



Roto-Rooter Inc. Reports Third-Quarter Earnings of \$.32 per Share

October 16, 2003

CINCINNATI--(BUSINESS WIRE)--Oct. 16, 2003--Roto-Rooter Inc. (NYSE:RRR) (OTCBB:CHEQP) today reported net income of \$.32 per share for the third quarter, ended September 30, 2003, as compared with net income of \$.72 per share in the 2002 third quarter. Net income in the year-ago third quarter included \$.40 per share from discontinued operations.

Service revenues and sales from continuing operations for the 2003 third quarter were \$75.2 million as compared with \$75.3 million in the 2002 third quarter. Revenues of Roto-Rooter's Plumbing and Drain Service segment grew 5.2% to \$63.3 million as compared with \$60.2 million in the same prior-year quarter.

For the third quarter, Roto-Rooter's net cash provided by operating activities--that is, cash provided by operations before capital expenditures and other investing and financing activities--totaled \$5.5 million in 2003 versus \$10.7 million in 2002 which included \$2.2 million from discontinued operations.

Year to date, for the nine months ended September 30, 2003, Roto-Rooter's net income was \$.86 per share as compared with \$1.66 per share in the same prior-year period. Net income for year-to-date 2003 included capital gains on the sales of investments of \$.34 per share and severance charges of \$.24 per share. Net income for the comparable 2002 period included income from discontinued operations of \$.60 per share and capital gains on the sales of investments of \$.08 per share.

Service revenues and sales from continuing operations for year-to-date 2003 totaled \$230.1 million versus \$235.3 million in 2002. Net cash provided by operating activities for the first nine months of 2003 amounted to \$17.0 million versus \$29.2 million for the comparable 2002 period which included \$5.3 million from discontinued operations.

Commenting on the company's operations, Roto-Rooter President and Chief Executive Officer Kevin J. McNamara said, "We're encouraged by the 5% growth in revenues at the Plumbing and Drain Service segment in the 2003 third quarter versus the 2002 third quarter. In addition, within that segment, revenues from Roto-Rooter's franchising activities and product and equipment sales increased by 14% to \$2.0 million in the 2003 third quarter. Also, in early October, Roto-Rooter completed the acquisition of the New Orleans franchise, which serves areas with a population of 1.1 million.

"Net income from the Plumbing and Drain Service segment totaled \$1.9 million in the 2003 third quarter, 19% below the year-ago third quarter's net income of \$2.4 million. Insurance and legal costs, along with investments in marketing and training, continue to negatively impact margins.

"Service America, our appliance and heating/air-conditioning repair segment, recorded net income of \$51,000 in the 2003 third quarter compared with \$166,000 in the 2002 third quarter. Revenues at Service America totaled \$11.8 million, 22% below the year-ago third quarter. Nonetheless, through the nine months ended September 30, 2003, Service America has generated \$2.9 million in net cash flow for the company."

Commenting on the company's financial activities, Mr. McNamara said, "Corporate Investing and Financing activities generated \$1.3 million of income in the 2003 third quarter as compared with \$642,000 in the prior-year third quarter. Of the \$1.3 million, the redemption of our Vitas Healthcare Corporation preferred stock generated an aftertax capital gain of \$1.2 million in August. The subsequent loss of Vitas' dividend payment accounted for a \$301,000 decline in dividend income for the third quarter of 2003. Interest income also declined substantially when compared with the 2002 third quarter during which the company received an aftertax interest refund of \$530,000 related to a tax refund on our 1997 sale of The Omnia Group."

Continuing, Mr. McNamara said, "Importantly, in October, Roto-Rooter exercised a portion of its Vitas warrants, acquiring 4,158,000 shares of Vitas common stock at a cost of \$18 million. Roto-Rooter's holdings in Vitas represent approximately 37% of Vitas' outstanding common stock. On this basis, Roto-Rooter anticipates recording equity earnings from Vitas beginning in the 2003 fourth quarter. On a full-year basis, we expect the equity income from the Vitas earnings to exceed the dividend income Roto-Rooter historically recorded from the Vitas preferred stock.

"Roto-Rooter continues to hold a warrant for an additional 1,636,000 shares of Vitas common stock at a total price of \$9 million. Assuming Roto-Rooter would exercise this remaining warrant, our total investment in the common shares of Vitas would represent approximately 45% of Vitas' outstanding shares."

Concluding, Mr. McNamara said, "Vitas Healthcare is the leading provider of hospice services in the United States with revenues exceeding \$359 million for its most recently completed fiscal year, ended September 30, 2002. Roto-Rooter has held its investment in Vitas since 1991 and expects that Vitas will provide substantial future growth."

Reflecting its confidence in Roto-Rooter's solid financial position and future earnings potential, in August, the Board of Directors declared a quarterly dividend of \$.12 per share, which was paid in September. This represented Roto-Rooter's 129th consecutive quarterly dividend.

Roto-Rooter Inc. (www.RotoRooter.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 is North America's largest provider of plumbing and drain cleaning services. Service America Network Inc. provides major-appliance and heating/air-conditioning repair, maintenance, and replacement services.

Statements in this press release or in other Roto-Rooter communications may relate to future events or Roto-Rooter's future performance. Such statements are forward-looking statements and are based on present information Roto-Rooter 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 Roto-Rooter does not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

ROTO-ROOTER, INC.

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Continuing Operations				
Service revenues and sales	\$75,172	\$75,322	\$230,088	\$235,257
Cost of services provided and goods sold	44,215	44,314	135,978	139,446
General and administrative expenses	14,138	11,537	45,194(c)	36,699
Selling and marketing expenses	11,003	10,304	33,420	33,085
Depreciation	2,983	3,424	9,025	10,402
Total costs and expenses	72,339	69,579	223,617	219,632
Income from operations	2,833	5,743	6,471	15,625
Interest expense	(487)	(709)	(1,625)	(2,245)
Distributions on preferred securities	(268)	(268)	(804)	(809)
Other income--net	3,048(a)	268(b)	9,765(d)	3,810(e)
Income before income taxes	5,126(a)	5,034(b)	13,807(c,d)	16,381(e)
Income taxes	(1,910)	(1,856)	(5,246)	(5,953)
Income from continuing operations	3,216(a)	3,178(b)	8,561(c,d)	10,428(e)
Discontinued Operations	-	3,929	-	5,920
Net Income	\$ 3,216(a)	\$ 7,107(b)	\$ 8,561(c,d)	\$ 16,348(e)
Earnings Per Share				
Income from continuing operations	\$ 0.32(a)	\$ 0.32(b)	\$ 0.86(c,d)	\$ 1.06(e)
Net income	\$ 0.32(a)	\$ 0.72(b)	\$ 0.86(c,d)	\$ 1.66(e)
Average number of shares outstanding	9,941	9,861	9,913	9,854
Diluted Earnings Per Share				
Income from continuing operations	\$ 0.32(a)	\$ 0.32(b)	\$ 0.86(c,d)	\$ 1.06(e)
Net income	\$ 0.32(a)	\$ 0.72(b)	\$ 0.86(c,d)	\$ 1.65(e)

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Average number of				
shares outstanding	9,988	9,867	9,940	9,882
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- (a) Amounts for the third quarter of 2003 include a pretax gain of \$1,846,000 (\$1,200,000 aftertax or \$.12 per share) from the redemption of the Company's investment in Vitas Healthcare Corporation ("Vitas") preferred stock and pretax dividend income from Vitas preferred stock of \$371,000 (\$328,000 aftertax or \$.03 per share).
- (b) Amounts for the third quarter of 2002 include pretax interest income of \$816,000 (\$530,000 aftertax or \$.05 per share) from interest on a federal income tax refund relating to operations discontinued in 1997 and pretax dividend income from Vitas preferred stock of \$712,000 (\$629,000 aftertax or \$.06 per share).
- (c) Amounts for the first nine months of 2003 include a pretax charge of \$3,627,000 (\$2,358,000 aftertax or \$.24 per share) from severance charges incurred in the first quarter of 2003.
- (d) Amounts for the first nine months of 2003 include aggregate pretax gains of \$5,390,000 (\$3,351,000 aftertax or \$.34 per share) from the redemption of Vitas preferred stock and the sales of investments and pretax dividend income from Vitas preferred stock of \$1,794,000 (\$1,585,000 aftertax or \$.16 per share).
- (e) Amounts for the first nine months of 2002 include a pretax gain of \$1,141,000 (\$775,000 aftertax or \$.08 per share) from the sales of investments, pretax dividend income from Vitas preferred stock of \$2,135,000 (\$1,886,000 aftertax or \$.19 per share) and pretax interest income of \$816,000 (\$530,000 aftertax or \$.05 per share) from interest on a federal income tax refund relating to operations discontinued in 1997.

ROTO-ROOTER, INC.

CONSOLIDATED BALANCE SHEET

(in thousands, except per share data)(unaudited)

	September 30,	
	2003	2002(a)

Assets		
Current assets		
Cash and cash equivalents	\$ 72,607	\$ 15,603
Accounts receivable less allowances	13,310	13,453
Inventories	8,548	10,111
Statutory deposits	9,852	12,304
Current deferred income taxes	7,204	8,442
Current assets of discontinued operations	-	36,555
Prepaid expenses and other current assets	14,225	8,256
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Total current assets	125,746	104,724
Investments of deferred compensation plans held in trust	16,832	14,746
Other investments	5,546	36,768
Note receivable	12,500	-
Properties and equipment, at cost less accumulated depreciation	47,456	49,309
Identifiable intangible assets less		

accumulated amortization	2,450	3,042
Goodwill less accumulated amortization	113,437	131,144
Noncurrent assets of discontinued operations	-	43,485
Other assets	16,908	13,399
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Total Assets	\$340,875	\$396,617
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Liabilities

Current liabilities		
Accounts payable	\$ 5,033	\$ 6,464
Current portion of long-term debt	463	366
Income taxes	7,294	7,465
Deferred contract revenue	16,053	20,390
Accrued insurance	16,844	17,293
Current liabilities of discontinued operations	-	11,071
Other current liabilities	20,347	20,677
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Total current liabilities	66,034	83,726
Long-term debt	25,635	50,728
Mandatorily redeemable convertible preferred securities of the Chemed Capital Trust	14,146	14,186
Deferred compensation liabilities	16,824	14,721
Noncurrent liabilities of discontinued operations	-	2,339
Other liabilities	10,105	9,620
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Total Liabilities	132,744	175,320
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Stockholders' Equity

Capital stock	13,452	13,461
Paid-in capital	169,406	168,359
Retained earnings	137,790	152,265
Treasury stock, at cost	(110,492)	(112,562)
Unearned compensation	(3,389)	(5,087)
Deferred compensation payable in Company stock	2,294	2,266
Notes receivable for shares sold	(930)	(946)
Accumulated other comprehensive income	-	3,541
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Total Stockholders' Equity	208,131	221,297
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Total Liabilities and Stockholders' Equity	\$340,875	\$396,617
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Book Value Per Share	\$ 21.07	\$ 22.59
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(a) Reclassified to conform to 2003 presentation

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SOURCE: Roto-Rooter Inc.