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

(Mark One)

Quarterly Report Under Section 13 or 15 (d) of the Securities
- Exchange Act of 1934 For the Quarterly Period Ended June 30, 2006

Transition Report Pursuant to Section 13 or 15(d) of the Securities
- Exchange Act of 1934

Commission File Number: 1-8351

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

Delaware 31-0791746
(State or other jurisdiction (IRS Employer Identification No.)
of 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 periods 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 by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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 \$1 Par Value	26,251,757 Shares	June 30, 2006

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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
UNAUDITED CONSOLIDATED BALANCE SHEET
(in thousands except share and per share data)

	June 30, 2006	December 31, 2005
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,816	\$ 57,133
Accounts receivable less allowances of (2005 - \$8,413)	\$9,552	
Inventories	94,833	95,063
Current deferred income taxes	6,210	6,499
Prepaid income taxes	21,871	26,691
Prepaid expenses and other current assets	12,709	9,096
	9,255	9,768
Total current assets	-----	-----
Investments of deferred compensation plans held in trust	151,694	204,250
Other investments	23,731	21,105
Note receivable	1,445	1,445
Properties and equipment, at cost, less accumulated depreciation of	12,500	12,500
\$72,928 (2005 - \$66,655)	66,474	65,449
Identifiable intangible assets less accumulated amortization of	\$11,822 (2005 - \$9,612)	73,150
Goodwill	73,150	75,358
Other assets	433,877	433,756
	20,692	21,222
Total Assets	-----	-----
	\$783,563	\$ 835,085
	=====	=====
LIABILITIES		
Current liabilities		
Accounts payable	\$ 48,591	\$ 43,626
Current portion of long-term debt	207	1,045
Income taxes	4,172	3,916
Accrued insurance	40,049	38,894
Accrued compensation	28,071	33,156
Other current liabilities	30,914	48,258
Total current liabilities	-----	-----
Deferred income taxes	152,004	168,895
Long-term debt	22,829	22,304
Deferred compensation liabilities	169,397	234,058
Other liabilities	23,503	21,275
	3,441	4,378
Total Liabilities	-----	-----
	371,174	450,910
	-----	-----
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares \$1 par; issued 28,812,033 shares (2005 - 28,373,872 shares)	28,812	28,374
Paid-in capital	249,460	234,910
Retained earnings	193,089	171,188
Treasury stock - 2,560,276 shares (2005 - 2,394,272 shares), at cost	(61,340)	(52,127)
Deferred compensation payable in Company stock	2,422	2,379
Notes receivable for shares sold	(54)	(549)
Total Stockholders' Equity	-----	-----
	412,389	384,175
Total Liabilities and Stockholders' Equity	-----	-----
	\$783,563	\$ 835,085
	=====	=====

See accompanying notes to unaudited financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Continuing operations				
Service revenues and sales	\$ 249,783	\$ 226,309	\$ 496,021	\$ 444,946
Cost of services provided and goods sold (excluding depreciation)	180,925	161,120	358,822	314,072
Selling, general and administrative expenses	38,644	37,968	77,119	75,887
Depreciation	4,117	3,928	8,265	7,848
Amortization	1,417	1,231	2,813	2,423
Total costs and expenses	225,103	204,247	447,019	400,230
Income from operations	24,680	22,062	49,002	44,716
Interest expense	(4,300)	(5,039)	(9,645)	(10,874)
Loss on extinguishment of debt	-	-	(430)	(3,971)
Other income--net	524	600	2,019	1,327
Income before income taxes	20,904	17,623	40,946	31,198
Income taxes	(8,062)	(6,512)	(15,889)	(12,182)
Income from continuing operations	12,842	11,111	25,057	19,016
Discontinued operations, net of income taxes	-	(2,226)	-	(2,015)
Net income	\$ 12,842	\$ 8,885	\$ 25,057	\$ 17,001
Earnings Per Share				
Income from continuing operations	\$ 0.49	\$ 0.44	\$ 0.96	\$ 0.75
Net income	\$ 0.49	\$ 0.35	\$ 0.96	\$ 0.67
Average number of shares outstanding	26,201	25,489	26,123	25,319
Diluted Earnings Per Share				
Income from continuing operations	\$ 0.48	\$ 0.42	\$ 0.93	\$ 0.73
Net income	\$ 0.48	\$ 0.34	\$ 0.93	\$ 0.65
Average number of shares outstanding	26,846	26,214	26,815	26,059
Cash Dividends Per Share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

See accompanying notes to unaudited financial statements.

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

	Six Months Ended June 30,	
	2006	2005
Cash Flows from Operating Activities		
Net income	\$ 25,057	\$ 17,001
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,078	10,271
Provision for uncollectible accounts receivable	4,005	3,343
Provision for deferred income taxes	4,001	(2,206)
Amortization of debt issuance costs	882	962
Write off of unamortized debt issuance costs	430	2,871
Noncash long-term incentive compensation	-	2,574
Discontinued operations	-	2,015
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:		
Increase in accounts receivable	(3,828)	(23,653)
Decrease/(increase) in inventories	289	(290)
Decrease in prepaid expenses and other current assets	513	343
Decrease in accounts payable and other current liabilities	(15,949)	(2,673)
Increase in income taxes	2,189	7,859
Increase in other assets	(2,892)	(1,328)
Decrease in other liabilities	1,972	390
Excess tax benefit on share-based compensation	(4,941)	-
Noncash expense of internally financed ESOPs	-	572
Other sources	679	676
	-----	-----
Net cash provided by continuing operations	23,485	18,727
Net cash used by discontinued operations	-	(1,559)
	-----	-----
Net cash provided by operating activities	23,485	17,168
	-----	-----
Cash Flows from Investing Activities		
Capital expenditures	(9,474)	(11,455)
Net uses from the sale of discontinued operations	(2,990)	(5,478)
Business combinations, net of cash acquired	(814)	(5,495)
Proceeds from sales of property and equipment	161	96
Other uses	(358)	(107)
	-----	-----
Net cash used by investing activities	(13,475)	(22,439)
	-----	-----
Cash Flows from Financing Activities		
Repayment of long-term debt	(84,499)	(140,978)
Net increase in revolving line of credit	19,000	-
Excess tax benefit on share-based compensation	4,941	-
Issuance of capital stock, net of costs	3,849	8,766
Purchases of treasury stock	(3,992)	(3,574)
Dividends paid	(3,156)	(3,060)
Increase in cash overdrafts payable	3,397	7,347
Debt issuance costs	(154)	(1,755)
Proceeds from long-term debt	-	85,000
Other sources/(uses)	287	(53)
	-----	-----
Net cash used by financing activities	(60,327)	(48,307)
	-----	-----
Decrease in Cash and Cash Equivalents	(50,317)	(53,578)
Cash and cash equivalents at beginning of year	57,133	71,448
	-----	-----
Cash and cash equivalents at end of period	\$ 6,816	\$ 17,870
	=====	=====

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
Notes to Unaudited Financial Statements

1. Basis of Presentation

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States for complete financial statements. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2005. Certain 2005 amounts have been reclassified to conform with current period presentation in the balance sheet and statements of income and cash flows primarily related to the adoption of SFAS 123(R).

2. Stock-Based Compensation

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123, revised ("SFAS 123(R)") which establishes accounting for stock-based compensation for employees. Under SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period. We previously applied Accounting Principles Board Opinion No. 25 and provided the pro-forma disclosures required by Statement of Financial Accounting Standards No. 123. We elected to adopt the modified prospective transition method as provided by SFAS 123(R). Accordingly, we have not restated previously reported financial statement amounts. Other than the reclassifications noted above, there was no material impact on our financial position, results of operations or cash flows as a result of the adoption of SFAS 123(R).

We provide employees the opportunity to acquire our stock through a number of plans, as follows:

- o We have nine stock incentive plans under which 10,700,000 shares can be issued to key employees through a grant of stock awards and/or options to purchase shares. The Compensation/Incentive Committee ("CIC") of the Board of Directors administers these plans. All options granted under these plans provide for a purchase price equal to the market value of the stock at the date of grant. The latest plan, covering a total of 3,000,000 shares, was adopted in May 2006. The plans are not qualified, restricted or incentive plans under the U.S. Internal Revenue Code. The terms of each plan differ slightly, however, stock options issued under the plans generally have a maximum term of 10 years. Under one plan, adopted in 1999, up to 500,000 shares may be issued to employees who are not our officers or directors.
- o In May 2002, our shareholders approved the adoption of the Executive Long-Term Incentive Plan ("LTIP") covering our officers and key employees. The LTIP is administered by the CIC. During June 2004, the CIC approved guidelines covering the establishment of a pool of 250,000 shares ("2004 LTIP Pool") to be distributed to eligible members of management upon attainment of the following hurdles during the period January 1, 2004 through December 31, 2007:
 - o 88,000 shares if our cumulative pro forma adjusted EBITDA (including the results of VITAS beginning January 1, 2004) reaches \$365 million within the four-year period.
 - o 88,000 shares if our stock price reaches the following hurdles during any 30 trading days out of any 60-trading-day period during the four-year period:

Stock Price Hurdle	Shares to be Issued
-----	-----
\$ 35.00	22,000
\$ 38.75	33,000
\$ 42.50	33,000
-----	-----
	88,000
	=====

- o 44,000 shares represent a retention element, subject to a four-year, time-based vesting.

- o 30,000 shares may be awarded at the discretion of the CIC. Through June 30, 2006, 18,000 shares have been issued from the discretionary pool.

The 88,000 shares, which were tied to stock price hurdles, were issued during the year ended December 31, 2005. On May 15, 2006, the CIC approved additional price hurdles and associated shares to be issued under the LTIP pursuant to the 2006 stock incentive plan, as follows:

Stock Price Hurdle	Shares to be Issued
\$ 62.00	20,000
\$ 68.00	30,000
\$ 75.00	30,000

	80,000
	=====

The stock price hurdles must be achieved during 30 trading days out of any 60 trading day period during the three years ending May 15, 2009. See Note 9 below for disclosure related to awards granted under the LTIP.

- o We maintain an Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible participants to purchase our shares through payroll deductions at current market value. We pay administrative and broker fees associated with the ESPP. Shares purchased for the ESPP are purchased on the open market and credited directly to participants' accounts. In accordance with the provisions of SFAS 123(R), the ESPP is non-compensatory.

For the three and six months ended June 30, 2006, we recorded \$313,000 and \$605,000, respectively, in amortization expense in the accompanying statement of income for stock-based compensation expense related to the amortization of restricted stock awards previously granted. For the three and six months ended June 30, 2006, we recorded \$18,000 in selling, general and administrative expenses for stock-based compensation expense related to stock options granted during the quarter. There were no capitalized stock-based compensation costs as of June 30, 2006. The pro-forma disclosure as required by SFAS No. 123 for the three and six months ended June 30, 2005 is as follows:

	Three Months	Six Months
Net income, as reported	\$ 8,885	\$ 17,001
Add: stock-based compensation expense included in net income as reported, net of income taxes	1,349	2,488
Deduct: total stock-based compensation determined under a fair value method, net of income taxes	(4,016)	(6,314)
Pro-forma net income	\$ 6,218	\$ 13,175
Earnings per share:		
As reported	\$ 0.35	\$ 0.67
Pro-forma	\$ 0.24	\$ 0.52
Diluted earnings per share:		
As reported	\$ 0.34	\$ 0.65
Pro-forma	\$ 0.24	\$ 0.51

As of June 30, 2006, approximately \$3.4 million of total unrecognized compensation costs related to non-vested stock awards are expected to be recognized over a weighted average period of 3.0 years. As of June 30, 2006, approximately \$6.6 million of total unrecognized compensation costs related to non-vested stock options are expected to be recognized over a weighted average period of 3.0 years.

The following table summarizes stock option and award activity during the first six months of 2006:

	Stock Options		Stock Awards	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Price
Stock-based compensation shares:				
Outstanding at January 1, 2006	1,741,833	\$ 23.57	142,445	\$ 27.10
Granted	370,450	51.76	29,600	53.17
Exercised/Vested	(408,561)	20.99	(25,695)	39.69
Outstanding at June 30, 2006	1,703,722	\$ 30.32	146,350	\$ 30.16
Vested at June 30, 2006	1,333,272	\$ 24.36		

The weighted average contractual life of outstanding and exercisable options was 7.0 years at June 30, 2006. The options outstanding at June 30, 2006, were in the following exercise price ranges:

Exercise Price Range	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$16.10 to \$30.32	1,023,872	\$ 20.21	\$ 35,696,478
\$30.33 to \$51.76	679,850	\$ 45.54	\$ 6,479,174

The total intrinsic value of stock options exercised during the six month periods ended June 30, 2006 and 2005 was \$14.1 million and \$18.3 million, respectively. The total intrinsic value of stock awards vested during the six month period ended June 30, 2006 was \$1.4 million. The total cash received from employees as a result of employee stock option exercises for the six month periods ended June 30, 2006 and 2005 was \$3.8 million and \$8.8 million, respectively. In connection with these exercises, the tax benefits realized for the six months ended June 30, 2006 and 2005 were \$4.9 million and \$5.9 million, respectively. We settle employee stock options with newly issued shares.

In connection with the adoption of SFAS 123(R) on January 1, 2006, we reassessed our valuation technique and related assumptions. We estimate the fair value of stock options using the Black-Scholes valuation model, consistent with the provisions of SFAS 123(R), the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107 and our prior period pro forma disclosure of net income including stock-based compensation expense. We granted 370,450 stock options on June 28, 2006 pursuant to the 2006 Stock Incentive Plan. For purposes of determining the key assumptions and the related fair value of the options granted, we analyzed the participants of the LTIP separately from the other stock option recipients. Key input assumptions used to estimate the fair value of stock options granted on June 28, 2006 are as follows:

	LTIP Participants	All Others
Stock price on date of issuance	\$ 51.76	\$ 51.76
Grant date fair value per share	\$ 18.95	\$ 16.47
Number of options granted	262,750	107,700
Expected term (years)	6.0	4.5
Risk free rate of return	5.21%	5.19%
Volatility	28.0%	28.9%
Dividend yield	0.5%	0.5%
Forfeiture rate	-%	10.0%

Volatility was determined using our historical stock price tracked over a period equal to the expected term of the option. We believe using the Black-Scholes model and the related assumptions are appropriate in estimating the fair value of our stock options granted. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the option recipient. The ultimate value received by an employee for options granted is not necessarily indicative of the reasonableness of the estimate made by us in accordance with SFAS 123(R).

3. Capital Stock

On May 15, 2006, our shareholders approved an amendment to our Certificate of Incorporation increasing the number of authorized shares of capital stock from 40 million shares to 80 million shares.

On March 11, 2005, our Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend to shareholders of record at the close of business on April 22, 2005. This stock split was paid May 11, 2005. Under Delaware law, the par value of the capital stock remains \$1 per share.

4. Revenue Recognition

Both the VITAS segment and Roto-Rooter segment recognize service revenues and sales when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. VITAS recognizes revenue at the estimated realizable amount due from third-party payers. Medicare billings are subject to certain caps, as described further below.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap ("Medicare Cap"). Should we determine that revenues for a program are likely to exceed the Medicare Cap based on projected trends, we attempt to institute corrective action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare Cap, we estimate the amount of revenue recognized during the period that will require repayment to the US Federal government under the Medicare Cap and record the amount as a reduction to patient revenue.

During the second quarter of 2006, we recorded a pretax charge of \$2.3 million for Medicare Cap for the 2006 measurement period. The charge is the result of two programs reaching the Medicare Cap revenue limitation during the second quarter of 2006. We believe the range of exposure for the fiscal year ended December 31, 2006 is between \$4.0 million and \$6.1 million. The range includes amounts for Medicare Cap limitations at three of our programs. As of June 30, 2006 and December 31, 2005, respectively, we had \$4.7 million and \$2.4 million accrued in current liabilities in the accompanying balance sheet for the Medicare Cap.

5. Segments

Service revenues and sales and aftertax earnings by business segment are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Service Revenues and Sales				
VITAS	\$172,242	\$153,748	\$340,616	\$299,738
Roto-Rooter	77,541	72,561	155,405	145,208
Total	\$249,783	\$226,309	\$496,021	\$444,946
Aftertax Earnings				
VITAS	\$11,399	\$10,603	\$22,256	\$20,213
Roto-Rooter	7,003	5,875	14,204	13,185
Total	18,402	16,478	36,460	33,398
Corporate	(5,560)	(5,367)	(11,403)	(14,382)
Discontinued operations	-	(2,226)	-	(2,015)
Net income	\$12,842	\$8,885	\$25,057	\$17,001

Historically, we have allocated stock-based compensation expense to the segment that employs the recipient of the stock-based compensation. In connection with our adoption of SFAS 123(R), we re-assessed the classification within our business segments of stock-based compensation expense and determined that our chief decision maker analyzes stock-based compensation as a corporate expense. Accordingly, all stock-based compensation expense for 2006 and 2005 has been included as a corporate expense in the chart above.

6. Earnings per Share

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share for 2006 and 2005 are computed as follows (in thousands, except per share data):

For the Three Months Ended June 30,	Income from Continuing Operations			Net Income		
	Income	Shares	Earnings per Share	Income	Shares	Earnings per Share
2006						
Earnings	\$12,842	26,201	\$0.49	\$12,842	26,201	\$0.49
			=====			=====
Dilutive stock options	-	558		-	558	
Nonvested stock awards	-	87		-	87	
			-----			-----
Diluted earnings	\$12,842	26,846	\$0.48	\$12,842	26,846	\$0.48
	=====	=====	=====	=====	=====	=====
2005						
Earnings	\$11,111	25,489	\$0.44	\$8,885	25,489	\$0.35
			=====			=====
Dilutive stock options	-	627		-	627	
Impact of LTIP shares issued	-	35		-	35	
Nonvested stock awards	-	63		-	63	
			-----			-----
Diluted earnings	\$11,111	26,214	\$0.42	\$8,885	26,214	\$0.34
	=====	=====	=====	=====	=====	=====

For the Six Months Ended June 30,	Income from Continuing Operations			Net Income		
	Income	Shares	Earnings per Share	Income	Shares	Earnings per Share
2006						
Earnings	\$25,057	26,123	\$0.96	\$25,057	26,123	\$0.96
			=====			=====
Dilutive stock options	-	604		-	604	
Nonvested stock awards	-	88		-	88	
			-----			-----
Diluted earnings	\$25,057	26,815	\$0.93	\$25,057	26,815	\$0.93
	=====	=====	=====	=====	=====	=====
2005						
Earnings	\$19,016	25,319	\$0.75	\$17,001	25,319	\$0.67
			=====			=====
Dilutive stock options	-	665		-	665	
Impact of LTIP shares issued	-	17		-	17	
Nonvested stock awards	-	58		-	58	
			-----			-----
Diluted earnings	\$19,016	26,059	\$0.73	\$17,001	26,059	\$0.65
	=====	=====	=====	=====	=====	=====

7. Other Income -- Net

Other income -- net comprises the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest income	\$578	\$263	\$1,551	\$913
(Loss)/gain on trading investments of employee benefit trust	(8)	327	485	414
(Loss)/gain on disposal of property and equipment	2	10	(55)	(19)
Other - net	(48)	-	38	19
Total other income	\$524	\$600	\$2,019	\$1,327

8. Other Current Liabilities

Other current liabilities as of June 30, 2006 and December 31, 2005 consist of the following (in thousands):

	2006	2005
Accrued legal settlements	\$7,884	\$23,108
Accrued divestiture expenses	1,945	3,895
Accrued Medicare Cap estimate	4,750	2,410
Other	16,335	18,845
Total other current liabilities	\$30,914	\$48,258

9. 2002 Executive Long-Term Incentive Plan

No performance targets under the LTIP were reached in the three or six months ended June 30, 2006. As of June 30, 2006, no accrual was recorded for awards under the earnings component or the remaining market price component of the LTIP since no awards have been granted.

10. Long-term Debt and Extinguishment of Debt

On March 31, 2006, we repaid in full our \$84.4 million term loan with JPMorgan Chase Bank. The term loan was paid with a combination of cash on hand and a draw on our revolving credit facility. At that time, we also amended the \$175 million revolving credit facility with JPMorgan Chase Bank to reduce the commitment and annual fees and to reduce the floating interest rate by approximately 50 basis points. The interest rate of the amended revolving credit agreement is LIBOR plus 1.25%. The amended revolving credit facility also includes an "accordion" feature that allows us the opportunity to expand the facility by \$50 million. In connection with the repayment of the term loan, we recorded a write-off of unamortized debt issuance costs of \$430,000.

The following is a schedule by year of required long-term debt payments as of June 30, 2006 (in thousands):

June 2007	\$207
June 2008	208
June 2009	157
June 2010	19,032
June 2011	150,000
Total debt	169,604
Less: Current portion	(207)
Total long-term debt	\$169,397

We are in compliance with all debt covenants as of June 30, 2006. We have issued \$31.3 million in standby letters of credit as of June 30, 2006 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2006, we have approximately \$124.7 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the accordion feature.

11. Loans Receivable from Independent Contractors

The Roto-Rooter segment sublicenses with approximately sixty independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. As of June 30, 2006, we had notes receivable from independent contractors totaling \$2.4 million (December 31, 2005-\$2.6 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 5% to 8% per annum and the remaining terms of the loans range from two months to 5.4 years at June 30, 2006. During the three months ended June 30, 2006, we recorded revenues of \$4.6 million (2005-\$4.4 million) and pretax profits of \$1.7 million (2005-\$1.3 million) from our independent contractors. During the six months ended June 30, 2006, we recorded revenues of \$9.5 million (2005-\$9.0 million) and pretax profits of \$3.8 million (2005-\$3.0 million) from our independent contractors.

We have adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R "Consolidation of Variable Interest Entities--an interpretation of Accounting Research Bulletin No. 51 (revised)" ("FIN 46R") relative to our contractual relationships with the independent contractors. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated our relationships with our independent contractors based upon guidance provided in FIN 46R and have concluded that some of the contractors who have loans payable to us may be VIE's. We believe consolidation, if required, of the accounts of any VIE's for which we might be the primary beneficiary would not materially impact our financial position, results of operations or cash flows.

12. Pension and Retirement Plans

All of our plans that provide retirement and similar benefits are defined contribution plans. Expenses for our pension and profit-sharing plans, ESOP's, excess benefit plans and other similar plans are \$2.4 million and \$2.7 million for the three months ended June 30, 2006 and 2005, respectively. Expenses for our pension and profit-sharing plans, ESOP's, excess benefit plans and other similar plans are \$4.8 million and \$5.4 million for the six months ended June 30, 2006 and 2005, respectively.

13. Litigation

We are party to a class action lawsuit filed in the Third Judicial Circuit Court of Madison County, Illinois in June of 2000 by Robert Harris, alleging certain Roto-Rooter plumbing was performed by unlicensed employees. We contested these allegations and believe them without merit. Plaintiff moved for certification of a class of customers in 32 states who allegedly paid for plumbing work performed by unlicensed employees. Plaintiff also moved for partial summary judgment on grounds the licensed apprentice plumber who installed his faucet did not work under the direct personal supervision of a licensed master plumber. On June 19, 2002, the trial judge certified an Illinois-only plaintiffs class and granted summary judgment for the named party Plaintiff on the issue of liability, finding violation of the Illinois Plumbing License Act and the Illinois Consumer Fraud Act through Roto-Rooter's representation of the licensed apprentice as a plumber. The court did not rule on certification of a class in the remaining 31 states. In December 2004, we reached a resolution of this matter with the Plaintiff. The court approved this settlement in July 2006. We accrued \$3.1 million in 2004 as the anticipated cost of settling this litigation.

Like other large California employers, our VITAS subsidiary faces allegations of purported class-wide wage and hour violations. It is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson (the "Costa case"). This case alleges failure to pay overtime wages for hours worked "off the clock" on administrative tasks, including voicemail retrieval, time entry, travel to and from work, and pager response. This case also alleges VITAS failed to provide meal and break periods to a purported class of California nurses, home health aides and licensed clinical social workers. The case also seeks payment of penalties, interest, and Plaintiffs' attorney fees. VITAS contested these allegations.

Plaintiff moved for class certification, and VITAS opposed this motion. We have reached an agreement with the Plaintiff class in order to avoid the uncertainty of litigation and the diversion of resources and personnel resulting from the litigation. In connection with our acquisition of VITAS in February 2004, we recorded a liability of \$2.3 million on VITAS' opening balance sheet for this case. At that time, this represented our best estimate of our exposure in the matter. As a result of the tentative resolution, we recorded a pretax charge of \$17.4 million (\$10.8 million aftertax) in the fourth quarter of 2005, representing the portion of this settlement not accounted for on Vitas' opening balance sheet. These amounts are inclusive of Plaintiffs' class attorneys' fees and the costs of settlement administration. On April 24, 2006, the court granted preliminary approval of the settlement and we funded \$15 million of the settlement in May 2006. On June 26, 2006, the court granted final approval of the settlement.

In the normal course of business, we are a party to various claims and legal proceedings. We record a reserve for these matters when an adverse outcome is probable and the amount of the potential liability is reasonably estimable.

14. **OIG Investigation**

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. A qui tam complaint has been filed in U.S. District Court for the Southern District of Florida. We are conferring with the U.S. Attorney regarding our defenses to the complaint allegations. The U.S. Attorney has not decided whether to intervene in the qui tam action. We have incurred pretax expense related to complying with OIG requests of \$342,000 for the quarter ended June 30, 2006 and \$474,000 for the six months ended June 30, 2006.

The government continues to investigate the complaint's allegations. We are unable to predict the outcome of this matter or the impact, if any, that the investigation may have on the business, results of operations, liquidity or capital resources. Regardless of outcome, responding to the subpoenas can adversely affect us through defense costs, diversion of our time and related publicity.

15. **Related Party Agreements**

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR will provide specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically thereafter for one-year terms. Either party may cancel the Agreement at the end of any term by giving written notice at least 90 days prior to the end of said term. In June 2004, VITAS entered into a pharmacy services agreement with excelleRx. The agreement has a one-year term and automatically renews unless either party provides a 90-day written termination notice. Subsequent to June 2004, OCR acquired excelleRx. Under both agreements, VITAS made purchases of \$7.3 million and \$14.3 million for the three and six month periods ended June 30, 2006 and has accounts payable of \$3.0 million at June 30, 2006. Mr. E. L. Hutton is non-executive Chairman and a director of the Company and OCR. Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, Mr. Charles H. Erhart, Jr. and Ms. Sandra Laney are directors of both OCR and the Company. Mr. Kevin J. McNamara, President, Chief Executive Officer and director of the Company, is a director emeritus of OCR. We believe that the terms of these agreements are no less favorable to VITAS than we could negotiate with an unrelated party.

16. **Cash Overdrafts Payable**

Included in accounts payable at June 30, 2006 are cash overdrafts payable of \$11.4 million (December 31, 2005 - \$8.0 million).

17. **Subsequent Event**

Effective July 1, 2006, our Board of Directors approved a long-term care insurance benefit for senior executives who participate in the LTIP. The long-term care benefit covers these executives and their spouses during their period of employment as well as postretirement. We will accrue the cost of the benefit in accordance with FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The anticipated yearly cost of this benefit is not material.

On July 27, 2006, we announced that we are in the process of finalizing a \$50 million ongoing share repurchase program. In addition, we intend to fully utilize the remaining \$8 million from our February 2000 share repurchase program. The share repurchases will be funded through a combination of cash generated from operations as well as utilization of our revolving credit facility. The timing and amount of any share repurchases will be determined by us based upon our evaluation of the market and other factors.

18. **Recent Accounting Statements**

In July 2006, the FASB issued Interpretation No. 48 "FIN 48", "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109", which proscribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Upon adoption of FIN 48, the financial statements will reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts. FIN 48 also revises disclosure requirements and introduces an annual, tabular roll-forward of the unrecognized tax benefits. This interpretation is effective as of the beginning of fiscal years starting after December 15, 2006. We are currently evaluating the impact that FIN 48 will have on our financial condition and results of operations.

In February 2006, the FASB issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments", which nullifies and amends various accounting guidance relating to accounting for derivative instruments and securitization transactions. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions. This statement is effective for all financial instruments acquired or issued after the beginning of our first fiscal year that begins after September 15, 2006. Because we do not have any material derivative instruments or securitization transactions, we believe there will be no material impact on our financial condition, results of operations or cash flows upon adoption.

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

Executive Summary

We operate through our two wholly owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its team of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter's services are focused on providing plumbing and drain cleaning services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The following is a summary of the key operating results for the three and six months ended June 30, 2006 and 2005 (in thousands except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Consolidated service revenues and sales	\$249,783	\$226,309	\$496,021	\$444,946
Consolidated income from continuing operations	\$12,842	\$11,111	\$25,057	\$19,016
Diluted EPS from continuing operations	\$0.48	\$0.42	\$0.93	\$0.73

The increase in consolidated service revenues and sales for the three months ended June 30, 2006 was driven by a 12% increase at VITAS and a 7% increase at Roto-Rooter. The increase at VITAS was primarily the result of a 10% increase in average daily census (ADC) from the second quarter of 2005 and the October 1, 2005 Medicare reimbursement rate increase of approximately 3%. The increase at VITAS was partially offset by a \$2.3 million reduction in revenue for Medicare Cap billing limitations. The increase at Roto-Rooter was driven primarily by a 0.6% increase in job count combined with an approximate 6% price increase. Consolidated income from continuing operations and diluted EPS from continuing operations increased as a result of the higher service revenues and sales, which allowed us to further leverage our current cost structure. Consolidated income from continuing operations as a percent of service revenues and sales was 5.1% for the three months ended June 30, 2006 versus 4.9% for the same period of 2005. As further shown in the results of operations section, consolidated income from continuing operations and diluted EPS from continuing operations include special items and adjustments that decreased aftertax earnings by \$224,000 and \$641,000 for the three months ended June 30, 2006 and 2005, respectively.

The increase in consolidated service revenues and sales for the six months ended June 30, 2006 was driven by a 14% increase at VITAS and a 7% increase at Roto-Rooter. The increase at VITAS was primarily the result of a 10% increase in average daily census (ADC) from the first six months of 2005 and the October 1, 2005 Medicare reimbursement rate increase of approximately 3%. The increase at VITAS was partially offset by a \$2.3 million reduction in revenue for Medicare Cap billing limitations. The increase at Roto-Rooter was driven primarily by a 1% increase in job count combined with an approximate 6% price increase. Consolidated income from continuing operations and diluted EPS from continuing operations increased as a result of the higher service revenues and sales, which allowed us to further leverage our current cost structure. Consolidated income from continuing operations as a percent of service revenues and sales was 5.1% for the six months ended June 30, 2006 versus 4.3% for the same period of 2005. As further shown in the results of operations section, consolidated income from continuing operations and diluted EPS from continuing operations include special items and adjustments that decreased aftertax earnings by \$579,000 and \$3.0 million for the six months ended June 30, 2006 and 2005, respectively.

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123, revised ("SFAS 123(R)") which establishes accounting for stock-based compensation for employees. Under SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period. We previously applied Accounting Principles Board Opinion No. 25 and provided the pro-forma disclosures required by Statement of Financial Accounting Standards No. 123. We elected to adopt the modified prospective transition method as provided by SFAS 123(R). Accordingly, previously reported financial statement amounts have not been restated. We have determined that the Black-Scholes option pricing model to calculate the fair value of our stock options is appropriate in the circumstances. We also used the Black-Scholes model for purposes of the pro-forma disclosures under SFAS 123. There was no material impact on our financial position, results of operations or cash flows as a result of the adoption of SFAS 123(R).

Financial Condition
Liquidity and Capital Resources

Significant changes in the balance sheet accounts from December 31, 2005 to June 30, 2006 include the following:

- o The \$50.3 million decline in cash and cash equivalents from \$57.1 million at December 31, 2005 to \$6.8 million at June 30, 2006 is primarily attributable to the use of \$65.5 million in cash to repay our \$84.4 million term note and the use of approximately \$15 million in cash to fund the Costa case settlement. The cash uses were partially offset by cash provided by operations.
- o The decrease in other current liabilities of \$17.3 million is primarily attributable to our funding of the Costa settlement during the second quarter of 2006. The legal accrual for the Costa case of \$19.7 million at December 31, 2005 was classified in other current liabilities.
- o The reduction in long-term debt from \$234.1 million at December 31, 2005 to \$169.4 million at June 30, 2006 resulted from repayment of our \$84.4 million term loan with JPMorgan Chase in March 2006, partially offset by borrowings on our revolving line of credit to fund a portion of the repayment.

Net cash provided by continuing operations increased \$4.8 million from a source of cash from continuing operations of \$18.7 million for the first six months of 2005 to a source of cash of \$23.5 million for the first six months of 2006, due primarily to the increase in net income, partially offset by the funding of the Costa case settlement.

We have issued \$31.3 million in standby letters of credit as of June 30, 2006 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. At June 30, 2006, we had approximately \$124.7 million available lines of credit eligible to be drawn down under our amended credit agreement with JPMorgan Chase, excluding the \$50.0 million accordion feature. We believe our liquidity and sources of capital are satisfactory for our needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements provide that we are required to meet various financial covenants, to be tested quarterly. In connection therewith, we are in compliance with all financial and other debt covenants as of June 30, 2006 and anticipate remaining in compliance throughout 2006.

In connection with the sale of Patient Care in 2002, \$5.0 million of the cash purchase price was placed in escrow pending collection of third-party payer receivables on Patient Care's balance sheet at the sale date. To date, \$4.2 million has been returned and the remainder is being withheld pending the settlement of certain third-party payer claims. Based on Patient Care's collection history, we believe the significant majority of the disputed amounts will be resolved in Patient Care's favor and most of the withheld escrow will be returned to us. We have a long-term receivable due from Patient Care of \$12.5 million. As of June 30, 2006, Patient Care is current on all payments due related to the long-term receivable. We also have current accounts receivable from Patient Care for the post-closing balance sheet valuation and for expenses paid by us after closing on Patient Care's behalf of \$3.3 million. We are in litigation with Patient Care over various issues, including the collection of these current amounts. We believe these balances represent valid claims, are fairly stated and are fully collectible; nonetheless, an unfavorable determination by the court could result in the write-off of all or a portion of these balances.

We are party to a class action lawsuit filed in the Third Judicial Circuit Court of Madison County, Illinois in June of 2000 by Robert Harris, alleging certain Roto-Rooter plumbing was performed by unlicensed employees. We contested these allegations and believe them without merit. Plaintiff moved for certification of a class of customers in 32 states who allegedly paid for plumbing work performed by unlicensed employees. Plaintiff also moved for partial summary judgment on grounds the licensed apprentice plumber who installed his faucet did not work under the direct personal supervision of a licensed master plumber. On June 19, 2002, the trial judge certified an Illinois-only plaintiffs class and granted summary judgment for the named party Plaintiff on the issue of liability, finding violation of the Illinois Plumbing License Act and the Illinois Consumer Fraud Act through Roto-Rooter's representation of the licensed apprentice as a plumber. The court did not rule on certification of a class in the remaining 31 states. In December 2004, we reached a resolution of this matter with the Plaintiff. The court approved this settlement in July 2006. We accrued \$3.1 million in 2004 as the anticipated cost of settling this litigation.

Like other large California employers, our VITAS subsidiary faces allegations of purported class-wide wage and hour violations. It is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson (the "Costa case"). This case alleges failure to pay overtime wages for hours worked "off the clock" on administrative tasks, including voicemail retrieval, time entry, travel to and from work, and pager response. This case also alleges VITAS failed to provide meal and break periods to a purported class of California nurses, home health aides and licensed clinical social workers. The case also seeks payment of penalties, interest, and Plaintiffs' attorney fees. VITAS contested these allegations.

Plaintiff moved for class certification, and VITAS opposed this motion. We have reached an agreement with the Plaintiff class in order to avoid the uncertainty of litigation and the diversion of resources and personnel resulting from the litigation. In connection with our acquisition of VITAS in February 2004, we recorded a liability of \$2.3 million on VITAS' opening balance sheet for this case. At that time, this represented our best estimate of our exposure in the matter. As a result of the tentative resolution, we recorded a pretax charge of \$17.4 million (\$10.8 million aftertax) in the fourth quarter of 2005, representing the portion of this settlement not accounted for on Vitas' opening balance sheet. These amounts are inclusive of Plaintiffs' class attorneys' fees and the costs of settlement administration. On April 24, 2006, the court granted preliminary approval of the settlement and we funded \$15 million of the settlement in May 2006. On June 26, 2006, the court granted final approval of the settlement.

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. A qui tam complaint has been filed in U.S. District Court for the Southern District of Florida. We are conferring with the U.S. Attorney regarding our defenses to the complaint allegations. The U.S. Attorney has not decided whether to intervene in the qui tam action. We have incurred pretax expense related to complying with OIG requests of \$342,000 for the quarter ended June 30, 2006 and \$474,000 for the six months ended June 30, 2006.

The government continues to investigate the complaint's allegations. We are unable to predict the outcome of this matter or the impact, if any, that the investigation may have on the business, results of operations, liquidity or capital resources. Regardless of outcome, responding to the subpoenas can adversely affect us through defense costs, diversion of our time and related publicity.

Results of Operations

Second Quarter 2006 versus Second Quarter 2005-Consolidated Results

Our service revenues and sales for the second quarter of 2006 increased 10.4% versus the second quarter of 2005. Of this increase, \$18.5 million was attributable to VITAS and \$5.0 million was attributable to Roto-Rooter, as follows (dollars in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine Homecare	\$16,552	15.5%
Continuous Care	3,631	14.0%
General Inpatient	651	3.1%
Less: Medicare Cap	(2,340)	--
Roto-Rooter		
Plumbing	2,071	7.1%
Drain Cleaning	2,695	8.3%
Other	214	2.0%

Total	\$23,474	10.4%
	=====	

The increase in VITAS' revenues for the second quarter of 2006 versus the second quarter of 2005 is attributable to increases in ADC of 10.6% and 7.8%, respectively, for routine homecare and continuous care. General inpatient ADC was unchanged between periods. ADC is a key measure we use to monitor volume growth in our hospice business. Changes in total program admissions and average length of stay for our patients are the main drivers of changes in ADC. The remainder of the revenue increase is due primarily to the annual increase in Medicare reimbursement rates in the fourth quarter of 2005. In excess of 90% of VITAS' revenues for both periods were from Medicare and Medicaid. The increase in VITAS revenue was partially offset by a reduction of \$2.3 million for Medicare Cap. The revenue reduction is the result of two programs reaching the Medicare Cap revenue limitation during the second quarter of 2006. We believe the range of exposure for the fiscal year ended December 31, 2006 is between \$4.0 million and \$6.1 million. The range includes amounts for Medicare Cap limitations at three of our programs.

The increase in the plumbing revenues for the second quarter of 2006 versus 2005 comprises a 0.4% increase in the number of jobs performed and a 6.7% increase in the average price per job. The increase in drain cleaning revenues for the second quarter of 2006 versus 2005 comprised a 0.6% increase in the number of jobs and a 7.7% increase in the average price per job. The average price per job for both plumbing and drain cleaning was positively impacted by the continued shift to commercial jobs. Overall, the number of commercial jobs increased 2.4% while the number of residential jobs declined 0.3%. This is a favorable shift in job mix since a commercial job averages approximately 20% more revenue per job than a residential job. The increase in other revenues is attributable primarily to increased revenue from the independent contractor operations.

The consolidated gross margin was 27.6% in the second quarter of 2006 as compared with 28.8% in the second quarter of 2005. On a segment basis, VITAS' gross margin was 19.6% in the second quarter of 2006 and 21.4% in the second quarter of 2005. The decrease in VITAS' gross margin in the second quarter of 2006 is primarily attributable to the \$2.3 million reduction in revenue related to Medicare Cap billing limitations. This represents a decrease in VITAS margin of 1.4%. Roto-Rooter segment's gross margin was 45.3% in the second quarter of 2006 and 44.5% in the second quarter of 2005.

Selling, general and administrative expenses ("SG&A") for the second quarter of 2006 were \$38.6 million, an increase of \$676,000 (1.8%) versus the second quarter of 2005. The increase is largely due to higher revenues by both segments which increase certain variable selling costs, such as commissions.

Income from operations increased \$2.6 million from \$22.1 million in the second quarter of 2005 to \$24.7 million in the second quarter of 2006. The increase is attributable primarily to the rate of SG&A growth being considerably lower than the rate of service revenues and sales growth. The decrease in the consolidated gross margin noted above partially offset the increase.

Interest expense, substantially all of which is incurred at Corporate, declined from \$5.0 million in the second quarter of 2005 to \$4.3 million in the second quarter of 2006. This decline is due primarily to the pay down of outstanding debt balances during the last half of 2005 and the first half of 2006.

Our effective income tax rate increased from 37.0% in the second quarter of 2005 to 38.6% in the second quarter of 2006. The increase in our effective tax rate relates mainly to adjustments to pre-acquisition equity earnings at VITAS in 2005. There were no such amounts in the second quarter of 2006.

Income from continuing operations increased \$1.7 million or 15.6% in the second quarter of 2006 as compared to the second quarter of 2005. Net income increased \$4.0 million or 44.5% in the second quarter of 2006 as compared to the second quarter of 2005. Income from continuing operations and net income for both periods included the following aftertax special items/adjustments that increased/(reduced) aftertax earnings (in thousands):

	Three Months Ended June 30,	
	2006	2005
Legal expenses of OIG investigation	\$(212)	\$(160)
Stock option expense	(12)	-
LTIP	-	(1,152)
Adjustments to transaction costs	-	671
	\$(224)	\$(641)

Second quarter 2006 versus Second quarter 2005-Segment Results

The change in aftertax earnings for the second quarter of 2006 versus the second quarter of 2005 is due to (in thousands):

	Net Income Increase/(Decrease)	
	Amount	Percent
VITAS	\$796	7.5%
Roto-Rooter	1,128	19.2%
Corporate	(193)	3.6%
Discontinued operations	2,226	100.0%
	\$3,957	44.5%

First Six Months of 2006 versus First Six Months of 2005-Consolidated Results

Our service revenues and sales for the first six months of 2006 increased 11.5% versus the first six months of 2005. Of this increase, \$40.9 million was attributable to VITAS and \$10.2 million was attributable to Roto-Rooter, as follows (dollars in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine Homecare	\$31,138	15.0%
Continuous Care	9,170	18.2%
General Inpatient	2,910	6.9%
Less: Medicare Cap	(2,340)	--
Roto-Rooter		
Plumbing	3,228	5.6%
Drain Cleaning	5,948	9.0%
Other	1,021	4.6%
Total	\$51,075	11.5%

The increase in VITAS' revenues for the first six months of 2006 versus the first six months of 2005 is attributable to increases in ADC of 10.2%, 11.7% and 3.5%, respectively, for routine homecare, continuous care and general inpatient. ADC is a key measure we use to monitor volume growth in our hospice business. Changes in total program admissions and average length of stay for our patients are the main drivers of changes in ADC. The remainder of the revenue increase is due primarily to the annual increase in Medicare reimbursement rates in the fourth quarter of 2005. In excess of 90% of VITAS' revenues for both periods were from Medicare and Medicaid. The increase in VITAS revenue was partially offset by a reduction of \$2.3 million for Medicare Cap. The revenue reduction is the result of two programs reaching the Medicare Cap revenue limitation during the second quarter of 2006. We believe the range of exposure for the fiscal year ended December 31, 2006 is between \$4.0 million and \$6.1 million. The range includes amounts for Medicare Cap limitations at three of our programs.

The increase in the plumbing revenues for the first six months of 2006 versus 2005 comprises a 0.8% increase in the number of jobs performed and a 4.8% increase in the average price per job. The increase in drain cleaning revenues for the first six months of 2006 versus 2005 comprised a 1.4% increase in the number of jobs and a 7.6% increase in the average price per job. The average price per job for both plumbing and drain cleaning was positively impacted by the continued shift to commercial jobs. Overall, the number of commercial jobs increased 3.4% while the number of residential jobs increased 0.3%. This is a favorable shift in job mix since a commercial job averages approximately 20% more revenue per job than a residential job. The increase in other revenues is attributable primarily to increased revenue from the independent contractor operations.

The consolidated gross margin was 27.7% in the first six months of 2006 as compared with 29.4% in the first six months of 2005. On a segment basis, VITAS' gross margin was 19.6% in the first six months of 2006 and 21.2% in the first six months of 2005. The decrease in VITAS' gross margin in 2006 is primarily attributable to the \$2.3 million reduction in revenue for the Medicare Cap billing limitation and excess patient care capacity experienced in the first quarter of 2006. Roto-Rooter segment's gross margin was 45.4% in the first six months of 2006 and 46.3% in the first six months of 2005. The decrease in Roto-Rooter's gross margin in 2006 is primarily attributable to a benefit realized in the first quarter of 2005 of \$1.6 million (pretax) related to prior period casualty insurance claims.

Selling, general and administrative expenses ("SG&A") for the first six months of 2006 were \$77.1 million, an increase of \$1.2 million (1.6%) versus the first six months of 2005. The increase is largely due to higher revenues by both segments which increase certain variable selling costs, such as commissions.

Income from operations increased \$4.3 million from \$44.7 million in the first six months of 2005 to \$49.0 million in the first six months of 2006. The increase is attributable primarily to the rate of SG&A growth being considerably lower than the rate of service revenues and sales growth. The decrease in the consolidated gross margin noted above partially offset the increase.

Interest expense, substantially all of which is incurred at Corporate, declined from \$10.9 million in the first six months of 2005 to \$9.6 million in the first six months of 2006. This decline is due primarily to the reduction in debt outstanding that occurred as a result of the February 2005 and 2006 refinancings, as well as subsequent debt payments.

Loss on extinguishment of debt decreased from \$4.0 million in the first six months of 2005 to \$430,000 in the first six months of 2006. The 2005 loss on extinguishment relates to the refinancing in February 2005. The loss on extinguishment in 2006 relates to the early repayment of our \$84.4 million term loan in March 2006.

Our effective income tax rate decreased from 39.0% in the first six months of 2005 to 38.8% in the first six months of 2006.

Income from continuing operations increased \$6.0 million or 31.8% in the first six months of 2006 as compared to the first six months of 2005. Net income increased \$8.1 million or 47.4% in the first six months of 2006 as compared to the first six months of 2005. Income from continuing operations and net income for both periods included the following aftertax special items/adjustments that increased/(reduced) aftertax earnings (in thousands):

	Six Months Ended June 30,	
	2006	2005
Loss on extinguishment of debt	\$(273)	\$(2,523)
Legal expenses of OIG investigation	(294)	(160)
Favorable adjustment for insurance	-	1,014
Stock option expense	(12)	(137)
LTIP	-	(1,847)
Adjustments to transaction costs	-	671
	-----	-----
	\$(579)	\$(2,982)
	=====	=====

First Six Months of 2006 versus First Six Months of 2005-Segment Results

The change in aftertax earnings for the first six months of 2006 versus the first six months of 2005 is due to (in thousands):

	Net Income Increase/(Decrease)	
	Amount	Percent
VITAS	\$2,043	10.1%
Roto-Rooter	1,019	7.7%
Corporate	2,979	20.7%
Discontinued operations	2,015	100.0%
	-----	-----
	\$8,056	47.4%
	=====	

The following chart updates historical unaudited financial and operating data of VITAS, acquired in February 2004 (dollars in thousands, except dollars per patient day):

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
OPERATING STATISTICS				
Net revenue (\$000) (a)				
Homecare	\$ 123,162	\$ 106,610	\$ 238,620	\$ 207,482
Inpatient	21,782	21,131	44,889	41,979
Continuous care	29,638	26,007	59,447	50,277
Total before Medicare cap allowance	174,582	153,748	342,956	299,738
Medicare cap allowance	(2,340)	-	(2,340)	-
Total	\$ 172,242	\$ 153,748	\$ 340,616	\$ 299,738
Net revenue as a percent of total before Medicare cap allowance				
Homecare	70.5 %	69.4 %	69.6 %	69.2 %
Inpatient	12.5	13.7	13.1	14.0
Continuous care	17.0	16.9	17.3	16.8
Total before Medicare cap allowance	100.0	100.0	100.0	100.0
Medicare cap allowance	(1.3)	-	(0.7)	-
Total	98.7 %	100.0 %	99.3 %	100.0 %
Average daily census ("ADC") (days)				
Homecare	6,469	5,750	6,292	5,589
Nursing home	3,493	3,260	3,429	3,230
Routine homecare	9,962	9,010	9,721	8,819
Inpatient	406	406	419	405
Continuous care	536	497	553	495
Total	10,904	9,913	10,693	9,719
Total Admissions	13,069	12,646	26,965	25,594
Total Discharges	12,603	12,153	26,015	24,741
Average length of stay (days)	68.0	66.8	70.3	66.4
Median length of stay (days)	13.0	12.0	13.0	12.0
ADC by major diagnosis				
Neurological	33.1 %	32.0 %	33.1 %	31.4 %
Cancer	20.0	21.4	20.2	22.3
Cardio	15.0	15.2	14.9	14.8
Respiratory	7.2	7.2	7.2	7.2
Other	24.7	24.2	24.6	24.3
Total	100.0 %	100.0 %	100.0 %	100.0 %
Admissions by major diagnosis				
Neurological	19.6 %	18.7 %	20.1 %	19.2 %
Cancer	35.0	36.6	34.4	35.5
Cardio	13.2	13.8	13.6	14.0
Respiratory	7.0	6.9	7.5	7.6
Other	25.2	24.0	24.4	23.7
Total	100.0 %	100.0 %	100.0 %	100.0 %
Direct patient care margins (b)				
Routine homecare	49.6 %	49.4 %	48.6 %	49.6 %
Inpatient	21.0	23.0	22.1	22.9
Continuous care	20.3	19.5	19.3	18.5
Homecare margin drivers (dollars per patient day)				
Labor costs	\$ 48.15	\$ 46.01	\$ 49.65	\$ 45.86
Drug costs	8.42	7.94	7.94	7.72
Home medical equipment	5.52	5.53	5.54	5.50
Medical supplies	2.11	2.14	2.13	2.15
Inpatient margin drivers (dollars per patient day)				
Labor costs	\$ 257.69	\$ 240.76	\$ 252.04	\$ 239.55
Continuous care margin drivers (dollars per patient day)				
Labor costs	\$ 463.62	\$ 443.83	\$ 458.96	\$ 438.56
Bad debt expense as a percent of revenues	0.9 %	0.9 %	0.9 %	0.9 %
Accounts receivable -- days of revenue outstanding	40.1	43.8	N.A.	N.A.

- (a) VITAS has five large (greater than 450 ADC), 17 medium (greater than 200 but less than 450 ADC) and 20 small (less than 200 ADC) hospice programs. There are three programs with estimated Medicare Cap billing limitations for the 2006 measurement period. There is one other program with Medicare Cap cushion of less than 10% for the 2006 measurement period. No other programs have an estimated Medicare Cap cushion of less than 10% for the 2006 measurement period.
- (b) Amounts exclude indirect patient care and administrative costs, as well as Medicare Cap billing limitation.

Recent Accounting Statements

In February 2006, the FASB issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments", which nullifies and amends various accounting guidance relating to accounting for derivative instruments and securitization transactions. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions. This statement is effective for all financial instruments acquired or issued after the beginning of our first fiscal year that begins after September 15, 2006. Because we do not have any material derivative instruments or securitization transactions, we believe there will be no material impact on our financial condition, results of operations or cash flows upon adoption.

In July 2006, the FASB issued Interpretation No. 48 "FIN 48", "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109", which proscribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Upon adoption of FIN 48, the financial statements will reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts. FIN 48 also revises disclosure requirements and introduces an annual, tabular roll-forward of the unrecognized tax benefits. This interpretation is effective as of the beginning of fiscal years starting after December 15, 2006. We are currently evaluating the impact that FIN 48 will have on our financial condition and results of operations.

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

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. Our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposure relates to interest rate risk exposure through variable interest rate borrowings. At June 30, 2006, we had a total of \$19.0 million of variable rate debt outstanding. Should the interest rate on this debt increase 100 basis points, our annual interest expense would increase \$190,000. The quoted market value of our 8.75% fixed rate senior notes on June 30, 2006 is \$157.1 million (carrying value is \$150 million). We estimate that the fair value of the remainder of our long-term debt approximates its book value at June 30, 2006.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 4. Submission of matters to a vote of security holders:

- (a) We held our annual meeting of stockholders on May 15, 2006.
- (b) The names of directors elected at this annual meeting are as follows:

Edward L. Hutton	Walter L. Krebs
Kevin J. McNamara	Sandra E. Laney
Donald Breen, Jr.	Timothy S. O'Toole
Charles H. Erhart, Jr.	Donald E. Saunders
Joel F. Germunder	George J. Walsh III
Patrick P. Grace	Frank E. Wood
Thomas C. Hutton	

- (c) The stockholders voted to approve and adopt the Company's 2006 Stock Incentive Plan: 17,114,115 votes were cast in favor of the proposal, 4,007,270 votes were cast against it, 543,673 votes abstained, and there were 2,529 broker non-votes.
- (d) The stockholders voted to approve an amendment to the Company's Certificate of Incorporation, as amended, increasing the number of authorized shares of Capital stock from 40,000,000 to 80,000,000 shares: 21,219,910 votes were cast in favor of the proposal, 2,937,808 votes were cast against it, 36,971 votes abstained, and there were no broker non-votes.
- (e) The stockholders ratified the selection by the Board of Directors of PricewaterhouseCoopers LLP as independent accountants for the Company and its consolidated subsidiaries for the year 2006: 23,478,994 votes were cast in favor of the proposal, 687,307 votes were cast against it, 28,387 votes abstained, and there were no broker non-votes.

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

	For	Withheld
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Edward L. Hutton	22,785,015	1,409,675
Kevin J. McNamara	22,841,200	1,353,489
Donald Breen, Jr.	22,710,836	1,483,853
Charles H. Erhart, Jr.	21,691,072	2,503,617
Joel F. Gemunder	22,216,246	1,978,444
Patrick P. Grace	23,645,851	548,838
Thomas C. Hutton	22,794,788	1,399,901
Walter L. Krebs	23,746,701	447,988
Sandra E. Laney	22,356,173	1,838,516
Timothy S. O'Toole	22,795,110	1,399,579
Donald E. Saunders	23,751,112	443,577
George J. Walsh III	22,832,816	1,361,873
Frank E. Wood	22,666,820	1,527,869

Item 6. Exhibits

Exhibit No.	Description
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10.1	2006 Stock Incentive Plan
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Arthur V. Tucker, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities and 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 9, 2006

By: Kevin J. McNamara

Kevin J. McNamara
(President and Chief Executive Officer)

Dated: August 9, 2006

By: David P. Williams

David P. Williams
(Vice President and Chief Financial Officer)

Dated: August 9, 2006

By: Arthur V. Tucker, Jr.

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

CHEMED CORPORATION
2006 STOCK INCENTIVE PLAN

1. PURPOSES: The purposes of this plan are (a) to secure for the Corporation the benefits of incentives inherent in ownership of Capital Stock by Key Employees, (b) to encourage Key Employees to increase their interest in the future growth and prosperity of the Corporation and to stimulate and sustain constructive and imaginative thinking by Key Employees, (c) to further the identification of interest of those who hold positions of major responsibility in the Corporation and its Subsidiaries with the interests of the Corporation's stockholders, (d) to induce the employment or continued employment of Key Employees and (e) to enable the Corporation to compete with other organizations offering similar or other incentives in obtaining and retaining the services of competent executives.

2. DEFINITIONS: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this Section 2.

BOARD OF DIRECTORS: The Board of Directors of the Corporation.

CAPITAL STOCK: The Capital Stock of the Corporation, par value \$1.00 per share, or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 8.

CORPORATION: Chemed Corporation, a Delaware corporation.

FAIR MARKET VALUE: As applied to any date, the mean between the high and low sales prices of a share of Capital Stock on the principal stock exchange on which the Corporation is listed, or, if it is not so listed, the mean between the bid and the ask prices of a share of Capital Stock in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System on such date or, if no such sales or prices were made or quoted on such date, on the next preceding date on which there were sales or quotes of Capital Stock on such exchange or market, as the case may be; provided, however, that, if the Capital Stock is not so listed or quoted, Fair Market Value shall be determined in accordance with the method approved by the Compensation/Incentive Committee, and, provided further, if any of the foregoing methods of determining Fair Market Value shall not be consistent with the regulations of the Secretary of the Treasury or his delegate at the time applicable to a Stock Incentive of the type involved, Fair Market Value in the case of such Stock Incentive shall be determined in accordance with such regulations and shall mean the value as so determined.

COMPENSATION/INCENTIVE COMMITTEE: The Compensation/Incentive Committee designated to administer this Plan pursuant to the provisions of Section 10.

INCENTIVE COMPENSATION: Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or discretionary or required to be paid pursuant to an agreement, resolution or arrangement, and whether payable currently or on a deferred basis, in cash, Capital Stock or other property, awarded by the Corporation or a Subsidiary prior or subsequent to the date of the approval and adoption of this Plan by the stockholders of the Corporation.

KEY EMPLOYEE: An employee of the Corporation or of a Subsidiary who in the opinion of the Compensation/Incentive Committee can contribute significantly to the growth and successful operations of the Corporation or a Subsidiary. The grant of a Stock Incentive to an employee by the Compensation/Incentive Committee shall be deemed a determination by the Compensation/Incentive Committee that such employee is a Key Employee. For the purposes of this Plan, a director or officer of the Corporation or of a Subsidiary shall be deemed an employee regardless of whether such director or officer is on the payroll of, or otherwise paid for services by, the Corporation or a Subsidiary.

OPTION: An option to purchase shares of Capital Stock.

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PERFORMANCE UNIT: A unit representing a share of Capital Stock, subject to a Stock Award, the issuance, transfer or retention of which is contingent, in whole or in part, upon attainment of a specified performance objective or objectives, including, without limitation, objectives determined by reference to or changes in (a) the Fair Market Value, book value or earnings per share of Capital Stock, or (b) sales and revenues, income, profits and losses, return on capital employed, or net worth of the Corporation (on a consolidated or unconsolidated basis) or of any one or more of its groups, divisions, Subsidiaries or departments, or (c) a combination of two or more of the foregoing factors.

PLAN: The 2006 Stock Incentive Plan herein set forth as the same may from time to time be amended.

STOCK AWARD: An issuance or transfer of shares of Capital Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking to issue or transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to Performance Units.

STOCK INCENTIVE: A stock incentive granted under this Plan in one of the forms provided for in Section 3.

SUBSIDIARY: A corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are owned or controlled, directly or indirectly, by the Corporation.

3. GRANTS OF STOCK INCENTIVES:

(a) Subject to the provisions of this Plan, the Compensation/Incentive Committee may at any time, or from time to time, grant Stock Incentives under this Plan to, and only to, Key Employees.

(b) Stock Incentives may be granted in the following forms:

(i) a Stock Award, or

(ii) an Option, or

(iii) a combination of a Stock Award and an Option.

4. STOCK SUBJECT TO THIS PLAN:

(a) Subject to the provisions of paragraph (c) and (d) of this Section 4 and of Section 8, the aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed 3,000,000 shares; provided, however, that the maximum aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives in the form of Stock Awards, shall not exceed 900,000 shares.

(b) The maximum aggregate number of shares of Capital Stock which may be issued or transferred under the Plan to directors of the Corporation or of a Subsidiary shall not exceed 1,200,000 shares.

(c) Authorized but unissued shares of Capital Stock and shares of Capital Stock held in the treasury, whether acquired by the Corporation specifically for use under this Plan or otherwise, may be used, as the Compensation/Incentive Committee may from time to time determine, for purposes of this Plan, provided, however, that any shares acquired or held by the Corporation for the purposes of this Plan shall, unless and until transferred to a Key Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Corporation, irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

(d) If any shares of Capital Stock subject to a Stock Incentive shall not be issued or transferred and shall cease to be issuable or transferable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Corporation or a Subsidiary because of an employee's failure to comply with the terms and conditions of a Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Corporation or a Subsidiary shall no longer be charged against any of the limitations provided for in paragraphs (a) or (b) of this Section 4 and may again be made subject to Stock Incentives.

5. STOCK AWARDS: Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) A Stock Award shall be granted only in payment of Incentive Compensation that has been earned or as Incentive Compensation to be earned, including, without limitation, Incentive Compensation awarded concurrently with or prior to the grant of the Stock Award.

(b) For the purposes of this Plan, in determining the value of a Stock Award, all shares of Capital Stock subject to such Stock Award shall be valued at not less than 100 percent of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued or transferred to the Key Employee and whether such shares are subject to restrictions which affect their value.

(c) Shares of Capital Stock subject to a Stock Award may be issued or transferred to the Key Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Compensation/Incentive Committee shall determine. In the event that any such issuance or transfer shall not be made to the Key Employee at the time the Stock Award is granted, the Compensation/Incentive Committee may provide for payment to such Key Employee, either in cash or in shares of Capital Stock from time to time or at the time or times such shares shall be issued or transferred to such Key Employee, of amounts not exceeding the dividends which would have been payable to such Key Employee in respect of such shares (as adjusted under Section 8) if they had been issued or transferred to such Key Employee at the time such Stock Award was granted. Any amount payable in shares of Capital Stock under the terms of a Stock Award may, at the discretion of the Corporation, be paid in cash, on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(d) A Stock Award shall be subject to such terms and conditions, including, without limitation, restrictions on sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to such Stock Award, as the Compensation/Incentive Committee may determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a stockholder of the Corporation fully entitled to receive dividends, to vote and to exercise all other rights of a stockholder except to the extent otherwise provided in the Stock Award. Each Stock Award shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided the Stock Award is consistent with this Plan and incorporates it by reference.

6. OPTIONS: Stock Incentives in the form of Options shall be subject to the following provisions:

(a) The maximum aggregate number of Stock Incentives in the form of Options which may be granted to an individual employee of the Corporation or a Subsidiary in any calendar year shall not exceed 200,000 Options.

(b) Upon the exercise of an Option, the purchase price shall be paid in cash or, if so provided in the Option or in a resolution adopted by the Compensation/Incentive Committee (and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee), in shares of Capital Stock or in a combination of cash and such shares. Shares of Capital Stock thus delivered shall be valued at their Fair Market Value on the date of exercise. Subject to the provisions of Section 8, the purchase price per share shall be not less than 100 percent of the Fair Market Value of a share of Capital Stock on the date the Option is granted.

(c) Each Option shall be exercisable, in full or in part, six months after the date the Option is granted, or may become exercisable in one or more installments and at such time or times, as the Compensation/Incentive Committee shall determine. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time, in whole or in part, until the expiration or termination of the Option. Any term or provision in any outstanding Option specifying when the Option is exercisable or that it be exercisable in installments may be modified at any time during the life of the Option by the Compensation/Incentive Committee, provided, however, no such modification of an outstanding Option shall, without the consent of the optionee, adversely affect any Option theretofore granted to him. An Option will become immediately exercisable in full if at any time during the term of the Option the Corporation obtains actual knowledge that any of the following events has occurred, irrespective of the applicability of any limitation on the number of shares then exercisable under the Option: (1) any person within the meaning of Sections 13(d) and

14(d) of the Securities Exchange Act of 1934 (the "1934 Act"), other than the Corporation or any of its subsidiaries, has become the beneficial owner, within the meaning of Rule 13d-3 under the 1934 Act, of 30 percent or more of the combined voting power of the Corporation's then outstanding voting securities; (2) the expiration of a tender offer or exchange offer, other than an offer by the Corporation, pursuant to which 20 percent or more of the shares of the Corporation's Capital Stock have been purchased; (3) the stockholders of the Corporation have approved (i) an agreement to merge or consolidate with or into another corporation and the Corporation is not the surviving corporation or (ii) an agreement to sell or otherwise dispose of all or substantially all of the assets of the Corporation (including a plan of liquidation); or (4) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the nomination for the election by the Corporation's stockholders of each new director was approved by a vote of at least one-half of the persons who were directors at the beginning of the two-year period.

(d) Each Option shall be exercisable during the life of the optionee only by him or a transferee or assignee permitted by paragraph (g) of this Section 6 and, after his death, only by his estate or by a person who acquired the right to exercise the Option pursuant to one of the provisions of paragraph (g) of this Section 6. An Option, to the extent that it shall not have been exercised, shall terminate when the optionee ceases to be an employee of the Corporation or a Subsidiary, unless he ceases to be an employee because of his resignation with the consent of the Compensation/Incentive Committee (which consent may be given before or after resignation), or by reason of his death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary. Except as provided in the next sentence, if the optionee ceases to be an employee by reason of such resignation, the Option shall terminate three months after he ceases to be an employee. If the optionee ceases to be an employee by reason of such death, incapacity or retirement, or if he should die during the three-month period referred to in the preceding sentence, the Option shall terminate fifteen months after he ceases to be an employee. Where an Option is exercised more than three months after the optionee ceased to be an employee, the Option may be exercised only to the extent it could have been exercised three months after he ceased to be an employee. A leave of absence for military or governmental service or for other purposes shall not, if approved by the Compensation/Incentive Committee, be deemed a termination of employment within the meaning of this paragraph (d); provided, however, that an Option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option shall be exercisable after expiration of the term for which the Option was granted, which shall in no event exceed ten years. Where an Option is granted for a term of less than ten years, the Compensation/Incentive Committee, may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years from the date the Option was granted.

(e) Options shall be granted for such lawful consideration as the Compensation/Incentive Committee shall determine.

(f) Neither the Corporation nor any Subsidiary may directly or indirectly lend any money to any person for the purpose of assisting him to purchase or carry shares of Capital Stock issued or transferred upon the exercise of an Option.

(g) No Option nor any right thereunder may be assigned or transferred by the optionee except:

(i) by will or the laws of descent and distribution;

(ii) pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or by the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder;

(iii) by an optionee who, at the time of the transfer, is not subject to the provisions of Section 16 of the 1934 Act, provided such transfer is to, or for the benefit of (including but not limited to trusts for the benefit of), the optionee's spouse or lineal descendants of the optionee's parents; or

(iv) by an optionee who, at the time of the transfer, is subject to the provisions of Section 16 of the 1934 Act, to the extent, if any, such transfer would be permitted under Securities and Exchange Commission Rule 16b-3 or any successor rule thereto, as such rule or any successor rule thereto may be in effect at the time of the transfer.

If so provided in the Option or if so authorized by the Compensation/Incentive Committee and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee, the Corporation may, upon or without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the aggregate purchase price of such shares, or (ii) issue or transfer shares of Capital Stock to the holder with a Fair Market Value, at such time or times, equal to such excess.

(h) Each Option shall be evidenced by a written instrument, which shall contain such terms and conditions, and shall be in such form, as the Compensation/Incentive Committee may determine, provided the Option is consistent with this Plan and incorporates it by reference. Notwithstanding the preceding sentence, an Option, if so granted by the Compensation/Incentive Committee, may include restrictions and limitations in addition to those provided for in this Plan.

(i) Any federal, state or local withholding taxes payable by an optionee or awardee upon the exercise of an Option or upon the removal of restrictions of a Stock Award shall be paid in cash or in such other form as the Compensation/Incentive Committee may authorize from time to time, including the surrender of shares of Capital Stock or the withholding of shares of Capital Stock to be issued to the optionee or awardee. All such shares so surrendered or withheld shall be valued at Fair Market Value on the date such are surrendered to the Corporation or authorized to be withheld.

7. COMBINATIONS OF STOCK AWARDS AND OPTIONS: Stock Incentives authorized by paragraph (b) (iii) of Section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with Section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with Section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as the Compensation/Incentive Committee may determine, including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof. Such combination Stock Incentive shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided it is consistent with this Plan and incorporates it by reference.

8. ADJUSTMENT PROVISIONS: In the event that any recapitalization, or reclassification, split-up or consolidation of shares of Capital Stock shall be effected, or the outstanding shares of Capital Stock are, in connection with a merger or consolidation of the Corporation or a sale by the Corporation of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities of the Corporation or for shares of the stock or other securities of any other corporation, or a record date for determination of holders of Capital Stock entitled to receive a dividend payable in Capital Stock shall occur (a) the number and class of shares or other securities that may be issued or transferred pursuant to Stock Incentives, (b) the number and class of shares or other securities which have not been issued or transferred under outstanding Stock Incentives, (c) the purchase price to be paid per share or other security under outstanding Options, and (d) the price to be paid per share or other security by the Corporation or a Subsidiary for shares or other securities issued or transferred pursuant to Stock Incentives which are subject to a right of the Corporation or a Subsidiary to reacquire such shares or other securities, shall in each case be equitably adjusted.

9. TERM: This Plan shall be deemed adopted and shall become effective on the date it is approved and adopted by the stockholders of the Corporation. No Stock Incentives shall be granted under this Plan after May 15, 2016.

10. ADMINISTRATION:

- (a) The Plan shall be administered by the Compensation/Incentive Committee, which shall consist of no fewer than three persons designated by the Board of Directors. Grants of Stock Incentive may be granted by the Compensation/Incentive Committee either in or without consultation with employees, but, anything in this plan to the contrary notwithstanding, the Compensation/Incentive Committee shall have full authority to act in the matter of selection of all Key Employees and in determining the number of Stock Incentives to be granted to them.
- (b) The Compensation/Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to participate in this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Compensation/Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Corporation, its Subsidiaries, its stockholders and all employees, and upon their respective legal representatives, beneficiaries, successors and assigns upon all other persons claiming under or through any of them.
- (c) Members of the Board of Directors and members of the Compensation/Incentive Committee acting under this Plan shall be fully protected in relying on good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.
- (d) Any awards under the Plan made to members of the Committee shall be approved by the Board. With respect to awards to such directors, all rights, powers and authorities vested in the Committee under the Plan shall instead be exercised by the Board, and all provisions of the Plan relating to the Committee shall be interpreted in a manner consistent with the foregoing by treating any such reference as a reference to the Board for such purpose.

11. GENERAL PROVISIONS:

- (a) Nothing in this Plan nor in any instrument executed pursuant hereto shall confer upon any employee any right to continue in the employ of the Corporation or a Subsidiary, or shall affect the right of the Corporation or of a Subsidiary to terminate the employment of any employee with or without cause.
- (b) No shares of Capital Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares, in the opinion of counsel to the Corporation, have been complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances, satisfactory to counsel to the Corporation, that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Corporation or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

- (c) No employee (individually or as a member of a group), and no beneficiary or other persons claiming under or through him, shall have any right, title or interest in or to any shares of Capital Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Capital Stock, if any, as shall have been issued or transferred to him.
- (d) The Corporation or a Subsidiary may, with the approval of the Compensation/Incentive Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be a Key Employee at the time of grant, and, notwithstanding any other provision of this Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Company takes action to implement such agreement or commitment.
- (e) In the case of a grant of a Stock Incentive to an employee of a Subsidiary, such grant may, if the Compensation/Incentive Committee so directs, be implemented by the Corporation issuing or transferring the shares, if any, covered by the Stock Incentive to the Subsidiary, for such lawful consideration as the Compensation/Incentive Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive specified by the Compensation/Incentive Committee pursuant to the provisions of this Plan. Notwithstanding any other provisions hereof, such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Compensation/Incentive Committee, on the date it is delivered by the Subsidiary or on such other date between said two dates, as the Compensation/Incentive Committee shall specify.
- (f) The Corporation or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.
- (g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other Plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Corporation or any Subsidiary or other affiliate now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

12. AMENDMENTS AND DISCONTINUANCE:

- (a) This Plan may be amended by the Board of Directors upon the recommendation of the Compensation/Incentive Committee, provided that, without the approval of the stockholders of the Corporation, no amendment shall be made which (i) increases the aggregate number of shares of Capital Stock that may be issued or transferred pursuant to Stock Incentives as provided in paragraph (a) of Section 4, (ii) increases the maximum aggregate number of shares of Capital Stock that may be issued or transferred under the Plan to directors of the Corporation or of a Subsidiary as provided in paragraph (b) of Section 4, (iii) increases the maximum aggregate number of Stock Incentives, in the form of Options, which may be granted to an individual employee as provided in paragraph (a) of Section 6, (iv) withdraws the administration of this Plan from the Compensation/Incentive Committee, (v) permits any person who is not at the time a Key Employee of the Corporation or of a Subsidiary to be granted a Stock Incentive, (vi) permits any option to be exercised more than ten years after the date it is granted, (vii) amends Section 9 to extend the date set forth therein or (viii) amends this Section 12.

- (b) Notwithstanding paragraph (a) of this Section 12, the Board of Directors may amend the Plan to take into account changes in applicable securities laws, federal income tax laws and other applicable laws. Should the provisions of Rule 16b-3, or any successor rule, under the Securities Exchange Act of 1934 be amended, the Board of Directors may amend the Plan in accordance therewith.
- (c) The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue this Plan.
- (d) No amendment or discontinuance of this Plan by the Board of Directors or the Stockholders of the Corporation shall, without the consent of the employee, adversely affect any Stock Incentive theretofore granted to him.

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2006

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2006

/s/ David P. Williams

 David P. Williams
 (Vice President and Chief Financial
 Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Arthur V. Tucker, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2006 /s/ Arthur V. Tucker, Jr.

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

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2006 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2006

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2006 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2006

/s/ David P. Williams

David P. Williams
(Vice President and Chief Financial
Officer)

CERTIFICATION BY ARTHUR V. TUCKER, JR.
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2006 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2006

/s/ Arthur V. Tucker, Jr.

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