

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 June 30, 2000

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 ☒ 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	9,869,800 Shares	July 31, 2000
\$1 Par Value		

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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

	June 30, 2000	December 31, 1999
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,522	\$ 17,282
Accounts receivable, less allowances of \$4,783 (1999 - \$4,554)	54,875	55,889
Inventories	10,267	9,794
Statutory deposits	14,483	14,254
Other current assets	17,193	14,583
	-----	-----
Total current assets	111,340	111,802
Other investments	34,386	37,849
Properties and equipment, at cost less accumulated depreciation of \$60,198 (1999 - \$55,410)	72,723	71,728
Identifiable intangible assets less accumulated amortization of \$7,150 (1999 - \$6,558)	12,174	12,597
Goodwill less accumulated amortization of \$29,031 (1999 - \$26,545)	171,190	163,257
Other assets	26,078	24,070
	-----	-----
Total Assets	\$ 427,891	\$ 421,303
	=====	=====

LIABILITIES

Current liabilities

Accounts payable	\$ 9,720	\$ 11,246
Current portion of long-term debt	26,125	11,719
Income taxes	9,071	8,714
Deferred contract revenue	26,660	25,630
Other current liabilities	38,059	41,119
	-----	-----
Total current liabilities	109,635	98,428
Long-term debt	68,522	78,580
Other liabilities	31,454	32,251
	-----	-----
Total Liabilities	209,611	209,259
	-----	-----

MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES
OF THE CHEMED CAPITAL TRUST

15,296	-
-----	-----

STOCKHOLDERS' EQUITY

Capital stock-authorized 15,000,000 shares \$1 par; issued 13,890,791 shares (1999 - 13,664,892 shares)	13,891	13,665
Paid-in capital	170,641	164,549
Retained earnings	153,326	144,322
Treasury stock - 3,999,045 shares (1999 - 3,268,783 shares), at cost	(119,475)	(99,437)
Unearned compensation	(19,439)	(17,056)
Deferred compensation payable in company stock	5,468	5,340
Accumulated other comprehensive income	1,377	3,392
Notes receivable for shares sold	(2,805)	(2,731)
	-----	-----
Total Stockholders' Equity	202,984	212,044
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 427,891	\$ 421,303
	=====	=====

See accompanying notes to unaudited financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Service revenues and sales	\$125,218	\$111,385	\$246,752	\$217,120
	-----	-----	-----	-----
Cost of services provided and cost of goods sold	75,874	68,373	150,001	133,432
Selling and marketing expenses	11,288	10,190	22,552	20,169
General and administrative expenses	24,923	23,526	49,769	45,401
Depreciation	3,950	3,097	7,708	6,127
	-----	-----	-----	-----
Total costs and expenses	116,035	105,186	230,030	205,129
	-----	-----	-----	-----
Income from operations	9,183	6,199	16,722	11,991
Interest expense	(1,787)	(1,507)	(3,569)	(3,101)
Distributions on preferred securities	(286)	-	(574)	-
Other income - net	2,793	3,735	5,189	8,344
	-----	-----	-----	-----
Income before income taxes	9,903	8,427	17,768	17,234
Income taxes	(3,790)	(3,313)	(6,753)	(6,765)
	-----	-----	-----	-----
Net Income	\$ 6,113	\$ 5,114	\$ 11,015	\$ 10,469
	=====	=====	=====	=====

Earnings Per Common Share

Net income	\$.62	\$.49	\$ 1.11	\$ 1.00
	=====	=====	=====	=====
Average number of shares outstanding	9,797	10,473	9,931	10,473
	=====	=====	=====	=====
Diluted Earnings Per Common Share				
Net income	\$.61	\$.49	\$ 1.10	\$ 1.00
	=====	=====	=====	=====
Average number of shares outstanding	10,295	10,512	10,353	10,515
	=====	=====	=====	=====
Cash Dividends Paid Per Share	\$.10	\$.53	\$.20	\$ 1.06
	=====	=====	=====	=====

See accompanying notes to unaudited financial statements.

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

	Six months Ended June 30,	
	2000	1999*
	-----	-----
Cash Flows From Operating Activities		
Net income	\$ 11,015	\$10,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,837	9,820
Gains on sale of investments	(2,662)	(4,662)
Provision for uncollectible accounts receivable	990	155
Provision for deferred income taxes	525	(125)
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
Increase in accounts receivable	(26)	(5,780)
Increase in inventories and other current assets	(3,440)	(402)
(Increase)/decrease in statutory deposits	(229)	657
Increase/(decrease) in accounts payable, deferred contract revenue and other current liabilities	(1,431)	703
Increase in income taxes	963	570
Other - net	77	(1,166)
	-----	-----
Net cash provided by operating activities	17,619	10,239
	-----	-----
Cash Flows From Investing Activities		
Capital expenditures	(11,345)	(13,168)
Business combinations--net of cash acquired	(8,805)	(11,215)
Proceeds from sale of investments	3,424	7,702
Net outflows from discontinued operations	(1,857)	(1,426)
Purchase of investments	(350)	(297)
Other - net	226	2,012
	-----	-----
Net cash used by investing activities	(18,707)	(16,392)

Cash Flows From Financing Activities	-----	-----
Proceeds from issuances of long-term debt	5,000	-
Purchase of treasury stock	(4,501)	(289)
Dividends paid	(2,020)	(11,233)
Retirement of long-term debt	(84)	(1,479)
Other - net	(67)	370
	-----	-----
Net cash provided/(used) by financing activities	(1,672)	(12,631)
	-----	-----
Increase/(Decrease) In Cash And Cash Equivalents	(2,760)	(18,784)
Cash and cash equivalents at beginning of period	17,282	41,358
	-----	-----
Cash and cash equivalents at end of period	\$ 14,522	\$22,574
	=====	=====

* Reclassified to conform to current year 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. 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, 1999.
2. The Company's previously announced Exchange Offer, whereby stockholders were permitted to exchange up to 2,000,000 shares of capital stock for Mandatorily Redeemable Convertible Preferred Securities ("Trust Securities") of the wholly-owned Chemed Capital Trust ("Trust") on a one-for-one basis, was completed effective February 1, 2000. As a result 575,503 shares of capital stock were exchanged for the same number of Trust Securities with a redemption value of \$15,538,581 (\$27 per security).

The Trust Securities pay an annual cash distribution of \$2.00 per security (payable at the quarterly rate of \$.50 per security commencing 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 three years after issuance.

The sole assets of the Trust are Junior Subordinated Debentures ("Debentures") of the Company in the principal amount of \$16,019,181. The Debentures mature in March 2030 and the interest rate on the Debentures is \$2.00 per annum per \$27 principal amount. In February 2000, the Company executed an Indenture relating to the Debentures, an Amended and Restated Declaration of Trust relating to the Trust Securities and a Guarantee Agreement for the benefit of the holders of the Trust Securities (collectively "Back-up

Undertakings"). Considered together, the Back-up Undertakings constitute a full and unconditional guarantee by the Company of the Trust's obligations under the Trust Securities.

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3. Sales and service revenues and aftertax earnings by business segment follow (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues				

Roto-Rooter	\$ 69,806	\$ 58,591	\$137,530	\$114,797
Patient Care	33,689	32,157	66,598	62,369
Service America	19,461	18,662	38,215	36,323
Cadre Computer	2,262	1,975	4,409	3,631
	-----	-----	-----	-----
Total	\$125,218	\$111,385	\$246,752	\$217,120
	=====	=====	=====	=====
Aftertax Earnings				

Roto-Rooter	\$ 4,920	\$ 3,349	\$ 9,589	\$ 6,546
Patient Care	549	972	952	1,624
Service America	521	671	841	1,210
Cadre Computer	68	22	110	26
	-----	-----	-----	-----
Total segment earnings	6,058	5,014	11,492	9,406
Corporate				
Gains on sales of investments	1,122	1,026	1,799	2,960
Overhead	(1,209)	(1,249)	(2,572)	(2,551)
Net investing and financing income/(expense)	142	323	296	654
	-----	-----	-----	-----
Net income	\$ 6,113	\$ 5,114	\$ 11,015	\$ 10,469
	=====	=====	=====	=====

4. Earnings per common share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per common share are computed as follows on the next page (in thousands except per share data):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Reported income	\$ 6,113	\$ 5,114	\$11,015	\$10,469
Aftertax interest on Trust Securities	190	-	379	-
Adjusted income	\$ 6,303	\$ 5,114	\$11,394	\$10,469
Average number of shares outstanding	9,797	10,473	9,931	10,473
Effect of conversion of the Trust Securities	419	-	347	-
Effect of nonvested stock awards	78	38	74	41
Effect of unexercised stock options	1	1	1	1
Average number of shares used to compute diluted earnings per common share	10,295	10,512	10,353	10,515
Diluted earnings per common share	\$.61	\$.49	\$ 1.10	\$ 1.00

5. During the first quarter of 2000, the Company acquired two businesses in the Roto-Rooter segment for aggregate purchase prices of \$10.5 million in cash. These operations provide plumbing repair and sewer and drain cleaning services primarily to residential customers.

Approximately \$10.2 million of the purchase price was allocated to goodwill and is being amortized over forty years. The results of operations of the acquired businesses were not material in relation to the Company's results in 2000.

6. The Company had total comprehensive income of \$4,611,000, \$2,481,000, \$9,000,000 and \$345,000 for the three months and six months ended June 30, 2000 and 1999, 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

The increase in the current portion of long-term debt from \$11.7 million at December 31, 1999 to \$26.1 million at June 30, 2000 is attributable to the reclassification of the Company's borrowings under its revolving credit agreement with Bank of America. The Company is currently negotiating an extension of this credit agreement which expires in June 2001.

Also, the decline in stockholders' equity from \$212 million at December 31, 1999 to \$203 million at June 30, 2000 is attributable primarily to the completion of the Company's Exchange Offer in February 2000. Under the Exchange Offer, approximately 576,000 shares of capital stock were exchanged for the same number of Trust Securities. The exchanged shares of capital stock were recorded in treasury stock. The Trust Securities are callable in three years and are redeemable in 2030.

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. During June 2000, Vitas paid the \$715,000 in dividends which were in arrears at March 31, 2000 and made timely payment of the July 2000 dividend. The Company is currently negotiating with Vitas concerning terms for repayment of the preferred stock and/or extension of the redemption date (currently May 1, 2001). Vitas' operating results and net income continue to meet its management's expectations. On the basis of current information, management believes the Company's investment in Vitas is fully recoverable and that no impairment exists.

At June 30, 2000 Chemed had approximately \$92.4 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.

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Results of Operations

Data relating to (a) the increase or decrease in service revenues and sales and (b) aftertax earnings as a percent of service revenues and sales for each segment are set forth below:

	Service Revenues and Sales - % Increase	Aftertax Earnings as a % of Revenues (Aftertax Margin)	
	2000 vs. 1999	2000	1999
Three Months Ended June 30,			
Roto-Rooter	19 %	7.0%	5.7%
Patient Care	5	1.6	3.0
Service America	4	2.7	3.6
Cadre Computer	15	3.0	1.1
Total	12	4.8	4.5
Six Months Ended June 30,			
Roto-Rooter	20 %	7.0%	5.7%
Patient Care	7	1.4	2.6
Service America	5	2.2	3.3
Cadre Computer	21	2.5	0.7
Total	14	4.7	4.3

Second Quarter 2000 versus Second Quarter 1999

Service revenues and sales of the Roto-Rooter segment for the second quarter of 2000 totaled \$69,806,000, an increase of 19% over the \$58,591,000 recorded in the second quarter of 1999. Revenues of the drain cleaning business and the plumbing services business increased 24% and 17%, respectively, for the second quarter of 2000, as compared with revenues for 1999. These revenues account for 42% and 41%, respectively, of Roto-Rooter's total revenues and sales. Excluding businesses acquired in 1999 and 2000, revenues for the second quarter of 2000 increased 14% over revenues recorded in 1999. The aftertax margin of this segment during the second quarter of 2000 was 7.0% as compared with 5.7% during the second quarter of 1999. This increase is attributable to operating leverage as expenses increased at a slower rate than revenues and to a lower effective tax rate in 2000.
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Service revenues of the Patient Care segment increased 5% from \$32,157,000 in the second quarter of 1999 to \$33,689,000 in the second quarter of 2000. The aftertax margin of this segment declined from 3.0% in the second quarter of 1999 to 1.6% in the second quarter of 2000, as the result of higher interest costs and higher cost of services (as a percent of revenues) in 2000. The higher interest costs are attributable to higher working capital requirements and higher interest rates in 2000 and to the expenditure of cash for business combinations in 1999. Higher cost of services are attributable primarily to higher wage costs in 2000.

Service revenues and sales of the Service America segment increased 4% from \$18,662,000 in the second quarter of 1999 to \$19,461,000 in the second quarter of 2000. This increase is attributable to a 30% increase in revenues of Service America's retail business which accounts for approximately 30% of its total revenues. The aftertax margin of this segment declined from 3.6% in the 1999 quarter to 2.7% in the 2000 quarter. This decline is primarily attributable to higher health insurance costs, higher workers' compensation costs and higher fuel costs in 2000.

Income from operations increased from \$6,199,000 in the second quarter of 1999 to \$9,183,000 in the second quarter of 2000 primarily due to the higher operating profit of the Roto-Rooter segment.

Interest expense increased from \$1,507,000 during the second quarter of 1999 to \$1,787,000 in the second quarter of 2000 due to increased borrowings to fund acquisitions under the Company's revolving credit agreement.

Other income-net declined from \$3,735,000 in the second quarter of 1999 to \$2,793,000 in the second quarter of 2000 primarily as the result of lower unrealized gains in 2000 on assets held in excess benefit plans.

The effective income tax rate during the second quarter of 2000 was 38.3% as compared with 39.3% during the second quarter of 1999. The decline is primarily attributable to a lower effective state and local income tax rate in 2000.

Net income during the second quarter of 2000 totaled \$6,113,000 (\$.61 per diluted share) as compared with \$5,114,000 (\$.49 per diluted share) in the 1999 quarter. Excluding gains on the sales of investments in both periods, income for the second quarter of 2000 was \$4,991,000 (\$.50 per diluted share) as compared with \$4,088,000 (\$.39 per diluted share) for 1999.

Six Months Ended June 30, 2000 Versus June 30, 1999

Service revenues and sales of the Roto-Rooter segment for the first six months of 2000 totaled \$137,530,000, an increase of 20% over the \$114,797,000 recorded in the second quarter of 1999. Revenues of the drain cleaning business and the plumbing services business increased 24% and 17%, respectively, for the first six months of 2000, as compared with revenues for 1999. Excluding businesses acquired in 1999 and 2000, revenues for the first six months of 2000 increased 15% over revenues for 1999. The aftertax margin of the Roto-Rooter segment for the first six months of 2000 was 7.0% as compared with 5.7% for 1999. This increase is attributable to operating leverage as expenses increased at a slower rate than revenues and to a lower effective tax rate in the 2000 period.

Service revenues of the Patient Care segment increased 7% from \$62,369,000 in the first six months of 1999 to \$66,598,000 in the first six months of 2000. Excluding revenues of businesses acquired in 1999, revenues increased 5% in 2000 as compared with revenues for 1999. The aftertax margin of this segment declined from 2.6% in the first six months of 1999 to 1.4% in 2000, largely as the result of higher interest costs (as a percent of revenues) in 2000. The higher interest costs are attributable to higher working capital requirements and interest rates in 2000, and to the expenditure of cash for business combinations in 1999.

Service revenues and sales of the Service America segment increased 5% from \$36,323,000 in the first six months of 1999 to \$38,215,000 in the first six months of 2000. This increase was attributable to a 31% increase in revenues of Service America's retail business. The aftertax margin of this segment declined from 3.3% in the 1999 quarter to 2.2% in the 2000 quarter. This decline is primarily attributable to higher health insurance costs, higher workers' compensation costs and higher fuel costs in 2000.

Income from operations increased from \$11,991,000 in the first six months of 1999 to \$16,722,000 in the first six months of 2000 primarily due to the higher operating profit of the Roto-Rooter segment.

Interest expense increased from \$3,101,000 during the first six months of 1999 to \$3,569,000 in the first six months of 2000 due to increased borrowings to fund acquisitions under the Company's revolving credit agreement.

Other income-net declined from \$8,344,000 in the first six months of 1999 to \$5,189,000 in the first six months of 2000 primarily as the result of lower gains on sales of investments and lesser unrealized gains on assets held in excess benefit plans in 2000.

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The effective income tax rate during the first six months of 2000 was 38.0% as compared with 39.3% during the first six months of 1999. The decline is primarily attributable to a lower effective state and local income tax rate in 2000.

Net income during the first six months of 2000 totaled \$11,015,000 (\$1.10 per diluted share) as compared with \$10,469,000 (\$1.00 per diluted share) in the 1999 period. Excluding gains on the sales of investments in both periods, income for the first six months of 2000 was \$9,216,000 (\$.92 per diluted share) as compared with \$7,509,000 (\$.71 per diluted share) for 1999.

PART II -- OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) Chemed held its Annual Meeting of Shareholders on May 15, 2000.
- (b) The names of directors elected at this Annual Meeting are as follows:
- | | |
|------------------------|----------------------|
| Edward L. Hutton | Sandra E. Laney |
| Rick L. Arquilla | Kevin J. McNamara |
| James H. Devlin | Spencer S. Lee |
| Charles H. Erhart, Jr. | John M. Mount |
| Joel F. Gemunder | Timothy S. O'Toole |
| Patrick P. Grace | Donald E. Saunders |
| Thomas C. Hutton | Paul C. Voet |
| Walter L. Krebs | George J. Walsh, III |
- (c) The stockholders ratified the Board of Directors' selection of PricewaterhouseCoopers LLP as independent accountants for the Company and its consolidated subsidiaries for the year 2000. 9,150,428 votes were cast in favor of the proposal, 32,654 votes were cast against it, 23,468 votes abstained, and three were broker nonvotes.
- (d) The stockholders voted to amend Chemed Corporation's Certificate of Incorporation, as amended, authorizing the issuance of 700,000 shares of a new class of preferred stock. 6,051,718 votes were cast for the proposal, 1,039,793 votes were cast against it, 71,924 votes abstained, and 2,043 votes were broker non-votes.

With respect to the election of directors, the number of votes cast for each nominee was as follows:

	Votes For	Votes Against
	-----	-----
Edward L. Hutton	8,227,774	978,777
Rick L. Arquilla	8,258,225	948,325

James H. Devlin	8,258,228	948,323
Charles H. Erhart, Jr.	8,236,937	969,614
Joel F. Gemunder	8,257,398	949,152
Patrick P. Grace	8,254,010	952,541
Thomas C. Hutton	8,254,776	951,774
Walter L. Krebs	8,245,025	961,525
Sandra E. Laney	8,256,157	950,393
Spencer S. Lee	8,259,753	946,797
Kevin J. McNamara	8,258,660	947,890

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John M. Mount	8,257,407	949,143
Timothy S. O'Toole	8,258,723	947,827
Donald E. Saunders	8,254,886	951,664
Paul C. Voet	8,172,916	1,033,635
George J. Walsh, III	8,259,063	947,488

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	SK 601 Ref. No.	Description
1	(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: August 10, 2000

By Naomi C. Dallob

Naomi C. Dallob, Vice
President and Secretary

Dated: August 10, 2000

By Arthur V. Tucker, Jr.

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

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM FORM 8-K OF CHEMED CORPORATION FOR THE QUARTER ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000019584

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