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

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

For Quarter Ended September 30, 2001

Commission File Number 1-8351

CHEMED CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 31-0791746
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip code)

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

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

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

Class	Amount	Date
Capital Stock \$1 Par Value	9,832,687 Shares	October 31, 2001

**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)

	<u>September 30,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,147	\$ 10,280
Accounts receivable less allowances of \$5,151 (2000 - \$5,137)	51,292	54,571
Inventories	11,231	10,503
Statutory deposits	13,293	14,046
Other current assets	<u>17,947</u>	<u>17,070</u>
Total current assets	113,910	106,470
Other investments	35,331	37,099
Properties and equipment, at cost less accumulated depreciation of \$69,101 (2000 - \$64,757)	69,459	75,177
Identifiable intangible assets less accumulated amortization of \$8,335 (2000 - \$7,749)	10,954	11,633
Goodwill less accumulated amortization of \$35,181 (2000 - \$31,524)	165,684	169,083
Other assets	<u>24,062</u>	<u>21,913</u>
Total Assets	<u>\$ 419,400</u>	<u>\$ 421,375</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 10,904	\$ 11,102
Current portion of long-term debt	11,373	14,376
Income taxes	10,571	11,862
Deferred contract revenue	22,816	24,973
Other current liabilities	<u>46,248</u>	<u>44,629</u>
Total current liabilities	101,912	106,942
Long-term debt	58,088	58,391
Other liabilities	<u>26,951</u>	<u>27,637</u>
Total Liabilities	<u>186,951</u>	<u>192,970</u>
MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF THE CHEMED CAPITAL TRUST	<u>14,520</u>	<u>14,641</u>
STOCKHOLDERS' EQUITY		
Preferred stock-authorized 700,000 shares without par value; none issued		
Capital stock-authorized 15,000,000 shares \$1 par; issued 13,437,781 (2000 - 13,317,906) shares	13,438	13,318
Paid-in capital	166,436	162,618
Retained earnings	156,690	153,909
Treasury stock-3,605,904(2000 - 3,467,753) shares, at cost	(110,386)	(105,249)
Unearned compensation	(12,264)	(16,683)
Deferred compensation payable in company stock	3,270	5,500
Accumulated other comprehensive income	2,227	3,237
Notes receivable for shares sold	<u>(1,482)</u>	<u>(2,886)</u>
Total Stockholders' Equity	<u>217,929</u>	<u>213,764</u>
Total Liabilities and Stockholders' Equity	<u>\$ 419,400</u>	<u>\$ 421,375</u>

See accompanying notes to unaudited financial statements.

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Continuing Operations				
Service revenues and sales	\$117,498	\$121,652	\$359,487	\$363,995
Cost of services provided and cost of goods sold	71,781	72,913	218,661	220,144
Selling and marketing expenses	11,583	13,117	33,836	35,171
General and administrative expenses	24,504	23,946	75,476	72,926
Depreciation	4,031	3,728	12,058	11,254
Other charges	<u>4,031</u>	<u>-</u>	<u>4,031</u>	<u>-</u>
Total costs and expenses	<u>115,930</u>	<u>113,704</u>	<u>344,062</u>	<u>339,495</u>
Income from operations	1,568	7,948	15,425	24,500
Interest expense	(1,373)	(1,664)	(4,325)	(5,233)
Distributions on preferred securities	(275)	(282)	(830)	(856)
Other income, net	<u>165</u>	<u>1,916</u>	<u>2,769</u>	<u>7,104</u>
Income before income taxes	85	7,918	13,039	25,515
Income taxes	<u>7</u>	<u>(3,210)</u>	<u>(5,003)</u>	<u>(9,902)</u>
Income from continuing operations	92	4,708	8,036	15,613
Discontinued operations	<u>-</u>	<u>(73)</u>	<u>(1,973)</u>	<u>37</u>
Net Income	<u>\$ 92</u>	<u>\$ 4,635</u>	<u>\$ 6,063</u>	<u>\$ 15,650</u>
Earnings Per Common Share				
Income from continuing operations	<u>\$.01</u>	<u>\$.48</u>	<u>\$.83</u>	<u>\$ 1.58</u>
Net income	<u>\$.01</u>	<u>\$.48</u>	<u>\$.62</u>	<u>\$ 1.59</u>
Average number of shares outstanding	<u>9,690</u>	<u>9,742</u>	<u>9,721</u>	<u>9,867</u>
Diluted Earnings per Common Shares				
Income from continuing operations	<u>\$.01</u>	<u>\$.48</u>	<u>\$.82</u>	<u>\$ 1.57</u>
Net income	<u>\$.01</u>	<u>\$.47</u>	<u>\$.62</u>	<u>\$ 1.57</u>
Average number of shares outstanding	<u>9,798</u>	<u>10,253</u>	<u>9,850</u>	<u>10,319</u>
Cash Dividends Paid Per Share	<u>.11</u>	<u>.10</u>	<u>.33</u>	<u>.30</u>

See accompanying notes to unaudited financial statements.

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

	Nine Months Ended	
	September 30,	
	2001	2000*
Cash Flows From Operating Activities		
Net income	\$ 6,063	\$ 15,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,162	17,394
Discontinued operations	1,973	(37)
Provision for uncollectible accounts receivable	1,921	1,137
Gains on sale of investments	(993)	(2,662)
Provision for deferred income taxes	(11)	1,225
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
(Increase)/decrease in accounts receivable	(129)	361
Increase in inventories	(728)	(994)
(Increase)/decrease in statutory deposits	753	(361)
Increase in other current assets	(1,048)	(3,794)
Increase/(decrease) in accounts payable, deferred contract revenue and other current liabilities	1,020	(327)
Increase in income taxes	179	3,537
Other - net	<u>1,390</u>	<u>914</u>
Net cash provided by continuing operations	28,552	32,043
Net cash used by discontinued operations	<u>(55)</u>	<u>(144)</u>
Net cash provided by operating activities	<u>28,497</u>	<u>31,899</u>
Cash Flows From Investing Activities		
Capital expenditures	(11,272)	(13,128)
Proceeds from sale of property and equipment	3,520	310
Net outflows from discontinued operations	(3,190)	(2,804)
Business combinations--net of cash acquired	(2,020)	(12,495)
Proceeds from sale of investments	1,377	3,424
Other-net	<u>66</u>	<u>(457)</u>
Net cash used by investing activities	<u>(11,519)</u>	<u>(25,150)</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(3,306)	(7,090)
Dividends paid	(3,292)	(3,022)
Purchase of treasury stock	(1,201)	(5,395)
Other - net	<u>688</u>	<u>(371)</u>
Net cash used by financing activities	<u>(7,111)</u>	<u>(15,878)</u>
Increase/(Decrease) In Cash And Cash Equivalents	9,867	(9,129)
Cash and cash equivalents at beginning of period	<u>10,280</u>	<u>17,282</u>
Cash and cash equivalents at end of period	<u>\$ 20,147</u>	<u>\$ 8,153</u>

*Reclassified to conform to 2001 presentation.
See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

Notes to Unaudited Financial Statements

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, they do not include all the disclosures required under generally accepted accounting principles for complete financial statements. However, in the opinion of the management of Chemed Corporation (the "Company"), the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of the Company and its consolidated subsidiaries ("Chemed"). For further information regarding Chemed's accounting policies, refer to the consolidated financial statements and notes included in Chemed's Annual Report on Form 10-K for the year ended December 31, 2000.
2. Sales and service revenues and aftertax earnings by business segment follow below (in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>Service Revenues and Sales</u>				
Roto-Rooter	\$ 65,406	\$ 68,678	\$200,960	\$206,208
Patient Care	34,894	34,498	105,674	101,096
Service America	17,198	18,476	52,853	56,691
Total	<u>\$117,498</u>	<u>\$121,652</u>	<u>\$359,487</u>	<u>\$363,995</u>
<u>Aftertax Earnings</u>				
Roto-Rooter	\$ 1,268(a)	5,084	\$ 8,930(a)	14,673
Patient Care	604	487	1,899	1,439
Service America	(310)(b)	186	635(b)	1,027
Total segment earnings	1,562	5,757	11,464	17,139
Corporate				
Overhead	(1,387)	(1,154)	(4,018)	(3,726)
Net investing and financing income/(loss)	(83)	105	(113)	401
Gains on sales of investments	-	-	703	1,799
Discontinued operations	-	(73)	(1,973)	37
Net income	<u>\$ 92</u>	<u>\$ 4,635</u>	<u>\$ 6,063</u>	<u>\$ 15,650</u>

- (a) Amounts include Roto-Rooter's aftertax cost of its overtime wage settlement with the Department of Labor (\$1,800,000).
 - (b) Amounts include Service America's aftertax impairment loss related to the closing of its Tucson branch (\$620,000).
3. Earnings per common share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per common share are computed as follows (in thousands except per share data):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>Income from Continuing Operations</u>				
Reported income	\$ 92	\$ 4,708	\$ 8,036	\$15,613
Aftertax interest on Trust Securities	-(a) 196	-(a) 575		
Adjusted income	<u>\$ 92</u>	<u>\$ 4,904</u>	<u>\$ 8,036</u>	<u>\$16,188</u>
Average number of shares outstanding	9,690	9,742	9,721	9,867
Effect of conversion of the Trust Securities	-(a) 413	-(a) 370		
Effect of nonvested stock awards	108	97	112	81
Effect of unexercised stock options	-	1	17	1
Average number of shares used to compute diluted earnings per common share	<u>9,798</u>	<u>10,253</u>	<u>9,850</u>	<u>10,319</u>
Diluted earnings per common share	<u>\$.01</u>	<u>\$.48</u>	<u>\$.82</u>	<u>\$ 1.57</u>
<u>Net Income</u>				
Reported income	\$ 92	\$ 4,635	\$ 6,063	\$15,650
Aftertax interest on Trust Securities	-(a) 196	-(a) 575		
Adjusted income	<u>\$ 92</u>	<u>\$ 4,831</u>	<u>\$ 6,063</u>	<u>\$16,225</u>
Average number of shares outstanding	9,690	9,742	9,721	9,867
Effect of conversion of the Trust Securities	-(a) 413	-(a) 370		
Effect of nonvested stock awards	108	97	112	81
Effect of unexercised stock options	-	1	17	1
Average number of shares used to compute diluted earnings per common share	<u>9,798</u>	<u>10,253</u>	<u>9,850</u>	<u>10,319</u>
Diluted earnings per common share	<u>\$.01</u>	<u>\$.47</u>	<u>\$.62</u>	<u>\$ 1.57</u>

(a) The impact of the Trust Securities on earnings per share from continuing operations is anti-dilutive for the three and nine-month periods ended September 30, 2001. Therefore, the Trust Securities are excluded from diluted earnings per share computations.

4. The Company had total comprehensive income of \$167,000, \$6,048,000, \$5,053,000 and \$15,048,000 for the three- and nine-month periods ended September 30, 2001 and 2000, respectively. The other comprehensive income relates to the cumulative unrealized appreciation/depreciation on its available-for-sale securities.
5. During the first quarter of 2001, the U.S. Department of Labor ("DOL") initiated a nationwide investigation into the pay practices for commissioned service technicians employed within the Roto-Rooter segment. The issue in question was whether commissioned service technicians are entitled to overtime pay for time worked in excess of 40 hours. During the third quarter of 2001, Roto-Rooter reached resolution with the DOL and agreed to make overtime payments to specified employees and former employees. The cost of this

settlement, including payroll taxes and estimated legal costs, is \$3,000,000 and is included in "other charges" in the statement of income in the third quarter.

Roto-Rooter completed a conversion of its pay plan for these employees earlier this year. Accordingly, management does not anticipate that this issue will have any significant impact on operating earnings on a going-forward basis.

6. Effective for the second quarter of 2001, Chemed decided to discontinue its Cadre Computer segment. In the third quarter, Chemed completed the sale of the business and assets of Cadre Computer to a company owned by the former Cadre Computer employees for a note receivable which has been fully reserved.

Data relating to discontinued operations include the following (in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Cadre Computer income/(loss) before				
income taxes	\$ (165)	\$ (111)	\$ (734)	\$ 60
Income tax benefit/(expense)	58	38	255	(23)
Minority interest	<u>6</u>	<u>-</u>	<u>46</u>	<u>-</u>
Cadre Computer net income/(loss)	(101)	(73)	(433)	37
Adjustment to loss/(loss) on disposal,				
net of income tax expense/(benefit)				
of \$54 and \$(829)	<u>101</u>	<u>-</u>	<u>(1,540)</u>	<u>-</u>
Income/(loss) from discontinued operations	<u>\$ -</u>	<u>\$ (73)</u>	<u>\$ (1,973)</u>	<u>\$ 37</u>
Net service revenues and sales of Cadre				
Computer	<u>\$1,557</u>	<u>\$2,129</u>	<u>\$ 5,088</u>	<u>\$ 6,538</u>

7. During the third quarter of 2001, Service America recorded an impairment loss of \$1,031,000 on the valuation of the assets of its Tucson branch which it closed in October 2001. The loss related primarily to goodwill and other intangibles (\$815,000), property and equipment (\$145,000) and various other assets (\$71,000). The impairment loss is included in "other charges" on the income statement.

The Tucson Branch recorded pretax losses of \$124,000, nil, \$216,000 and \$373,000 for the three- and nine-month periods ended September 30, 2001 and 2000, respectively. It is anticipated that the branch will incur approximately \$235,000 of additional costs (primarily severance pay) and losses during the remainder of 2001.

8. Statement of Financial Accounting Standards No. 133 ("SFAS133") Accounting for Derivative Instruments and Hedging Activities, is effective for calendar year 2001. Since the Company does not invest in derivative or hedging instruments, adoption of SFAS133 has no impact on the Company's financial statements.

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

Financial Condition

There were no significant changes in the Company's balance sheet from December 31, 2000 to September 30, 2001.

Vitas Healthcare Corporation ("Vitas"), the privately-held provider of hospice services to the terminally ill in which the Company carries an investment of \$27 million of redeemable preferred stock, refinanced its debt obligations in April 2001. In connection therewith, the Company and Vitas agreed to extend the maturity of Vitas' redeemable preferred stock to April 1, 2007. In addition, Vitas issued a warrant to the Company for the purchase of approximately 1.6 million shares of its common stock.

Vitas' operating results and net income continue to meet its management's expectations. On the basis of current information, management believes the Company's investment in Vitas is fully recoverable and that no impairment exists.

On June 20, 2001, Chemed's \$85 million revolving line of credit with Bank of America expired. It is anticipated that another line of credit will be established during the next several months. Chemed had approximately \$18.5 million of unused lines of credit with various banks at September 30, 2001. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Results of Operations

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

	Service Revenues and Sales -	Aftertax Earnings/(Loss)	
	% Increase/(Decrease)	as a % of Revenues	
	2001 vs. 2000	(Aftertax Margin)	
		2001	2000
Three Months Ended			
<u>September 30,</u>			
Roto-Rooter	(5)%	1.9%	7.4%
Patient Care	1	1.7	1.4
Service America	(7)	(1.8)	1.0
Total	(3)	1.3	4.7

Nine Months Ended**September 30,**

Roto-Rooter	(3)%	4.4%	7.1%
Patient Care	5	1.8	1.4
Service America	(7)	1.2	1.8
Total	(1)	3.2	4.7

Third Quarter 2001 versus Third Quarter 2000

Service revenues and sales of the Roto-Rooter segment for the third quarter of 2001 totaled \$65,406,000, a decline of 5% versus the \$68,678,000 recorded in the third quarter of 2000. Revenues of the drain cleaning business increased slightly and revenues of the plumbing services business declined 7% for the third quarter of 2001, as compared with revenues for 2000. Each of these businesses' revenues accounts for approximately 42% of Roto-Rooter's total revenues and sales. The overall revenue decline can be partially ascribed to the economic slowdown as Roto-Rooter is experiencing lower demand for elective, non-emergency plumbing and drain cleaning services. The aftertax margin during the third quarter of 2001 was 1.9% versus 7.4% in the 2000 quarter. Excluding the nonrecurring charge for the overtime wage settlement (\$1,800,000 aftertax) the margin for the 2001 third quarter was 4.7%. The decline versus 2000 is attributable to a lower gross profit margin, largely due to higher liability insurance costs during 2001.

Service revenues of the Patient Care segment increased 1% from \$34,498,000 in the third quarter of 2000 to \$34,894,000 in the third quarter of 2001. The aftertax margin of this segment increased from 1.4% in the third quarter of 2000 to 1.7% in 2001, largely as the result of a higher gross profit margin in 2001.

Service revenues and sales of the Service America segment declined 7% from \$18,476,000 in the third quarter of 2000 to \$17,198,000 in the third quarter of 2001. This decline is the result of insufficient new service contracts to offset the loss of expiring annual service contracts. The aftertax margin of this segment was a negative 1.8% during the third quarter of 2001 versus 1.0% in 2000. Excluding the impairment loss on the assets of the Tucson branch (\$620,000 aftertax), the margin for 2001 was 1.8%. The higher aftertax margin during 2001 is attributable to a higher gross profit margin in 2001, partially offset by higher selling and administrative expenses, as a percent of revenues.

Income from operations declined from \$7,948,000 in the third quarter of 2000 to \$1,568,000 in the third quarter of 2001. Excluding Roto-Rooter's overtime wage settlement (\$3,000,000) and Service America's impairment loss (\$1,031,000), income from operations for the third quarter of 2001 was \$5,599,000, a decline

of 30% from 2000. Similarly, earnings before interest, taxes, depreciation and amortization before capital gains and nonrecurring charges ("EBITDA") declined 26% from \$15,141,000 in the third quarter of 2000 to \$11,285,000 in 2001. Both declines are primarily due to lower operating profit of the Roto-Rooter segment.

Interest expense declined from \$1,664,000 in the third quarter of 2000 to \$1,373,000 in the third quarter of 2001, largely as a result of lower debt levels in the year 2001.

Other income-net declined from \$1,916,000 in the third quarter of 2000 to \$165,000 in the third quarter of 2001 due primarily to incurring losses on trust assets used to fund deferred compensation liabilities in 2001 versus gains on such assets in 2000. These gains or losses included in other income are entirely offset by increases or reductions in operating expenses.

Income from continuing operations declined from \$4,708,000 (\$.48 per share) in the third quarter of 2000 to \$92,000 (\$.01 per share) in the third quarter of 2001. Excluding the overtime wage settlement and the impairment loss (\$2,420,000 aftertax), income from continuing operations in 2001 was \$2,512,000 (\$.26 per share). The decline versus the prior year period is primarily due to lower aftertax earnings of the Roto-Rooter segment.

Net income for the third quarter of 2000 includes a \$73,000 loss recorded by the Cadre Computer segment which was discontinued in 2001.

Nine Months Ended September 30, 2001 versus September 30, 2000

Service revenues and sales of the Roto-Rooter segment for the first nine months of 2001 totaled \$200,960,000, a decline of 3% versus the \$206,208,000 recorded in the first nine months of 2000. Revenues of the drain cleaning business increased 1% and revenues of the plumbing services business declined 3% for the first nine months of 2001, as compared with revenues for 2000. The overall revenue decline in 2001 is largely attributable to the economic slowdown as Roto-Rooter is experiencing lower demand for elective, non-emergency plumbing and drain cleaning services. The aftertax margin during the first nine months of 2001 was 4.4% versus 7.1% in the 2000 period. Excluding the nonrecurring charge for the overtime wage settlement the margin for the 2001 quarter was 5.3%. The decline versus 2000 is attributable to a lower gross profit margin, largely due to higher liability insurance costs during 2001.

Service revenues of the Patient Care segment increased 5% from \$101,096,000 in the first nine months of 2000 to \$105,674,000 in the first nine months of 2001. The aftertax margin of this

segment increased from 1.4% in the first nine months of 2000 to 1.8% in 2001, largely as the result of a higher gross profit margin in 2001.

Service revenues and sales of the Service America segment declined 7% from \$56,691,000 in the first nine months of 2000 to \$52,853,000 in the first nine months of 2001. This decline is largely the result of insufficient new service contracts to offset the expiration of existing service contracts. The aftertax margin of this segment was 1.2% during the first nine months of 2001 versus 1.8% in 2000. Excluding the impairment loss on the assets of the Tucson branch (\$620,000 aftertax), the margin for 2001 was 2.4%. The higher aftertax margin during 2001 is attributable to a higher gross profit margin in 2001, partially offset by higher selling and administrative expenses, as a percent of revenues.

Income from operations declined from \$24,500,000 in the first nine months of 2000 to \$15,425,000 in the first nine months of 2001. Excluding Roto-Rooter's overtime wage settlement (\$3,000,000) and Service America's impairment loss (\$1,031,000), income from operations for the first nine months of 2001 was \$19,456,000, a decline of 21% from 2000. Similarly, earnings before interest, taxes, depreciation and amortization before capital gains and nonrecurring charges ("EBITDA") declined 16% from \$44,820,000 in the first nine months of 2000 to \$37,800,000 in 2001. Both declines are primarily due to lower operating profit of the Roto-Rooter segment.

Interest expense declined from \$5,233,000 in the first nine months of 2000 to \$4,325,000 in the first nine months of 2001, largely as a result of lower debt levels in the year 2001.

Other income-net declined from \$7,104,000 in the first nine months of 2000 to \$2,769,000 in the first nine months of 2001 due primarily to larger capital gains on the sales of investments in 2000 (\$2,662,000) versus 2001 (\$993,000) and to incurring losses on trust assets used to fund deferred compensation liabilities in 2001 versus gains on such assets in 2000. These market gains or losses on trust assets included in other income are entirely offset by increases or reductions in operating expenses.

Income from continuing operations declined from \$15,613,000 (\$1.58 per share and \$1.57 per diluted share) in the first nine months of 2000 to \$8,036,000 (\$.83 per share and \$.82 per diluted share) in the first nine months of 2001. Excluding capital gains on the sales of investments, and overtime wage settlement and the impairment loss (which total \$2,420,000 aftertax), income from continuing operations in 2001 was \$9,753,000 (\$1.00 per share and \$.99 per diluted share) versus \$13,814,000 (\$1.40 per share and \$1.39 per diluted share). The decline versus the prior year period is primarily due to lower aftertax earnings of the Roto-Rooter segment.

Net income for the first nine months includes the results of the Cadre Computer segment which was discontinued in the second quarter of 2001. Included in the 2001 loss from discontinued operations is a loss on the disposal of Cadre Computer amounting to \$1,540,000.

Accounting for Business Combinations and Intangible Assets

During June 2001, the Financial Accounting Standards Board approved the issuance of Statement of Financial Accounting Standards No. 141 ("SFAS141"), Business Combinations, and Statement of Financial Accounting Standards No. 142 ("SFAS142"), Goodwill and Other Intangible Assets. For Chemed these statements will generally become effective January 1, 2002, although business combinations initiated after July 1, 2001 are subject to the non-amortization and purchase accounting provisions.

Specifically, SFAS142 stipulates that goodwill is no longer subject to amortization, but must be evaluated annually for impairment beginning January 1, 2002. Chemed estimates that the non-amortization provision will increase its diluted earnings per share by approximately \$.40 to \$.45 per share in the year 2002. The assessment of goodwill for impairment is a complex issue in which a company must determine, among other things, the fair value of each defined component of its operating segments. It is, therefore, not possible at this time to predict the impact, if any, which the impairment assessment provisions of SFAS142 will have on Chemed's financial statements.

Accounting for Asset Retirement Obligations

During June 2001, the Financial Accounting Standards Board approved the issuance of Statement of Financial Accounting Standards No. 143 ("SFAS143"), Accounting for Asset Retirement Obligations. This statement becomes effective for fiscal years beginning after June 15, 2002 and requires all entities to recognize legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction or development and/ or normal operation of a long-lived asset.

Since the Company has no material asset retirement obligations, the adoption of SFAS 143 in 2003 will not have a material impact on its financial statements.

Accounting for the Impairment or Disposal of Long-Lived Assets

During August 2001, the Financial Accounting Standards Board approved the issuance of Statement of Financial Accounting Standards No. 144 ("SFAS144"), Accounting for the Impairment or Disposal of Long-Lived Assets. This statement becomes effective for fiscal years beginning after December 15, 2001 and modifies accounting for impairment of long-lived assets to be held and used, disposed of by sale or otherwise disposed. It is currently anticipated that adoption of SFAS144 in 2002 will not materially impact the Company's financial statements.

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

This report contains statements which are subject to certain known and unknown risks, uncertainties, contingencies and other factors that could cause actual results to differ materially from such statements. The Company's ability to deal with the unknown outcomes of these events, many of which are beyond its control, may affect the reliability of its projections and other financial matters.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None required.

(b) Reports on Form 8-K

None were filed in the quarter ended September 30, 2001.

SIGNATURES

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

Chemed Corporation
(Registrant)

Dated: November 14, 2001

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

Dated: November 14, 2001

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