ($2,960,000 in 1999 and $7,945,000 in 1998), income from continuing operations increased 34% from $12,459,000 in 1998 ($1.24 per share) to $16,736,000 ($1.60 per share) in 1999.

1998 VERSUS 1997

The Roto-Rooter segment recorded service revenues and sales of $192,050,000 during 1998, an increase of 25% versus revenues of $153,883,000 in 1997. This growth was attributable primarily to revenue increases of 34% and 13%, respectively, in Roto-Rooter's plumbing and sewer and drain cleaning businesses for 1998. Excluding businesses acquired in 1997 and 1998, this segment's total revenues for 1998 increased 10% versus revenues recorded in 1997. Roto-Rooter recorded an 11% increase in aftertax earnings for 1998 versus 1997, despite a decline in its aftertax margin from 6.2% in 1997 to 5.5% in 1998. This margin decline is due primarily to a lower gross margin in 1998, partially offset by lower general and administrative expenses as a percentage of total revenues. The lower gross margin is primarily due to a shift in product mix to plumbing repair and HVAC services.

Revenues of the Patient Care segment declined 2% from $121,143,000 in 1997 to $118,282,000 in 1998. Excluding the revenues of businesses acquired in 1997 and 1998, revenues for 1998 declined 8% versus revenues for 1997. These revenue declines were anticipated and were attributable primarily to the implementation of the Medicare provisions of the Balanced Budget Act of 1997. Good expense control nearly offset the decline in Patient Care's gross margin and thus contributed to the 7% increase in Patient Care's aftertax earnings for 1998. In addition, a favorable income tax adjustment relating to the settlement of certain state tax issues in 1998 aided in increasing Patient Care's aftertax margin from 2.7% in 1997 to 2.9% in 1998.

The Service America segment recorded total revenues of $70,951,000 during 1998, an increase of 6% versus revenues of $66,703,000 recorded in 1997. Aftertax earnings for 1998 increased 4% versus aftertax earnings for 1997. The aftertax margin of this segment was 3.2% in 1998 as compared with 3.3% in 1997.

Income from operations declined from $19,482,000 in 1997 to $19,340,000 in 1998, primarily as a result of incurring $752,000 of acquisition expenses in connection with pooling-of-interests transactions in 1998.

EBITDA excluding capital gains and acquisition expenses totaled $43,126,000 in 1998, an increase of 8% versus EBITDA for 1997.

Interest expense for 1998 totaled $6,793,000, a decline of $3,759,000 versus expense of $10,552,000 recorded in 1997, largely as a result of the reduction of the Company's long-term debt.

Other income increased from $18,951,000 in 1997 to $19,578,000 in 1998, primarily as a result of higher gains on the sales of investments in 1998 combined with higher interest income in 1998.

The Company's effective income tax rate was 38.0% in 1998 as compared with 38.8% in 1997.

Income from continuing operations increased from $17,077,000 ($1.72 per share) in 1997 to $19,909,000 ($1.98 per share) in 1998. Excluding acquisition expenses in 1998 ($495,000 or $.05 per share) and realized investment gains ($7,945,000 in 1998 and $7,652,000 in 1997), income from continuing operations increased 32% from $9,425,000 in 1997 ($.95 per share) to $12,459,000 ($1.24 per share) in 1998.

Net income for 1998 was $19,909,000 ($1.98 per share) and included aftertax acquisition expenses of $495,000 ($.05 per share). Net income for 1997 was $30,237,000 ($3.04 per share) and included $13,160,000 ($1.32 per share) from discontinued operations (primarily related to The Omnia Group and National Sanitary Supply Company).

YEAR 2000

The Company's Year 2000 ("Y2K") Project ("Project") has addressed the issue of computer systems and hardware being unable to distinguish between the years 1900 and 2000. Mission-critical systems of all company operations were Y2K-ready by December 31, 1999. In addition, in December 1999, Patient Care and its Medicaid intermediaries began processing claims electronically with Y2K-ready systems. Through January 31, 2000, the Company has experienced no significant Y2K issues either internally or with its trading partners.

While the Company currently anticipates its systems and its key trading partners' systems will operate without major incident throughout 2000, there can be no assurance that the failure of systems outside its control or immediate sphere of influence will not materially impact its operations.

REGULATORY ENVIRONMENT

Healthcare reform legislation enacted by Congress challenges healthcare providers to provide quality services while facing mounting pressure to contain costs associated with entitlement programs funded by the federal government. Patient Care is adapting to the demands of this regulatory environment by eliminating certain high-cost programs and by leveraging its existing infrastructure to increase productivity.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements and trends. Such factors include, but are not limited to, the projected impact of reduced cash dividends, future dividend policy, projected workers' compensation costs, contingent environmental liability, full realization of deferred income tax assets, the projected impact of future acquisitions upon company operations and the adequacy of Y2K-readiness of systems outside the Company's sphere of influence. The Company's ability to deal with the unknown outcomes of these events may affect the reliability of its projections and other financial matters.

CORPORATE INFORMATION

CORPORATE HEADQUARTERS
Chemed Corporation
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255 East Fifth Street
Cincinnati, Ohio 45202-4726

513-762-6900

www.chemed.com

TRANSFER AGENTS & REGISTRARS

Chemed Capital Stock:

Norwest Bank Minnesota, N.A.
Shareowner Services

All questions relating to administration of **Chemed Capital Stock** ownership **must** be handled by **Norwest**.

- Mailing Address:
  Norwest Bank Minnesota, N.A.
  Shareowner Services
  P.O. Box 64854
  St. Paul, Minnesota 55164-0854
- Telephone: TOLL-FREE 800-468-9716
- E-mail: stocktransfer@norwest.com

Norwest also maintains a Web site at www.norwest.com/business-stocktransfer from which answers to frequently asked questions and various forms may be obtained.

Convertible Trust Preferred Securities:

Firstar Bank, N.A.
Corporate Trust Services

All questions relating to administration of **Convertible Trust Preferred Securities** ownership **must** be handled by **Firstar.**

- Mailing Address:
  Firstar Bank, N.A.
  Corporate Trust Services
  Suite 301
  1555 North RiverCenter Drive
  Milwaukee, Wisconsin 53212
- Telephone: TOLL-FREE 800-637-7549

Preferred Security holders may also contact Firstar via its Web site at www.firstarcorporatetrust.com, selecting the option to "Contact Us."

CORPORATE INQUIRIES

Questions concerning company operations and financial results should be directed to Timothy S. O'Toole, Executive Vice President & Treasurer, at Chemed corporate headquarters by writing or by calling 800-2CHEMED (800-224-3633) or 513-762-6702.

Annual and quarterly reports, press releases, and other printed materials may be obtained from Chemed Investor Relations by writing or by calling 800-2CHEMED (800-224-3633) or 513-762-6463. Printed materials may also be viewed and downloaded from Chemed's Web site at www.chemed.com.

INDEPENDENT ACCOUNTANTS
PricewaterhouseCoopers LLP
Cincinnati, Ohio 45202

FORM 10-K

Additional information about Chemed is available in the Annual Report on Form 10-K. Chemed Investor Relations will furnish copies without charge.

DIVIDEND REINVESTMENT PLAN FOR HOLDERS OF 25 OR MORE SHARES

The Chemed Automatic Dividend Reinvestment Plan is available to Chemed shareholders of record owning a minimum of 25 shares of Chemed Capital Stock. A plan brochure, including fee schedule, and enrollment information are available from the Dividend Reinvestment Agent, Norwest Bank Minnesota, N.A., at the address listed above. Convertible Trust Preferred Securities are not eligible to participate in this Plan.

ANNUAL MEETING

The Annual Meeting of Shareholders of Chemed Capital Stock will be held on Monday, May 15, 2000, at 2 p.m. in the Grand Ballroom of The Phoenix Club, 812 Race Street, Cincinnati, Ohio.

NUMBER OF SHAREHOLDERS

The approximate number of shareholders of record of Chemed Capital Stock was 4,864 on December 31, 1999, and 5,271 on December 31, 1998. (These numbers do not include shareholders with shares held under beneficial ownership or within clearinghouse positions of brokerage firms and banks.)

STOCK EXCHANGE LISTING

The company's capital stock is listed on the New York Stock Exchange under the ticker symbol CHE.

CAPITAL STOCK & DIVIDEND DATA

The high and low closing prices for Chemed Capital Stock during 1999 and 1998 and dividends per share paid by quarter during these years are shown below:

	Closing		Dividends
	High	Low	Paid
1999			
First Quarter	**$\$33\frac{13}{16}$**	**$\$25\frac{3}{4}$**	**$.53**
Second Quarter	**$33\frac{7}{8}$**	**$26\frac{5}{16}$**	**.53**
Third Quarter	**$33\frac{7}{16}$**	**$29\frac{1}{4}$**	**.53**
Fourth Quarter	**$30\frac{1}{8}$**	**$24\frac{15}{16}$**	**.53**
1998			
First Quarter	$\$42\frac{5}{16}$	$38	$.53
Second Quarter	$41\frac{1}{4}$	$32\frac{9}{16}$	.53
Third Quarter	$34\frac{11}{16}$	$25\frac{9}{16}$	.53
Fourth Quarter	$34\frac{7}{8}$	$28\frac{1}{8}$	.53

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Visit our company Web sites at www.chemed.com, www.rotorooter.com, www.patientcare.com, www.serviceamerica.com, and www.ccr.com.

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