

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 March 31, 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	10,100,363 Shares	April 30, 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

	March 31, 1998	December 31, 1997
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 72,820	\$ 70,958
Accounts receivable, less allowances of \$2,684 (1997 - \$2,626)	41,961	42,142
Inventories		
Raw materials	703	673
Finished goods and general merchandise	8,214	8,070
Statutory deposits	16,277	16,137
Current portion of redeemable preferred stock	27,172	27,136
Other current assets	12,639	12,352
	-----	-----
Total current assets	179,786	177,468
Other investments	40,563	40,124
Properties and equipment, at cost less accumulated depreciation of \$38,514 (1997 - \$36,179)	54,488	53,089
Identifiable intangible assets less accumulated amortization of \$4,480 (1997 - \$4,194)	13,359	13,645
Goodwill less accumulated amortization of \$18,689 (1997 - \$17,677)	143,357	143,003
Other assets	21,014	21,509
	-----	-----
Total Assets	\$ 452,567	\$ 448,838
	=====	=====
LIABILITIES		
Current liabilities		
Accounts payable	\$ 10,354	\$ 8,774
Current portion of long-term debt	5,528	5,313
Income taxes	15,078	12,460
Deferred contract revenue	26,009	25,489
Other current liabilities	40,742	42,329
	-----	-----
Total current liabilities	97,711	94,365
Long-term debt	82,608	83,720
Other liabilities	41,878	42,633
	-----	-----
Total Liabilities	222,197	220,718
	-----	-----
STOCKHOLDERS' EQUITY		
Capital stock-authorized 15,000,000 shares \$1 par; issued 13,128,810 shares (1997 - 13,019,722 shares)	13,129	13,020
Paid-in capital	162,410	158,485
Retained earnings	149,616	148,680
Treasury stock - 3,028,810 shares (1997 - 2,942,205 shares), at cost	(91,644)	(88,063)
Unearned compensation	(23,196)	(23,959)
Accumulated other comprehensive income	20,055	19,957
	-----	-----
Total Stockholders' Equity	230,370	228,120
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 452,567	\$ 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 March 31,	
	1998	1997
Continuing Operations		
Service revenues and sales	\$ 88,412	\$ 77,657
Cost of services provided and cost of goods sold	55,876	48,023
Selling and marketing	7,127	6,035
General and administrative expenses	19,060	16,696
Depreciation	2,604	2,686
Total costs and expenses	84,667	73,440
Income from operations	3,745	4,217
Interest expense	(1,758)	(2,637)
Other income - net	8,333	10,392
Income before income taxes	10,320	11,972
Income taxes	(4,069)	(4,595)
Income from continuing operations	6,251	7,377
Discontinued Operations	-	1,110
Net Income	\$ 6,251	\$ 8,487
Earnings Per Common Share		
Income from continuing operations	\$.63	\$.74
Net income	.63	.85
Average number of shares outstanding	\$ 9,989	\$ 9,928
Diluted Earnings Per Common Share		
Income from continuing operations	\$.62	\$.74
Net income	.62	.85
Average number of shares outstanding	10,090	9,990
Cash Dividends Paid Per Share	\$.53	\$.52

See accompanying notes to unaudited financial statements.

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

	Three Months Ended March 31,	
	1998	1997
Cash Flows From Operating Activities		
Net income	\$ 6,251	\$ 8,487
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on sale of investments	(6,163)	(9,079)
Depreciation and amortization	4,771	4,058
Provision for deferred income taxes	547	132
Discontinued operations	-	(1,110)
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
Increase in accounts receivable	(343)	(2,133)
Increase in inventories and other current assets	(398)	(710)
(Increase)/decrease in statutory deposits	(140)	1,829
Increase/(decrease) in accounts payable, deferred contract revenue and other current liabilities	478	(1,349)
Increase in income taxes	3,368	4,126
Other - net	(506)	(1,139)
	7,865	3,112
Net cash provided by continuing operations	7,865	3,112
Net cash provided by discontinued operations	-	3,865
	7,865	6,977
Cash Flows From Investing Activities		
Proceeds from sale of investments	6,798	10,474
Capital expenditures	(4,363)	(2,796)
Business combinations, net of cash acquired	(1,811)	(3,169)
Net cash outflow from the disposition of discontinued operations	(1,019)	(661)
Purchase of investments	(642)	-
Investing activities of discontinued operations	-	(2,102)
Other - net	263	74
	(774)	1,820
Cash Flows From Financing Activities		
Dividends paid	(5,355)	(5,217)
Proceeds from issuance of long-term debt	-	25,000
Repayment of long-term debt	-	(23,061)
Other - net	126	721
	(5,229)	(2,557)
Increase/(decrease) in cash and cash equivalents	1,862	6,240
Cash and cash equivalents at beginning of period	70,958	14,028
	\$ 72,820	\$20,268
	\$ 72,820	\$20,268

See accompanying notes to unaudited financial statements.

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. However, 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/(loss) of \$6,349,000 and \$(1,895,000) for the three months ended March 31, 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

During the first quarter of 1998 there was no material change in the Company's financial position.

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, is continuing to explore long-term financing alternatives to increase its liquidity. On the basis of current information, management believes the Company's investment in Vitas is fully recoverable and that no impairment exists.

At March 31, 1998 Chemed had approximately \$119.1 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 March 31,	
	1998	1997
Sales and Service Revenues		
Roto-Rooter	\$ 41,679	\$ 35,879
Patient Care	29,800	25,933
Service America	16,933	15,845
Total	\$ 88,412	\$ 77,657

Operating Profit

Roto-Rooter	\$ 3,893	\$ 3,485
Patient Care	1,145	975
Service America	800	743

Total	\$ 5,838	\$ 5,203
=====		

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	Operating Profit as a % of Sales (Operating Margin)	
	-----	-----	
	1998 vs. 1997	1998	1997

Roto-Rooter	16 %	9.3%	9.7%
Patient Care	15	3.8	3.8
Service America	7	4.7	4.7
Total	14	6.6	6.7

Service revenues and sales for the Roto-Rooter segment for the first quarter of 1998 totalled \$41,679,000, an increase of 16% over the \$35,879,000 recorded in the first quarter of 1997. Revenues of the plumbing services business and the drain cleaning business increased 21% and 9%, respectively, for the first quarter of 1998, as compared with revenues recorded in the first quarter of 1997. These revenues accounted for 39% and 43%, respectively, of Roto-Rooter's total service revenues and sales during the 1998 period. The operating margin of the Roto-Rooter segment in the first quarter of 1998 was 9.3% as compared with 9.7% during the first quarter of 1997. This decline was attributable to a lower gross profit margin in the 1998 first quarter. The lower margin was attributable to a change in sales mix in the 1998 period as revenues of the plumbing repair business and heat, ventilating and air conditioning (HVAC) business increased at greater rates than the sewer and drain cleaning business, which carries a higher margin than the other two businesses.

Service revenues of the Patient Care segment increased 15% from \$25,933,000 during the first quarter of 1997 to \$29,800,000 in the first quarter of 1998. Excluding the revenues of Priority Care, acquired in the second quarter of 1997, revenues declined 2% in 1998 as compared with such revenues in 1997 primarily due to an expected decline in medicare and medicaid revenues resulting from the passage of the Balanced Budget Act of 1997. The operating margin of this segment was 3.8% in both 1997 and 1998.

Service revenues and sales of the Service America segment increased 7% from \$15,845,000 in the first quarter of 1997 to \$16,933,000 in the first quarter of 1998. This revenue increase was driven by a 24% increase in the sales of Service America's retail business, which accounts for approximately 20% of its overall sales in the 1998 period. The operating margin of the Service America segment was 4.7% in both 1997 and 1998.

Income from operations declined from \$4,217,000 in the first three months of 1997 as compared to \$3,745,000 during the first three months of 1998. This decline was largely the result of operating costs of the Company's developing software consulting operations and favorable accrual adjustments to overhead expenses in the first quarter of 1997, partially offset by higher operating profit of the Company's three segments.

Other income--net declined from \$11,972,000 in the first quarter of 1997 to \$10,320,000 in the first quarter of 1998, primarily as a result of lower investment gains recorded in the 1998 period. During the first quarter of 1998 the Company recorded gains on the sales of investments aggregating \$6,163,000 as compared with \$9,079,000 during the first quarter of 1997. Higher interest income for 1998 as compared with the 1997 first quarter partially offset this decline in investment gains.

The Company's effective income tax rate during the first quarter of 1998 was 39.4% as compared with 38.4% during the first three months of 1997.

Income from continuing operations during the first quarter of 1998 totalled \$6,251,000 (\$.63 per share) as compared with \$7,377,000 (\$.74 per share) in the first quarter of 1997. This decline was primarily attributable to larger gains on the sales of investments in the 1997 period. Excluding gains on the sales of investments in both periods, income from continuing operations for the first quarter of 1998 totalled \$.24 per share as compared with \$.18 per share during the first quarter of 1997.

Net income declined from \$8,487,000 (\$.85 per share) in the 1997 first quarter to \$6,251,000 (\$.63 per share) in the 1998 first quarter, largely as a result of lower investment gains, and income from discontinued operations of \$1,110,000 recorded in the first quarter of 1997, relating to operations which were disposed in September 1997.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	SK 601 Ref. No.	Description	Page No.
1	(11)	Statement re: Computation of Per Share Earnings	E-1 and E-2
2	(27)	Financial Data Schedule	E-3 and E-4

(b) Reports on Form 8-K - None

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: May 12, 1998

By Naomi C. Dallob
Naomi C. Dallob, Vice President and Secretary

Dated: May 12, 1998

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

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
 COMPUTATION OF PER SHARE EARNINGS
 (in thousands except per share data)
 EXHIBIT 11

	Income from Continuing Operations	
	Three Months Ended March 31,	
	1998	1997
<hr style="border-top: 1px dashed black;"/>		
Computation of Earnings Per Common Share		
Reported Income	\$ 6,251 =====	\$ 7,377 =====
Average number of shares outstanding	9,989 =====	9,928 =====
Earnings share	\$.63 =====	\$.74 =====
<hr style="border-top: 1px dashed black;"/>		
Computation of Diluted Earnings Per Common Share		
Reported Income	\$ 6,251 =====	\$ 7,377 =====
Average number of shares outstanding	9,989	9,928
Effect of nonvested stock awards	44	23
Effect of unexercised stock options	57	39
	-----	-----
Average number of shares used to compute diluted earnings per common share	10,090 =====	9,990 =====
Earnings per common share assuming full dilution	\$.62 =====	\$.74 =====

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CHEMED CORPORATION AND SUBSIDIARY COMPANIES
 COMPUTATION OF PER SHARE EARNINGS
 (in thousands except per share data)
 EXHIBIT 11 (continued)

	Net Income	
	Three Months Ended March 31,	
	1998	1997
<hr style="border-top: 1px dashed black;"/>		
Computation of Earnings Per Common Share		
Reported Income	\$ 6,251 =====	\$ 8,487 =====
Average number of shares outstanding	9,989 =====	9,928 =====

Earnings per common share	\$.63	\$.85
	=====	=====
Computation of Diluted Earnings Per Common Share		

Reported Income	\$ 6,251	\$ 8,487
Impact of subsidiary stock options	-	(5)
	-----	-----
Adjusted income	\$ 6,251	\$ 8,482
	=====	=====
Average number of shares outstanding	9,989	9,928
Effect of nonvested stock awards	44	23
Effect of unexercised stock options	57	39
	-----	-----
Average number of shares used to compute diluted earnings per common share	10,090	9,990
	=====	=====
Earnings per common share assuming full dilution	\$.62	\$.85
	=====	=====

THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q OF CHEMED CORPORATION FOR THE QUARTER ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584
CHEMED CORPORATION
1,000

3-MOS	
DEC-31-1998	
JAN-01-1998	
MAR-31-1998	
	72,820
	0
	77,645
	(2,684)
	8,917
	179,786
	93,002
	(38,514)
	452,567
97,711	
	82,608
0	
	0
	13,129
	217,214
452,567	
	0
	88,412
	0
	55,876
	0
	276
(1,758)	
	10,320
	4,069
6,251	
	0
	0
	0
	6,251
	.63
	.62