

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

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

Date of Report (date of earliest event reported):  
May 4, 2004

ROTO-ROOTER INC.  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-8351 (Commission File Number)	31-0791746 (I.R.S. Employer Identification Number)
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2600 Chemed Center, 255 East 5th Street, Cincinnati, OH 45202  
(Address of principal executive offices) (Zip Code)

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

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

c) Exhibits  
(99.1) Registrant's press release dated May 4, 2004.

Item 12. Results of Operations and Financial Condition

On May 4, 2004, Roto-Rooter, Inc. issued a press release announcing its financial results for the first quarter ended March 31, 2004. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated by reference herein.

SIGNATURES

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

ROTO-ROOTER INC.

Dated: May 4, 2004  
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By: /s/ Arthur V. Tucker, Jr.  
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Arthur V. Tucker, Jr.  
Vice President and Controller

Roto-Rooter Inc. Reports 2004 First-Quarter Results;  
Consolidated Revenue Increases 69%, Record Average Daily Census at VITAS

CINCINNATI--(BUSINESS WIRE)--May 4, 2004--Roto-Rooter Inc. ("Roto-Rooter") (NYSE:RRR) (OTCBB:CHEQP), which operates the nation's largest provider of end-of-life care under the VITAS Healthcare Corporation (VITAS) brand and commercial and residential plumbing and drain cleaning services under the Roto-Rooter brand, today reported financial results for its first quarter, ended March 31, 2004, versus the comparable prior-year period as follows:

- Consolidated GAAP Operating Results:
  - Revenue increased 69% to \$131.0 million
  - Adjusted EBITDA of \$15.0 million
  - EPS loss including merger related expenses of \$.65
- Quarterly Pro Forma Consolidated Operating Results:
  - Pro forma Revenue increased 15% to \$203.9 million
  - Pro forma Adjusted EBITDA of \$20.9 million, an increase of 51%
  - Pro forma Earnings Per Share, excluding LTIP and debt extinguishment, of \$.46
- VITAS generated record revenue and ADC levels:
  - Quarterly Net Patient Revenue up 24%
  - Average Daily Census (ADC) up 18%
  - Pro forma Adjusted EBITDA increased 48%
- Plumbing and Drain Cleaning segment reported increased Revenue and Adjusted EBITDA:
  - Revenue increased 7%
  - Adjusted EBITDA increased 35%

"The first quarter of 2004 was perhaps the most dynamic period in the history of the company," said Kevin J. McNamara, Roto-Rooter president and chief executive officer. "Over the past three months, we have successfully completed our merger of VITAS, restructured the entire debt of the organization, issued 2,000,000 shares of Roto-Rooter Inc. capital stock in a private placement and, at the same time, produced improved performance of both VITAS and the Plumbing and Drain Cleaning segments of the business. We have basically reengineered the entire structure, strategy, and direction of the company."

"The first quarter of 2004 contained a number of unusual items and issues that need to be carefully considered in analyzing the fundamental strength of the overall businesses," said David Williams, Roto-Rooter's chief financial officer. "Issues in the first quarter of 2004 include VITAS' being accounted for under the equity method of accounting until the date of the merger, February 24, 2004. After this point, VITAS' results of operations are fully consolidated into Roto-Rooter Inc.'s financial results. In addition, losses on early extinguishment of debt; legal, valuation, and other costs related to the merger; required GAAP accrual of potential severance at VITAS; costs associated with a Long-Term Incentive Plan (LTIP); as well as certain capital gains and severance recorded in the first quarter of 2003, all impact the comparability of our financial results. Further, the required GAAP treatment relating to the direct expensing of advertising, primarily "Yellow Page" type telephone directories, needs to be considered to adequately measure and compare the overall performance of the plumbing and drain cleaning business. As a result, this press release contains a number of reconciling schedules that detail out the impact of this activity."

For a detailed presentation of reconciling items and related definitions and components, please refer to the attached schedules.

#### VITAS

The merger of VITAS was completed on February 24, 2004. Prior to that date, the company accounted for its 37% ownership of VITAS under the equity method of accounting. As a result, under generally accepted accounting principles (GAAP), only a portion of VITAS' operating results are fully consolidated into

Roto-Rooter Inc.'s first quarter of 2004.

Within Roto-Rooter Inc.'s GAAP financial statements, VITAS had Net Patient Revenue of \$51.1 million, Income from Operations of \$4.5 million and Net Income of \$2.6 million in the first quarter of 2004. In addition, Roto-Rooter recognized a loss of \$4.1 million representing 37% of the aftertax loss generated by VITAS from January 1, 2004, to February 24, 2004, under the equity method of accounting.

For purposes of comparability, the results of VITAS will be discussed as if this business segment was wholly owned as of January 1, 2003 and 2004 (Pro forma). Pro forma Net Patient Revenue for the entire quarter was \$124.0 million, up 24% from \$100.2 million in the first quarter of 2003. Pro forma Adjusted EBITDA, after excluding \$25.0 million of transaction expenses related to the merger, totaled \$11.4 million, which was 48% higher than the \$7.7 million of Pro forma Adjusted EBITDA generated in the prior-year quarter. It is also important to note that a certain amount of seasonality exists within the hospice industry that occurs between the fourth and first quarters, which impacts census. In addition, a significant portion of VITAS' state and federal unemployment taxes is expensed in the first quarter of a calendar year. These taxes unfavorably impact margins by approximately one percentage point.

VITAS' Average Daily Census (ADC) in the first quarter of 2004 was 8,097. This compares to an ADC of 6,878 in the comparable prior-year period, an increase of 18%. Average Length of Stay (LOS) per patient was 55.7 days for the quarter and compares to 54.1 days in the first quarter of 2003. The median LOS was 11.0 days for both periods.

"We continue to see strong organic ADC growth across all levels of VITAS," said McNamara. "Our average ADC per program is in excess of 300 patients. In our large programs, those with an Average Daily Census in excess of 450, ADC growth was over 15% for the quarter. We also continue to see leverage on our Selling, General and Administrative Expenses. In the first quarter of 2004, these expenses were lowered to 10.9% of Net Patient Revenue. This compares to 11.6% of Net Patient Revenue in the prior-year period."

"The past quarter has been extremely challenging for all of our employees at VITAS," added McNamara. "In spite of significant distractions relating to the merger, the entire VITAS team remains focused on providing the high level of patient care we have become known for, consistently putting the patient's needs first above all others. This dedication is proven in the continued growth in our average daily census."

#### Plumbing and Drain Cleaning Business

Roto-Rooter's plumbing and drain cleaning business generated sales of \$69.2 million for the first quarter of 2004, 7.0% higher than the \$64.7 million reported in the comparable prior-year quarter. Adjusted EBITDA in the first quarter of 2004 totaled \$8.7 million, an increase of 35% over the Adjusted EBITDA of \$6.5 million generated in the first quarter of 2003.

"There are several factors contributing to the improvement in the plumbing and drain cleaning segment," stated McNamara. "We were able to successfully pass through modest price increases in many of our markets over the past three months. In addition, job count increased 1.1% in the first quarter of 2004. We continue to see strengthening demand in the majority of our markets and, specifically, increased demand in commercial and residential plumbing. Our expense control at the field level resulted in a first quarter 2004 gross profit margin of 44.6%, which is 0.9 percentage point above the first quarter of 2003."

#### Consolidated Financial Position

"Looking forward into 2004," Williams stated, "our cash position is very solid. As of March 31, 2004, we have over \$43.0 million in cash and \$43.6 million of unused lines of credit under the New Credit Facility. In addition, tax refunds in excess of \$19 million relating to the deductibility of stock option buyouts at the VITAS level should be received by the fourth quarter of 2004."

Roto-Rooter will hold a conference call to discuss first-quarter results Tuesday May 11, 2004, at 11 a.m. EDT. The dial-in number for the conference call is 800-945-0061 for U.S. and Canadian participants and 706-679-7146 for international participants. A live webcast of the call can be accessed on Roto-Rooter's website at [www.rotorooterinc.com](http://www.rotorooterinc.com) by clicking on Investor Relations Home, going to "Featured Event: Web Cast -- Live," and then clicking on "Q1 2004 Roto-Rooter Inc. Conference Call."

A taped replay of the conference call will be available beginning approximately two hours after the call's conclusion. It can be accessed by dialing 800-642-1687 for U.S. and Canadian callers and 706-645-9291 for international callers. The conference ID number is 6758350. An archived webcast will also be available at [www.rotorooterinc.com](http://www.rotorooterinc.com). Both the telephone and online replays will remain available for 14 days following the live call.

Roto-Rooter Inc. operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to over 8,000 patients with severe, life-limiting illnesses. This type of care is focused on making the terminally ill patient's final days as comfortable and pain-free as possible. Roto-Rooter Inc. operates in the residential and

commercial repair-and-maintenance-service industry under the brand names Roto-Rooter and Service America. Roto-Rooter provides plumbing and drain service through company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in China/Hong Kong, Indonesia, Singapore, Japan, Mexico, the Philippines, and the United Kingdom. Operating in Florida and Arizona, Service America furnishes residential and commercial appliance and heating and air conditioning repair and maintenance services.

This press release contains information about Roto-Rooter's Adjusted EBITDA, which is not a measure derived in accordance with generally accepted accounting principles (GAAP), and which excludes components that are important to understanding Roto-Rooter's financial performance. Roto-Rooter provides Adjusted EBITDA to help investors and others evaluate its operating results, compare its operating performance with that of similar companies that have different capital structures and evaluate its ability to meet its future debt service, capital expenditures and working capital requirements. Roto-Rooter's Adjusted EBITDA should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. A reconciliation of Roto-Rooter's Net Income and Cash Flows from Operating, Financing and Investing Activities to its Adjusted EBITDA is presented in the tables following the text of this press release.

#### Forward-Looking Statements

Certain statements contained in this press release and the accompanying tables are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "hope," "anticipate," "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Roto-Rooter does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause Roto-Rooter's actual results to differ from those expressed in such forward-looking statements. These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care, plumbing, drain cleaning, and HVAC industries; periodic changes in reimbursement levels and procedures under Medicare and Medicaid programs; difficulties predicting patient length of stay and estimating potential Medicare reimbursement obligations; challenges inherent in Roto-Rooter's growth strategy; the current shortage of qualified nurses, other healthcare professionals, and licensed plumbing and drain cleaning technicians; Roto-Rooter's dependence on patient referral sources; and other factors detailed under the caption "Description of Business by Segment" or "Risk Factors" in Roto-Rooter's most recent report on Form 10-Q or 10-K and its other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements, and there are no assurances that the matters contained in such statements will be achieved.

ROTO-ROOTER, INC. AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF OPERATIONS  
(in thousands, except per share data)(unaudited)

	Three Months Ended March 31,	
	2004	2003
Service revenues and sales	\$131,048	\$77,645
Cost of services provided and goods sold	86,224	46,152
Selling, general and administrative expenses	31,023	26,057 (d)
Depreciation	3,589	3,052
Long-term incentive compensation	9,058 (a)	-
Total costs and expenses	129,894	75,261
Income from operations	1,154	2,384
Interest expense	(2,905)	(807)
Loss on extinguishment of debt	(3,330) (b)	-
Other income--net	1,579	4,262 (c)
Income/(loss) before income taxes	(3,502) (a, b)	5,839 (d, e)
Income taxes	497	(2,282)
Equity in loss of affiliate (Vitas)	(4,105) (c)	-
Net income/(loss)	\$ (7,110) (a, b, c)	\$ 3,557 (d, e)

Earnings Per Share		
Net income/(loss)	\$ (0.65) (a,b,c)	\$ 0.36 (d,e)
	=====	=====
Average number of shares outstanding	10,912	9,890
	=====	=====

Diluted Earnings Per Share		
Net income/(loss)	\$ (0.65) (a,b,c)	\$ 0.36 (d,e)
	=====	=====
Average number of shares outstanding	10,912	9,903
	=====	=====

(a) Amounts include a pretax charge of \$9,058,000 (\$5,894,000 aftertax or \$.54 per share and \$.54 per diluted share) for payouts under the Company's 2002 Executive Long-Term Incentive Plan in the first quarter of 2004.

(b) Amounts include a pretax charge of \$3,330,000 (\$2,164,000 aftertax or \$.20 per share) from the early extinguishment of debt in the first quarter of 2004.

(c) Amounts include the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS in the first quarter of 2004. These charges included VITAS' loss on extinguishment of debt and transaction-related expenses that reduced the Company's equity in the earnings/(loss) of VITAS by \$4,621,000 (\$.42 per share).

(d) Amounts include a pretax charge of \$3,627,000 (\$2,358,000 aftertax or \$.24 per share) from severance charges in the first quarter of 2003.

(e) Amounts for the first quarter of 2003 include a pretax gain of \$3,544,000 (\$2,151,000 aftertax or \$.22 per share) from the sales of investments.

ROTO-ROOTER, INC. AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET  
(in thousands, except per share data)(unaudited)

	March 31,	
	2004	2003
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 43,036	\$ 43,625
Accounts receivable less allowances	64,313	13,103
Inventories	8,157	9,090
Statutory deposits	8,914	10,536
Prepaid income taxes	18,780	2,113
Current deferred income taxes	27,805	9,705
Prepaid expenses and other current assets	16,451	6,130
	-----	-----
Total current assets	187,456	94,302
Investments of deferred compensation plans held in trust	19,354	15,000
Other investments	1,445	32,789
Note receivable	12,500	12,500
Properties and equipment, at cost less accumulated depreciation	61,417	47,297
Identifiable intangible assets less accumulated amortization	25,235	2,739
Goodwill	452,705	111,403
Other assets	31,619	18,814
	-----	-----
Total Assets	\$791,731	\$ 334,844
	=====	=====

Liabilities

Current liabilities		
Accounts payable	\$ 38,632	\$ 4,261
Current portion of long-term debt	5,806	472
Income taxes	163	341
Deferred contract revenue	13,845	17,323
Accrued insurance	19,692	17,631

Other current liabilities	57,682	18,515
Total current liabilities	135,820	58,543
Convertible junior subordinated debentures	14,001	14,186
Other long-term debt	315,800	25,802
Deferred compensation liabilities	19,572	14,925
Other liabilities	19,880	22,150
Total Liabilities	505,073	135,606
Stockholders' Equity		
Capital stock	13,056	13,451
Paid-in capital	195,608	168,568
Retained earnings	111,428	130,308
Treasury stock, at cost	(32,741)	(111,476)
Unearned compensation	(2,480)	(4,259)
Deferred compensation payable in Company stock	2,324	2,294
Notes receivable for shares sold	(537)	(933)
Accumulated other comprehensive income	-	1,285
Total Stockholders' Equity	286,658	199,238
Total Liabilities and Stockholders' Equity	\$791,731	\$ 334,844
Book Value Per Share	\$ 23.58	\$ 20.28

ROTO-ROOTER, INC.  
CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Plumbing & Drain Cleaning	Service America	Unallocated Investing & Financing	Roto- Rooter Consolidated
2004					
Service revenues and sales	\$51,112	\$69,228	\$10,708	\$ -	\$ 131,048
Cost of services provided and goods sold	40,486	38,363	7,375	-	86,224
Selling, general and administrative expenses	5,391	23,282	2,350	-	31,023
Depreciation	748	2,313	528	-	3,589
Long term incentive costs	-	8,783 (a)	275 (a)	-	9,058
Total costs and expenses	46,625	72,741	10,528	-	129,894
Income/(loss) from operations	4,487	(3,513)	180	-	1,154
Intercompany interest income/(expense)	-	180	8	(188)	-
Interest expense	(28)	(40)	(5)	(2,832)	(2,905)
Loss on extinguishment of debt	-	-	-	(3,330)(b)	(3,330)
Other income--net	31	1,103	91	354	1,579
Income/(loss) before income taxes	4,490	(2,270)	274	(5,996)	(3,502)
Income taxes	(1,893)	427	(128)	2,091	497
Equity in loss of Vitas	-	-	-	(4,105)(c)	(4,105)

Net income/ (loss)	\$ 2,597	\$(1,843)	\$ 146	\$(8,010)	\$ (7,110)
-----					
2003					
-----					
Service revenues and sales	\$ -	\$64,725	\$12,920	\$ -	\$ 77,645
-----					
Cost of services provided and goods sold	-	36,439	9,713	-	46,152
Selling, general and administra- tive expenses	-	23,541 (d)	2,516	-	26,057
Depreciation	-	2,418	634	-	3,052
-----					
Total costs and expenses	-	62,398	12,863	-	75,261
-----					
Income/(loss) from operations	-	2,327	57	-	2,384
Intercompany interest income/ (expense)	-	103	(6)	(97)	-
Interest expense	-	(51)	(11)	(745)	(807)
Other income-- net	-	(469)	91	4,640 (e)	4,262
-----					
Income/(loss) before income taxes	-	1,910	131	3,798	5,839
Income taxes	-	(885)	(91)	(1,306)	(2,282)
-----					
Net income/ (loss)	\$ -	\$ 1,025	\$ 40	\$ 2,492	\$ 3,557
=====					

- (a) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan. The aftertax cost of these charges was \$5,724,000 for Plumbing and Drain Cleaning and \$170,000 for Service America.
- (b) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax).
- (c) The Company's equity in the loss of Vitas includes total aftertax charges of \$4,621,000 representing its share of Vitas' expenses incurred in connection with the sale of Vitas to the Company.
- (d) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance charges.
- (e) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments.

ROTO-ROOTER, INC.  
 PRO FORMA CONSOLIDATING STATEMENT OF OPERATIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
 (in thousands)(unaudited)

	Vitas	Plumbing & Drain Cleaning	Service America	Unallocated Investing & Financing	Roto- Rooter Consolidated
-----					
2004 (a)	-----				
Service revenues and sales	\$123,982	\$69,228	\$10,708	\$ -	\$203,918
-----					
Cost of	-----				

services provided and goods sold	99,334	38,363	7,375	-	145,072
Selling, general and administrative expenses	14,053	23,282	2,350	-	39,685
Depreciation	1,876	2,313	528	-	4,717
Long term incentive costs	-	8,783 (d)	275 (d)	-	9,058
Total costs and expenses	115,263 (c)	72,741	10,528	-	198,532
Income/(loss) from operations	8,719	(3,513)	180	-	5,386
Inter-company interest income/(expense)	-	180	8	(188)	-
Interest expense	(28)	(40)	(5)	(6,234)	(6,307)
Loss on extinguishment of debt	-	-	-	(3,330)(e)	(3,330)
Other income--net	71	1,103	91	355	1,620
Income/(loss) before income taxes	8,762	(2,270)	274	(9,397)	(2,631)
Income taxes	(3,482)	427	(128)	3,282	99
Equity in loss of Vitas	-	-	-	-	-
Net income/(loss)	\$ 5,280	\$(1,843)	\$ 146	\$(6,115)	\$ (2,532)

Earnings/ (Loss) Per Share	
Net Income/(Loss)	\$ (0.21)
Average Shares outstanding	12,099
Diluted Earnings/(Loss) Per Share	
Net Income/(Loss)	\$ (0.21)
Average Shares outstanding	12,099

2003 (b)	
Service revenues and sales	\$100,182
Cost of services provided and goods sold	80,919
Selling, general and	

adminis- trative expenses	12,398	23,541 (f)	2,516	-	38,455
Deprecia- tion	1,928	2,418	634	-	4,980
	-----	-----	-----	-----	-----
Total costs and expenses	95,245 (c)	62,398	12,863	-	170,506
	-----	-----	-----	-----	-----
Income from opera- tions	4,937	2,327	57	-	7,321
Inter- company interest income/ (expense)	-	103	(6)	(97)	-
Interest expense	-	(51)	(11)	(6,228)	(6,290)
Loss on extin- guishment of debt	-	-	-	(3,330)(e)	(3,330)
Other income-- net	150	(469)	91	3,928 (g)	3,700
	-----	-----	-----	-----	-----
Income/ (loss) before income taxes	5,087	1,910	131	(5,727)	1,401
Income taxes	(2,028)	(885)	(91)	1,862	(1,142)
	-----	-----	-----	-----	-----
Net income (loss)	\$ 3,059	\$ 1,025	\$ 40	\$(3,865)	\$ 259
	=====	=====	=====	=====	=====
Earnings Per Share					
Net Income					\$ 0.02
					=====
Average Shares outstanding					11,890
					=====
Diluted Earnings Per Share					
Net Income					\$ 0.02
					=====
Average Shares outstanding					11,903
					=====

(a) The pro forma statement of operations for 2004 assumes the Company's acquisition of Vitas and its financing (including the retirement of existing debt) were completed as of January 1, 2004, on the same terms and conditions as completed on February 24, 2004.

(b) The pro forma statement of operations for 2003 assumes the Company's acquisition of Vitas and its financing (including the retirement of existing debt) were completed as of January 1, 2003, on the same terms and conditions as completed on February 24, 2004.

(c) Operating expenses for Vitas for 2004 and 2003 include additional amortization and depreciation expense resulting from purchase accounting adjustments to Vitas' assets in the amount of \$1,313,000 in each period.

(d) Amounts represent payouts under the Company's 2002 Executive Long-term Incentive Plan. The aftertax cost of these charges was \$5,724,000 for Plumbing and Drain Cleaning and \$170,000 for Service America.

(e) Amount represents the prepayment penalty incurred on the early extinguishment of the Company's debt (\$2,164,000 aftertax).

(f) Amount includes pretax charges of \$3,627,000 (\$2,358,000 aftertax) for severance charges.

(g) Amount includes a pretax gain of \$3,544,000 (\$2,151,000 aftertax) from the sales of investments.

ROTO-ROOTER, INC.  
CONSOLIDATING SUMMARY OF EBITDA  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas	Plumbing & Drain Cleaning	Service America	Unallocated Investing & Financing	Roto- Rooter Consolidated
2004					
Net income/(loss)	\$2,597	\$ (1,843)	\$ 146	\$ (8,010)	\$ (7,110)
Add/(deduct)					
Interest expense	28	40	5	2,832	2,905
Income taxes	1,893	(427)	128	(2,091)	(497)
Depreciation and amortization	1,071	2,372	528	6	3,977
EBITDA	5,589	142	807	(7,263)	(725)
Add/(deduct)					
Long-term incentive compensation	-	8,783	275	-	9,058
Advertising cost adjustment (a)	-	(193)	-	-	(193)
Interest income	(31)	(37)	(44)	(448)	(560)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Equity in loss of Vitas	-	-	-	4,105	4,105
Adjusted EBITDA	\$5,558	\$ 8,695	\$ 1,038	\$ (276)	\$15,015
2003					
Net income/(loss)	\$ -	\$ 1,025	\$ 40	\$ 2,492	\$ 3,557
Add/(deduct)					
Interest expense	-	51	11	745	807
Income taxes	-	885	91	1,306	2,282
Depreciation and amortization	-	2,479	751	5	3,235
EBITDA	-	4,440	893	4,548	9,881
Add/(deduct)					
Severance charges	-	3,627	-	-	3,627
Advertising cost adjustment (a)	-	(1,545)	-	-	(1,545)
Interest income	-	(72)	(95)	(648)	(815)
Dividend income from Vitas	-	-	-	(712)	(712)
Gains on sales of investments	-	-	-	(3,544)	(3,544)
Adjusted EBITDA	\$ -	\$ 6,450	\$ 798	\$ (356)	\$ 6,892

(a) Under Generally Accepted Accounting Principles ("GAAP"), the Plumbing and Drain Cleaning segment expenses all advertising, including the cost of telephone directories, immediately upon the initial release of the advertising. Telephone directories are generally in circulation 12 months. If a directory is in circulation for a time period greater or less than 12 months, the publisher adjusts the directory billing for the change in billing period. The timing of when a telephone directory is published can and does fluctuate significantly on a quarterly basis. This "direct expensing" results in significant fluctuations in quarterly advertising expense. In the first quarter of 2004 and 2003, GAAP advertising expense for Plumbing and Drain Cleaning totaled \$3,978,000 and \$2,084,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the first quarter of 2004 and 2003 would total \$4,171,000 and \$3,629,000, respectively.

ROTO-ROOTER, INC.  
PRO FORMA CONSOLIDATING SUMMARY OF EBITDA  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(in thousands)(unaudited)

	Vitas (a)	Plumbing & Drain Cleaning	Service America	Unallocated Investing & Financing (a)	Roto- Rooter Consolidated
2004					
Pro forma net income/(loss)	\$ 5,280	\$ (1,843)	\$ 146	\$ (6,115)	\$ (2,532)
Add/(deduct)					
Interest expense	28	40	5	6,234	6,307
Income taxes	3,482	(427)	128	(3,282)	(99)
Depreciation and amortization	2,679	2,372	528	6	5,585
Pro forma EBITDA	11,469	142	807	(3,157)	9,261
Add/(deduct)					
Long-term incentive compensation	-	8,783	275	-	9,058
Advertising cost adjustment (b)	-	(193)	-	-	(193)
Interest income	(71)	(37)	(44)	(448)	(600)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Pro forma adjusted EBITDA	\$11,398	\$ 8,695	\$1,038	\$ (275)	\$20,856

2003					
Pro forma net income/(loss)	\$ 3,059	\$ 1,025	\$ 40	\$ (3,865)	\$ 259
Add/(deduct)					
Interest expense	-	51	11	6,228	6,290
Income taxes	2,028	885	91	(1,862)	1,142
Depreciation and amortization	2,747	2,479	751	5	5,982
Pro forma EBITDA	7,834	4,440	893	506	13,673
Add/(deduct)					
Severance charges	-	3,627	-	-	3,627
Advertising cost adjustment (b)	-	(1,545)	-	-	(1,545)
Interest income	(150)	(72)	(95)	(648)	(965)
Dividend income from Vitas	-	-	-	(712)	(712)
Gains on sales of investments	-	-	-	(3,544)	(3,544)
Loss on extinguishment of debt	-	-	-	3,330	3,330
Pro forma adjusted EBITDA	\$ 7,684	\$ 6,450	\$ 798	\$ (1,068)	\$13,864

(a) Pro forma amounts for Vitas and Unallocated Investing and Financing assume the acquisition of Vitas and the related financing were both completed on January 1 of the respective year.

(b) Under Generally Accepted Accounting Principles ("GAAP"), the Plumbing and Drain Cleaning segment expenses all advertising, including the cost of telephone directories, immediately upon the initial release of the advertising. Telephone directories are generally in circulation 12 months. If a directory is in circulation for a time period greater or less than 12 months, the publisher adjusts the directory billing for the change in billing period. The timing of when a telephone directory is published can and does fluctuate significantly on a quarterly basis. This "direct expensing" results in significant fluctuations in quarterly advertising expense. In the first quarter of 2004 and

2003, GAAP advertising expense for Plumbing and Drain Cleaning totaled \$3,978,000 and \$2,084,000, respectively. If the expense of the telephone directories were spread over the periods they are in circulation, advertising expense for the first quarter of 2004 and 2003 would total \$4,171,000 and \$3,629,000, respectively.

ROTO-ROOTER, INC.  
SUMMARY OF VITAS GROUP HISTORICAL RESULTS  
FOR THE FIVE QUARTERS IN THE PERIOD ENDED MARCH 31, 2004  
(in thousands)(unaudited)

	2003		
	First Quarter	Second Quarter	Third Quarter
<b>Statement of Income</b>			
Service revenues and sales	\$ 100,182	\$106,245	\$ 113,528
Cost of services provided and goods sold	80,919	82,684	88,373
Selling, general and administrative expenses	11,585	13,557	13,894
Costs related to pending sale of business	-	-	-
Depreciation	1,428	1,483	1,244
Total costs and expenses	93,932	97,724	103,511
Income/(loss) from operations	6,250	8,521	10,017
Interest expense	(1,344)	(1,322)	(1,843)
Loss on extinguishment of debt	-	-	(4,117)(c)
Other income--net	150	203	168
Income/(loss) before income taxes	5,056	7,402	4,225
Income taxes	(2,015)	(2,963)	(1,644)
Net income/(loss)	\$ 3,041	\$ 4,439	\$ 2,581

**Calculation of Adjusted EBITDA**

Net income/(loss)	\$ 3,041	\$ 4,439	\$ 2,581
Add/(deduct)			
Interest expense	1,344	1,322	1,843
Income taxes	2,015	2,963	1,644
Depreciation	1,428	1,483	1,244
Amortization	6	7	6
EBITDA	7,834	10,214	7,318
Add/(deduct)			
Interest income	(150)	(203)	(168)
Loss on extinguishment of debt	-	-	4,117
Fees for pending sale of business	-	-	-
Pro forma adjusted EBITDA	\$ 7,684	\$ 10,011	\$ 11,267

	2003		2004
	Fourth Quarter	Total Year	First Quarter (a)
<b>Statement of Income</b>			
Service revenues and sales	\$ 121,062	\$441,017	\$ 123,982
Cost of services provided and goods sold	93,214	345,190	99,334
Selling, general and administrative expenses	13,994	53,030	13,577
Costs related to pending sale			

of business	1,541 (b)	1,541 (b)	24,956 (d)
Depreciation	1,385	5,540	1,584
	-----	-----	-----
Total costs and expenses	110,134	405,301	139,451
	-----	-----	-----
Income/(loss) from operations	10,928	35,716	(15,469)
Interest expense	(1,744)	(6,253)	(947)
Loss on extinguishment of debt	-	(4,117)(c)	(4,497)(d)
Other income--net	162	683	72
	-----	-----	-----
Income/(loss) before income taxes	9,346	26,029	(20,841)
Income taxes	(3,833)	(10,455)	5,103
	-----	-----	-----
Net income/(loss)	\$ 5,513	\$ 15,574	\$ (15,738)
	=====	=====	=====

Calculation of Adjusted EBITDA

Net income/(loss)	\$ 5,513	\$ 15,574	\$ (15,738)
Add/(deduct)			
Interest expense	1,744	6,253	947
Income taxes	3,833	10,455	(5,103)
Depreciation	1,385	5,540	1,584
Amortization	7	26	327
	-----	-----	-----
EBITDA	12,482	37,848	(17,983)
Add/(deduct)			
Interest income	(162)	(683)	(72)
Loss on extinguishment of debt	-	4,117	4,497
Fees for pending sale of business	1,541	1,541	24,956
	-----	-----	-----
Pro forma adjusted EBITDA	\$ 13,861	\$ 42,823	\$ 11,398
	=====	=====	=====

- (a) Amounts for the first quarter of 2004 include the combined operations of Vitas prior to and after acquisition by the Company on February 24, 2004. Amortization of purchase accounting adjustments for the February 24, 2004 to March 31, 2004 period totaled \$202,000 for increased depreciation and \$327,000 for increased amortization of intangible assets.
- (b) Costs for pending sale of business incurred in 2003 include legal and other professional fees amounting to \$1,541,000 pretax (or \$925,000 aftertax).
- (c) Loss on extinguishment of debt totaled \$4,117,000 (\$2,470,000 aftertax) and represents the cost of writing off deferred issuance costs at the time Vitas refinanced its debt in the third quarter of 2003.
- (d) Costs related to the sale of Vitas totaled \$29,453,000 pretax (\$20,930,000 aftertax). Such costs include legal and professional fees, severance costs and a loss on writing off deferred debt issuance costs.

ROTO-ROOTER, INC.  
RECONCILIATION OF PRO FORMA ADJUSTED NET INCOME/(LOSS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(in thousands, except per share data)(unaudited)

	Three Months Ended March 31,	
	-----	-----
	2004	2003
	-----	-----
Net income/(loss) as reported	\$ (7,110)	\$ 3,557
Add/(deduct):		
Pro forma Vitas net income contribution for the period (a)	2,684	3,059
Pro forma financing costs related to acquisition of Vitas acquisition (b)	(2,211)	(3,564)

Pro forma loss on extinguishment of debt in 2003 (b)	-	(2,164)
Pro forma elimination of equity in loss of Vitas in 2004 (c)	4,105	-
Pro forma elimination of preferred dividend income from Vitas in 2003 (c)	-	(629)
	-----	-----
Pro forma net income/(loss)	(2,532)	259
Add/(deduct):		
Aftertax cost of long-term incentive payout in 2004	5,894	-
Aftertax cost of loss on extinguishment of debt	2,164	2,164
	-----	-----
Adjusted pro forma net income	\$ 5,526	\$ 2,423
	=====	=====
Earnings/(Loss) Per Share As Reported		
Net income/(loss)	\$ (0.65)	\$ 0.36
	=====	=====
Average number of shares outstanding	10,912	9,890
	=====	=====
Diluted Earnings/(Loss) Per Share As Reported		
Net income/(loss)	\$ (0.65)	\$ 0.36
	=====	=====
Average number of shares outstanding	10,912	9,903
	=====	=====
Adjusted Pro Forma Earnings Per Share		
Net income	\$ 0.46	\$ 0.20
	=====	=====
Average number of shares outstanding	12,099	11,890
	=====	=====
Adjusted Pro Forma Diluted Earnings Per Share		
Net income	\$ 0.45	\$ 0.20
	=====	=====
Diluted average number of shares outstanding	12,359	11,903
	=====	=====

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(a) Amount represents the additional net income Vitas would contribute assuming the acquisition were completed on January 1 of the respective years.

(b) Amounts represent the additional financing costs, including a loss on early extinguishment of debt in 2003, that would have been incurred assuming the financing were completed on January 1 of the respective years.

(c) Amount represents the impact of eliminating the Company's prior investments in Vitas, assuming the acquisition of Vitas were completed on January 1 of the respective years.

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