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FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)  
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1998

Commission File Number 1-8351

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

Delaware 31-0791746

(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202

(Address of principal executive offices) (Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Amount	Date
Capital Stock \$1 Par Value	9,450,582 Shares	October 31, 1998

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CHEMED CORPORATION AND  
SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements  
CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET  
(in thousands except share and per share data)  
UNAUDITED

	September 30, 1998	December 31, 1997
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 50,074	\$ 70,958
Accounts receivable, less allowances of \$3,085 (1997 - \$2,626)	45,242	42,142
Inventories	9,579	8,743
Statutory deposits	16,564	16,137
Current portion of redeemable preferred stock	27,225	27,136
Other current assets	11,905	12,352
	-----	-----
Total current assets	160,589	177,468
Other investments	28,411	40,124
Properties and equipment, at cost less accumulated depreciation of \$42,704 (1997 - \$36,179)	57,446	53,089
Identifiable intangible assets less accumulated amortization of \$5,071 (1997 - \$4,194)	13,158	13,645
Goodwill less accumulated amortization of \$20,782 (1997 - \$17,677)	152,115	143,003
Other assets	19,389	21,509
	-----	-----
Total Assets	\$ 431,108	\$ 448,838
	=====	=====
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 7,223	\$ 8,774
Current portion of long-term debt	4,485	5,313
Income taxes	13,817	12,460
Deferred contract revenue	26,714	25,489
Other current liabilities	37,421	42,329
	-----	-----
Total current liabilities	89,660	94,365
Long-term debt	82,079	83,720
Other liabilities and deferred income	35,342	42,633
	-----	-----
Total Liabilities	207,081	220,718
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock-authorized 15,000,000 shares \$1 par; issued 13,138,360 (1997 - 13,019,722) shares	13,138	13,020
Paid-in capital	162,323	158,485
Retained earnings	149,232	148,680
Treasury stock - 3,194,966 (1997 - 2,942,205) shares, at cost	(97,377)	(88,063)
Unearned compensation - ESOPs	(21,547)	(23,959)
Deferred compensation payable in company stock	5,217	-
Accumulated other comprehensive income	13,041	19,957
	-----	-----
Total Stockholders' Equity	224,027	228,120
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 431,108	\$ 448,838
	=====	=====

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF INCOME  
UNAUDITED  
(in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	----- 1998 -----	----- 1997 -----	----- 1998 -----	----- 1997 -----
Continuing Operations				
Service revenues and sales	\$ 96,517	\$ 87,434	\$279,872	\$251,110
	-----	-----	-----	-----
Cost of services provided and cost of goods sold	59,822	54,303	174,059	156,610
Selling and marketing expenses	8,785	6,289	24,228	18,419
General and administrative expenses	19,325	19,471	58,725	55,760
Depreciation	2,694	2,145	7,978	6,261
	-----	-----	-----	-----
Total costs and expenses	90,626	82,208	264,990	237,050
	-----	-----	-----	-----
Income from operations	5,891	5,226	14,882	14,060
Interest expense	(1,798)	(2,924)	(5,397)	(8,476)
Other income, net	3,691	1,298	17,636	16,172
	-----	-----	-----	-----
Income before income taxes	7,784	3,600	27,121	21,756
Income taxes	(3,092)	(1,494)	(10,612)	(8,329)
	-----	-----	-----	-----
Income from continuing operations	4,692	2,106	16,509	13,427
Discontinued Operations	-	9,702	-	13,160
	-----	-----	-----	-----
Net Income	\$ 4,692	\$ 11,808	\$ 16,509	\$ 26,587
	=====	=====	=====	=====
Earnings Per Common Share				
Income from continuing operations	\$ .47	\$ .21	\$ 1.65	\$ 1.35
	=====	=====	=====	=====
Net income	\$ .47	\$ 1.19	\$ 1.65	\$ 2.68
	=====	=====	=====	=====
Average number of shares outstanding	10,003	9,937	9,999	9,931
	=====	=====	=====	=====
Diluted Earnings per Common Shares				
Income from continuing operations	\$ .47	\$ .21	\$ 1.64	\$ 1.34
	=====	=====	=====	=====
Net income	\$ .47	\$ 1.18	\$ 1.64	\$ 2.66
	=====	=====	=====	=====
Average number of shares outstanding	10,032	10,023	10,041	10,001
	=====	=====	=====	=====
Cash Dividends Paid Per Share	\$ .53	\$ .52	\$ 1.59	\$ 1.56
	=====	=====	=====	=====

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
UNAUDITED  
(in thousands)

	Nine Months Ended September 30,	
	1998	1997*
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 16,509	\$ 26,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,728	10,717
Gains on sale of investments	(12,258)	(12,235)
Provision for deferred income taxes	1,454	(222)
Provision for uncollectible accounts receivable	1,019	330
Discontinued operations	-	(13,160)
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
Increase in accounts receivable	(3,218)	(2,517)
Increase in inventories and other current assets	(1,149)	(180)
(Increase)/decrease in statutory deposits	(427)	2,831
Decrease in accounts payable, deferred contract revenue and other current liabilities	(3,127)	(724)
Increase in income taxes	1,873	6,290
Other - net	721	965
	14,125	18,682
Net cash provided by discontinued operations	-	9,699
	14,125	28,381
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(15,023)	(15,013)
Business combinations, net of cash acquired	(14,373)	(11,281)
Proceeds from sale of investments	14,315	14,060
Net proceeds/(outflows) relating to sale of discontinued operations	(4,806)	187,278
Investing activities of discontinued operations	-	(5,464)
Other-net	2,607	(572)
	(17,280)	169,008
<b>Cash Flows From Financing Activities</b>		
Dividends paid	(16,072)	(15,660)
Repayment of long-term debt	(1,271)	(95,167)
Proceeds from long-term debt	-	35,000
Decrease in bank notes and overdrafts payable	-	(4,865)
Other - net	(386)	770
	(17,729)	(79,922)
Increase/(Decrease) In Cash And Cash Equivalents	(20,884)	117,467
Cash and cash equivalents at beginning of period	70,958	14,028
	\$ 50,074	\$131,495
	=====	=====

\* Reclassified to conform to 1998 presentation  
See accompanying notes to unaudited financial statements.  
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CHEMED CORPORATION AND SUBSIDIARY COMPANIES

Notes to Unaudited Financial Statements

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, they do not include all the disclosures required under generally accepted accounting principles for complete financial statements. In the opinion of the management of Chemed Corporation (the "Company"), the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of the Company and its consolidated subsidiaries ("Chemed"). For further information regarding Chemed's accounting policies, refer to the consolidated financial statements and notes included in Chemed's Annual Report on Form 10-K for the year ended December 31, 1997.
2. Earnings per common share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per common share reflect the dilutive impact of outstanding stock options and nonvested stock awards.
3. The Company had total comprehensive income of \$1,122,000, \$12,607,000, \$9,593,000 and \$19,652,000 for the three months ended September 30, 1998 and 1997 and for the nine months ended September 30, 1998 and 1997, respectively. The difference between the Company's net income and comprehensive income relates to the cumulative unrealized appreciation/depreciation on its available-for-sale securities.

Item 2. Management's Discussion and Analysis  
of Financial Condition and Results of Operations

Financial Condition

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The decline in cash and cash equivalents from \$71.0 million at December 31, 1997 to \$50.1 million at September 30, 1998 is primarily due to the use of cash for business combinations and for the payments of costs relative to discontinued operations (largely a post-closing balance sheet valuation adjustment related to operations discontinued in September 1997). In accordance with a recent consensus by the Emerging Issues Task Force of the Financial Accounting Standards Board, shares of Chemed stock held in rabbi trusts are included in treasury stock at September 30, 1998. Previously these assets had been included in other assets. Additionally, the deferred compensation liability relative to these shares has been reclassified from other noncurrent liabilities at December 31, 1997 to stockholder's equity at September 30, 1998.

The decline in other current liabilities from \$42.3 million at December 31, 1997 to \$37.4 million at September 30, 1998 is primarily due to the payment of liabilities relative to operations discontinued in prior years.

Vitas Healthcare Corporation ("Vitas"), the privately held provider of hospice services to the terminally ill in which the Company carries an investment of \$27 million of redeemable preferred stock, made preferred dividend payments of \$499,500 and \$2,116,800, on June 19 and July 15, 1998, respectively. As a result, the preferred dividends in arrears have been reduced from \$2.4 million at March 31, 1998 to \$1.0 million at September 30, 1998. Vitas is continuing to explore long-term financing alternatives to increase its liquidity. In connection therewith, in the second quarter of 1998, the Company extended the maturity date on its holdings of preferred stock from the fourth quarter of 1998 to April 1, 1999. On the basis of current information, management believes the company's investment in Vitas is fully recoverable and that no impairment exists.

At September 30, 1998 Chemed had approximately \$106.2 million of unused lines of credit with various banks. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Results of Operations

Sales and service revenues and operating profit from continuing operations by business segment follow (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
<b>Sales and Service Revenues</b>				
Roto-Rooter	\$ 49,274	\$ 39,041	\$ 138,013	\$ 111,221
Patient Care	29,301	31,076	89,081	89,723
Service America	17,942	17,317	52,778	50,166
<b>Total</b>	<b>\$ 96,517</b>	<b>\$ 87,434</b>	<b>\$ 279,872</b>	<b>\$ 251,110</b>
<b>Operating Profit</b>				
Roto-Rooter	\$ 5,700	\$ 4,677	\$ 14,201	\$ 11,912
Patient Care	1,636	1,545	4,363	3,983
Service America	920	1,014	2,637	2,593
<b>Total</b>	<b>\$ 8,256</b>	<b>\$ 7,236</b>	<b>\$ 21,201</b>	<b>\$ 18,488</b>

Data relating to (a) the increase in service revenues and sales and (b) operating profit as a percent of sales and service revenues are set forth below:

	Service Revenues and Sales % Increase/(Decrease)	Operating Profit as a % of Sales (Operating Margin)	
		1998 vs. 1997	1998
<b>Three Months Ended September 30,</b>			
Roto-Rooter	26 %	11.6%	12.0%
Patient Care	(6)	5.6	5.0
Service America	4	5.1	5.9
<b>Total</b>	<b>10</b>	<b>8.6</b>	<b>8.3</b>
<b>Nine Months Ended September 30,</b>			
Roto-Rooter	24 %	10.3%	10.7%
Patient Care	(1)	4.9	4.4
Service America	5	5.0	5.2
<b>Total</b>	<b>11</b>	<b>7.6</b>	<b>7.4</b>



Service revenues and sales of the Roto-Rooter segment for the third quarter of 1998 totalled \$49,274,000, an increase of 26% over revenues of \$39,041,000 recorded in the third quarter of 1997. Revenues of the plumbing services business and the drain cleaning business increased 35% and 13%, respectively, for the third quarter of 1998, as compared with the revenues recorded in the third quarter of 1997. These revenues accounted for 43% and 37%, respectively of Roto-Rooter's total revenues and sales during the 1998 period. Excluding businesses acquired in 1997 and 1998, revenues for the third quarter of 1998 increased 9% over revenues recorded in the 1997 period. The operating margin of the Roto-Rooter segment during the third quarter of 1998 was 11.6% as compared with 12.0% during the third quarter of 1997. This decline was attributable to a lower gross profit margin in the 1998 third quarter. The lower margin was attributable to a change in sales mix in the 1998 period as revenues of the plumbing repair business and heating, ventilating and air conditioning ("HVAC") business increased at greater rates than the sewer and drain cleaning business which carries a higher margin than plumbing and HVAC.

Service revenues of the Patient Care segment declined 6% from \$31,076,000 in the third quarter of 1997 to \$29,301,000 in the third quarter of 1998. This decline was primarily due to a decline in Medicare revenues resulting from the passage of the Balanced Budget Act of 1997. The operating margin of this segment increased from 5.0% during the third quarter of 1997 to 5.6% during the third quarter of 1998 due primarily to lower branch operating expenses as a percent of revenues.

Service revenues and sales of the Service America segment increased 4% from \$17,317,000 to \$17,942,000 in the third quarter of 1998. The operating margin of the Service America segment declined from 5.9% in the third quarter of 1997 to 5.1% in 1998 primarily due to increased selling and marketing expenses (as a percent of service revenues) in the 1998 quarter. The higher level of sales and marketing expenses is due to increased telemarketing costs and increased direct sales costs in the 1998 period. The stronger sales and marketing efforts in 1998 are expected to increase sales growth in the coming year.

Income from operations increased from \$5,226,000 in the third quarter of 1997 to \$5,891,000 in the third quarter of 1998, primarily as a result of higher operating profit of the Roto-Rooter segment.

Interest expense declined from \$2,924,000 in the third quarter of 1997 to \$1,798,000 in the third quarter of 1998, primarily due to the September 1997 reduction in the Company's long-term debt.

Other income-net increased from \$1,298,000 in the third quarter of 1997 to \$3,691,000 in the third quarter of 1998 primarily due to gains on the sales of investments and higher interest income in the 1998 period. The increase in interest income was primarily due to larger balances of cash and cash equivalents during 1998.

The Company's effective income tax rate during the third quarter of 1998 was 39.7% as compared with 41.5% during the third quarter of 1997. This decline was largely attributable to a lower effective state and local tax rate on capital gains recorded in the 1998 quarter.

Income from continuing operations during the third quarter of 1998 totalled \$4,692,000 (\$.47 per share) as compared with \$2,106,000 (\$.21 per share) in the third quarter of 1997. This increase was attributable to gains on the sales of investments, lower interest expense and higher operating income during the 1998 period. Excluding gains from the sales of investments, income from continuing operations for the third quarter of 1998 totalled \$.33 per share as compared with \$.21 per share during the third quarter of 1997.

Net income declined from \$11,808,000 (\$1.19 per share) in the 1997 third quarter to \$4,692,000 (\$.47 per share) in the 1998 third quarter, as a result of income from discontinued operations of \$9,702,000 in 1997, primarily relating to the gain on the sales of operations sold in September 1997.

Nine Months Ended September 30, 1998 Versus September 30, 1997  
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Service revenues and sales of the Roto-Rooter segment for the first nine months of 1998 totalled \$138,013,000, an increase of 24% over revenues of \$111,221,000 recorded in the first nine months of 1997. Revenues of the plumbing services business and drain cleaning business increased 32% and 12%, respectively, for the first nine months of 1998. Excluding revenues of businesses acquired in 1998 and 1997, revenues of the segment increased 10% during the first nine months of 1998. The operating margin of the Roto-Rooter segment in the first nine months of 1998 was 10.3% as compared with 10.7% during the first nine months of 1997. This decline was attributable to a lower gross profit margin in the 1998 period primarily resulting from a change in sales mix.

Revenues of the Patient Care segment declined 1% from \$89,723,000 in the first nine months of 1997 to \$89,081,00 in the first nine months of 1998. Excluding the revenues of businesses acquired in 1997 and 1998, revenues for the 1998 period declined 5% in 1998 primarily from a decline in Medicare revenues resulting from the passage of the Balanced Budget Act of 1997. The operating margin of this segment was 4.4% in the first nine months of 1997, increasing to 4.9% during the first nine months of 1998. This increase was primarily attributable to lower branch operating expenses as a percent of revenues in the 1998 period.

Service revenues and sales of the Service America segment increased 5% from \$50,166,000 in the first nine months of 1997 to \$52,778,000 in the first nine months of 1998. This revenue increase was driven by a 11% increase in the sales of Service America's retail business during the 1998 period. The operating margin of the Service America segment was 5.0% during the first nine months of 1998 as compared with 5.2% during the first nine months of 1997.

Income from operations increased from \$14,060,000 during the first nine months of 1997 to \$14,882,000 during the comparable period of 1998. This increase was primarily a result of higher operating profit recorded by all three of the Company's segments during 1998, partially offset by higher operating costs of the Company's developing software consulting operations during 1998.

Interest expense declined from \$8,476,000 during the first nine months of 1997 to \$5,397,000 during the first nine months of 1998, largely as a result of the reduction of the Company's long-term debt.

Other income-net increased from \$16,172,000 during the first nine months of 1998 to \$17,636,000 during the first nine month of 1997, primarily due to higher interest income during the 1998 period.

The Company's effective tax rate during the first nine months of 1998 was 39.1% as compared with 38.3% during the first nine months of 1997.

Income from continuing operations during the first nine months of 1998 totalled \$16,509,000 (\$1.65 per share) as compared with \$13,427,000 (\$1.35 per share) for the first nine months of 1997. Excluding gains on the sales of investments in both periods, income from continuing operations for the first nine months of 1998 totalled \$.88 per share as compared with \$.58 per share during the first nine months of 1997.

Net income declined from \$26,587,000 (\$2.68 per share) in the first nine months of 1997 to \$16,509,000 (\$1.65 per share) in the first nine months of 1998, largely as a result of gains on the sales of discontinued operations sold in September 1997.

#### Year 2000 Update

The Company's Year 2000 Project ("Project") addressed the issue of computer systems and hardware being unable to distinguish between the year 1900 and the year 2000.

Mission-critical systems of the Roto-Rooter and Service America segments are currently Year 2000 ("Y2K") ready as are the majority of Patient Care's internal systems. It is anticipated that the remainder of Patient Care's systems will be Y2K ready by mid-1999. Systems currently not Y2K ready are being upgraded or replaced by software developed in house and in some instances by installing upgrades of off-the-shelf software. Critical systems at the Company's administrative headquarters are believed to be Y2K ready. Verification of that readiness will be performed during the next six months.

To date expenditures for the Project have not been material and it is anticipated that future expenditures for Y2K issues will be immaterial.

As part of the Project, the Company is contacting its major trading partners to ascertain that their systems are Y2K ready or will be ready within an acceptable time frame. This portion of the Project is in the beginning stages and not all trading partners have been contacted or have responded. A significant portion of the Patient Care segment's revenues (approximately 60%) are either directly or indirectly dependent upon the electronic processing of Medicare and Medicaid claims through fiscal intermediaries of the Health Care Financing Administration ("HCFA"). The Medicare intermediaries have modified their systems to be Y2K ready and anticipate implementing those systems January 1, 1999. In the past, Medicaid intermediaries have followed the lead of the Medicare intermediaries. During 1998, Medicaid intermediaries orally represented that their systems will be Y2K ready prior to January 1, 2000. Patient Care is also contacting its other major customers to determine their state of Y2K readiness.

Should the fiscal intermediaries, HCFA or Patient Care's major customers fail to become Y2K ready on a timely basis, Patient Care could experience a significant slowing of the processing and payment of a significant portion of its revenues.

The Company's operations have commenced development of formalized contingency plans to continue operations should they experience the failure of their systems (or should its major trading partners experience such a failure) due to Y2K issues. Such plans include the manual and/ or semi-manual processing of transactions. It is anticipated that the finalization of contingency plans will be completed during 1999 after internal systems have been upgraded and major trading partners have responded to Company inquiries.

While the Company currently anticipates its mission-critical systems will continue to operate after December 31, 1999, there can be no assurance that the failure of systems outside its control or immediate sphere of influence will not materially impact its operations.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information

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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 state of Y2K readiness of the Company's key trading partners; the ability of its Patient Care operation to successfully implement the remaining Y2K changes to its internal systems; and the successful development of a Y2K contingency plan. The Company's ability to deal with the unknown outcomes of these events may impact the reliability of its projections of Y2K readiness.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	SK 601 Ref. No.	Description
1	(11)	Statement re: Computation of Per Share Earnings
2	(27)	Financial Data Schedule

SIGNATURES

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

Chemed Corporation

(Registrant)

Dated: November 12, 1998

By Naomi C. Dallob

Naomi C. Dallob  
Vice President and Secretary

Dated: November 12, 1998

By Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.  
Vice President and  
Controller (Principal  
Accounting Officer)







Computation of Earnings Per  
Common Share

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Reported Income	\$ 4,692	\$ 11,808	\$ 16,509	\$ 26,587
	=====	=====	=====	=====
Average number of shares outstanding	10,003	9,937	9,999	9,931
	=====	=====	=====	=====
Earnings per common share	\$ 0.47	\$ 1.19	\$ 1.65	\$ 2.68
	=====	=====	=====	=====

Computation of Diluted  
Earnings Per Common Share

-----

Reported Income	\$ 4,692	\$ 11,808	\$ 16,509	\$ 26,587
	=====	=====	=====	=====
Average number of shares outstanding	10,003	9,937	9,999	9,931
Effect of nonvested stock awards	28	37	36	30
Effect of unexercised stock options	1	49	6	40
	-----	-----	-----	-----
Average number of shares used to compute diluted earnings per share	10,032	10,023	10,041	10,001
	=====	=====	=====	=====
Diluted earnings per common share	\$ 0.47	\$ 1.18	\$ 1.64	\$ 2.66
	=====	=====	=====	=====



THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q OF CHEMED CORPORATION FOR THE QUARTER ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584  
 CHEMED CORPORATION  
 1,000

9-MOS		
	DEC-31-1998	
	SEP-30-1998	
		50,074
		0
		48,327
		(3,085)
		9,579
	160,589	100,150
	(42,704)	
	431,108	
89,660		
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0		
		0
		13,138
		210,889
431,108		
		0
	279,872	
		0
		174,059
		0
		1,019
	5,397	
	27,121	
		10,612
16,509		
		0
		0
		0
		16,509
		1.65
		1.64