CHEMED CORPORATION

Chemed Reports Results for 2002 Fourth Quarter and Full Year; First Quarter Dividend Declared

February 7, 2003

CINCINNATI--(BUSINESS WIRE)--Feb. 7, 2003--Chemed Corporation (NYSE:CHE) (OTCBB:CHEQP) today reported a net loss of $.18 per share for the year ended December 31, 2002, as compared with a net loss of $1.07 per share in 2001.

The net loss for 2002 included income from discontinued operations of $.64 per share, capital gains from sales of investments of $.08 per share, investment impairment charges of $.08 per share, and goodwill impairment charges of $2.06 per share. Net income for 2001 included aftertax restructuring and other charges of $1.74 per share, a loss of $.15 per share from discontinued operations, goodwill amortization of $.40 per share, an extraordinary loss of $.18 per share in debt prepayment penalties, and capital gains from sales of investments of $.07 per share.

On a pro forma basis excluding capital gains, restructuring and other charges, amortization of goodwill, and impairment charges, Chemed's earnings from continuing operations were $1.24 per share for 2002 as compared with $1.33 per share for 2001.

Service revenues and sales from continuing operations for 2002 were $314.2 million, 7% below 2001's $337.9 million. For 2002, earnings from continuing operations before impairment charges, capital gains, interest, taxes, depreciation, and amortization (EBITDA) were $37.3 million versus EBITDA of $26.7 million for 2001, and for 2002, EBITDA represented 12% of revenues. Pro forma EBITDA for 2001, which exclude all restructuring and other charges, amounted to $41.8 million, or 12% of revenues.

For the fourth quarter, ended December 31, 2002, Chemed recorded a net loss of $1.84 per share versus a net loss of $1.70 per share reported in 2001. The 2002 fourth quarter included income from discontinued operations of $.04 per share, the investment impairment charges of $.08 per share, and the goodwill impairment charges of $2.06 per share. The 2001 fourth quarter included a loss from discontinued operations of $.14 per share, the extraordinary loss on debt prepayment of $.18 per share, restructuring and other charges of $1.50 per share, and goodwill amortization of $.10 per share. On a pro forma basis, excluding these items, Chemed's income from continuing operations for the 2002 fourth quarter was $.26 per share, 18% above pro forma income of $.22 per share in the 2001 fourth quarter.

Chemed's EBITDA was $8.2 million for the 2002 fourth quarter as compared with a loss of $3.5 million in the same 2001 quarter. Pro forma EBITDA for the 2001 fourth quarter amounted to $8.5 million. Service revenues and sales from continuing operations for the fourth quarter were $78.9 million in 2002 and $84.1 million in 2001.

Today Chemed also announced that its Board of Directors declared a quarterly cash dividend of $.12 per share on its capital stock, payable on March 10, 2003, to stockholders of record on February 19, 2003.

Commenting on the year's results, Chemed President and Chief Executive Officer Kevin J. McNamara said, "We are encouraged by Chemed's operational results, which were achieved in difficult economic conditions. Our flagship Roto-Rooter operation generated income of $15.4 million in 2002.

"Roto-Rooter's income of $15.4 million compares favorably with net income of $3.4 million in 2001. Roto-Rooter's 2001 net income included $13.5 million in charges related to restructuring, as well as goodwill amortization. Excluding these charges, Roto-Rooter generated $16.9 million of income in 2001.

"Revenues for Roto-Rooter amounted to $253.7 million in 2002, $15.7 million, or 6%, below the prior year's revenues of $269.4 million. During 2002, Roto-Rooter exited underperforming, non-Roto-Rooter-branded operations, which accounted for the majority of the revenue decline. Softening demand for Roto-Rooter's nonemergency services accounted for the remainder. Good expense control, along with the positive earnings impact from exiting the non-Roto-Rooter-branded operations, partially offset the effects of the revenue decline on earnings.

"In order to overcome the soft economy, Roto-Rooter will continue to concentrate efforts in the areas it can impact: increasing sales to commercial accounts, improving service technician productivity, and controlling expenses at all levels.

"To further counteract the economic slowdown, Roto-Rooter must increase the number of inbound calls for service. Toward that end, Roto-Rooter is investing heavily to improve its ad placement in its primary marketing vehicle, phone directories. In addition, the toll-free 1-800-GET-ROTO number is featured on all packages of Roto-Rooter's new retail products, plus coupons for discounted service are included on the new Roto-Rooter(R) Clog Remover. These initiatives should put the Roto-Rooter name prominently in front of consumers and, in turn, create top-of-mind awareness when service is needed.

"We are confident Roto-Rooter's critical issues are being addressed and that providing excellent service at a fair price will ultimately result in job count and sales growth over the long term," Mr. McNamara said.

Commenting on Chemed's other major subsidiary, Mr. McNamara continued, "As a result of a goodwill impairment charge of $20.3 million, Service America recorded a loss of $19.7 million in 2002 compared with a loss of $686,000 in 2001. Before impairment and restructuring charges and amortization of goodwill, Service America's earnings were $381,000 in 2002 as compared with $1.8 million in 2001. Revenues at Service America declined from $68.6 million in 2001 to $60.5 million in 2002, as the company continued to eliminate unprofitable service contracts. With the contract base representing the greatest opportunity for retail sales, this planned reduction in service agreements also led to a decline in retail sales. At the same time, Service America experienced increased labor and materials costs, the net result being a decline in the gross margin of 3.1 percentage points. Service America's multiyear review of its contracts has culminated in a new pricing strategy that should yield improved results for the company."

Commenting on Chemed's financial position, Mr. McNamara said, "Chemed is on solid financial footing. In October 2002, we sold our Patient Care home-healthcare subsidiary, yielding net proceeds of $70.2 million and putting Chemed in an excellent cash position. Additionally, since 1991, Chemed has maintained a $31 million investment in the preferred stock and warrants of Vitas Healthcare Corporation, a leading provider of hospice care serving more than 35,000 patients and their families annually. This asset yields 8% aftertax on the Vitas preferred dividend and represents a potential source of future capital gains or equity earnings.

"As a result, today Chemed's balance sheet is extremely healthy as evidenced by a current ratio of 1.4 and a debt-to-total-capital ratio of 11%. Cash balances exceed long-term debt, giving Chemed the resources to support its subsidiaries' growth, pursue its acquisition strategy targeting Roto-Rooter franchises, and consider opportunities in related industries."

Concluding, Mr. McNamara said, "In 2001, we examined every Chemed operation and began implementing corporate-wide restructuring initiatives. We pared noncore and underperforming businesses, refinanced debt, and restructured various headquarters' costs. These measures bore fruit in 2002. Our 2002 financial results showed improvement, and Chemed's balance sheet is stronger yet.

"We recognize that 2003 will be another challenging year for Chemed's operations, but we believe our initiatives have strengthened Chemed's businesses. Your company is a much better, leaner company today than it was a year ago, and with a little help from the economy, we are positioned to leverage sales growth into profit growth over the long term."

Chemed Corporation (www.chemed.com), headquartered in Cincinnati, is a New York Stock Exchange-listed corporation operating in the residential and commercial repair-and-maintenance-service industry through two wholly owned subsidiaries. Roto-Rooter Inc. is North America's largest provider of plumbing and drain cleaning services. Service America Systems Inc. provides major-appliance and heating/air-conditioning repair, maintenance, and replacement services.

Statements in this press release or in other Chemed communications may relate to future events or Chemed's future performance. Such statements are forward-looking statements and are based on present information Chemed has related to its existing business circumstances. Investors are cautioned that such forward-looking statements are subject to inherent risk that actual results may differ materially from such forward-looking statements. Further, investors are cautioned that Chemed does not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

Chemed Corporation and Subsidiary Companies
Comparative Results (Unaudited)
(in thousands, except per share data)

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2001
Continuing Operations				
Service Revenues and Sales	$ 78,919	$ 84,095	$314,176	$337,908
Loss before Income Taxes (a, b, c, d, e)	$(17,656)	$(20,920)	$ (1,275)	$(10,325)
Income Taxes	(894)	7,556	(6,847)	3,098
Loss from Continuing Operations	(18,550)	(13,364)	(8,122)	(7,227)
Discontinued Operations (f)	389	(1,373)	6,309	(1,447)
Loss before Extraordinary Loss	(18,161)	(14,737)	(1,813)	(8,674)
Extraordinary Loss on Extinguishment of Debt (g)	--	(1,701)	--	(1,701)
Net Loss	$(18,161)	$(16,438)	$ (1,813)	$(10,375)
Pro Forma Income from Continuing Operations				
Loss from Continuing Operations	$(18,550)	$(13,364)	$ (8,122)	$ (7,227)
Goodwill Impairment Charge (a)	20,342	--	20,342	--
Investment Impairment Charge (b)	780	--	780	--
Restructuring and Other Charges (c)	--	14,523	--	16,943
Amortization of Goodwill (d)	--	968	--	3,888
Capital Gains (e)	--	--	(775)	(703)

Pro Forma Income	$ 2,572	$ 2,127	$ 12,225	$ 12,901
Earnings/(Loss) Per Share				
Loss from Continuing Operations	$ (1.88)	$ (1.38)	$ (.82)	$ (.74)
Loss before Extraordinary Loss	$ (1.84)	$ (1.52)	$ (.18)	$ (.89)
Net Loss	$ (1.84)	$ (1.70)	$ (.18)	$ (1.07)
Pro Forma Income from Continuing Operations	$ .26	$ .22	$ 1.24	$ 1.33
Average Number of Shares Outstanding	9,872	9,690	9,858	9,714

(a) Amounts for the three- and 12-month periods ended December 31, 2002, include a goodwill impairment charge of $20,342,000 pretax and aftertax ($2.06 per share). Based on a recent valuation, this charge is the amount necessary to reduce Service America's goodwill to its fair value at December 31, 2002.

(b) Amounts for the three- and 12-month periods ended December 31, 2002, include an investment impairment charge of $1,200,000 ($780,000 aftertax or $.08 per share).

(c) Amounts for the three- and 12-month periods ended December 31, 2001, include pretax restructuring and related charges of $23,180,000 ($14,523,000 aftertax or $1.50 per share) and $27,211,000 ($16,943,000 aftertax or $1.74 per share), respectively. These charges are related primarily to write-offs associated with exiting unprofitable businesses, restructuring long-term stock incentives, severance costs, and the third-quarter settlement of overtime pay issues.

(d) Amounts for the three- and 12-month periods ended December 31, 2001, include pretax goodwill amortization of $1,021,000 ($968,000 aftertax or $.10 per share) and $4,102,000 ($3,888,000 aftertax or $.40 per share), respectively. In accordance with a required change in accounting, goodwill amortization ceased December 31, 2001.

(e) Amounts include pretax capital gains on the sales of investments for the 12-month periods ended December 31, 2002 and 2001, of $1,141,000 ($775,000 aftertax or $.08 per share) and $993,000 ($703,000 aftertax or $.07 per share), respectively.

(f) Discontinued operations include (in thousands):

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Patient Care, sold in 2002	$ 336	$ (1,373)	$ 3,395	$ 526
Accrual adjustments related to operations sold in prior years	53	--	53	--
Income tax refund related to				

operations sold in 1997	--	--	2,861	--
Cadre Computer, sold in 2001	--	--	--	(1,973)
Total discontinued operations	$ 389	$ (1,373)	$ 6,309	$ (1,447)

(g) Amount represents the aftertax prepayment penalty on the Company's early retirement of $32,000,000 of its senior debt.

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