



Healthcare Services Group, Inc. Reports Results for the Three and Six Months Ended June 30, 2011 and Declares Increased Second Quarter 2011 Cash Dividend

BENSALEM, PA -- (MARKET WIRE) -- 07/12/11 -- Healthcare Services Group, Inc. (NASDAQ: HCSG) reported that revenues for the three months ended June 30, 2011 increased approximately 10% to \$211,507,000 compared to \$192,954,000 for the same 2010 period. Net income for the three months ended June 30, 2011 increased approximately 13% to \$9,828,000 or \$.15 per basic and per diluted common share, compared to the 2010 second quarter net income of \$8,721,000 or \$.13 per basic and per diluted common share.

Revenues for the six months ended June 30, 2011 increased over 11% to \$419,897,000 compared to \$376,755,000 for the same 2010 period. Net income for the six months ended June 30, 2011 increased approximately 9% to \$17,595,000 or \$.26 per basic and per diluted common share compared to the 2010 six month period net income of \$16,149,000 or \$.25 per basic and \$.24 per diluted common share.

Additionally, our Board of Directors declared a regular quarterly cash dividend of \$.15875 per common share, payable on August 19, 2011 to shareholders of record at the close of business July 29, 2011. This represents an increase of 4% over the dividend declared for the same 2010 period payment. It is the 33rd consecutive regular quarterly cash dividend payment, as well as the 32nd consecutive increase since our initiation of regular quarterly cash dividend payments in 2003.

The Company will host a conference call on Wednesday, July 13, 2011 at 8:30 AM Eastern Time to discuss its results for the three and six month periods ended June 30, 2011. The call in number will be 888-221-3887. Passcode # 6493204.

Cautionary Statement Regarding Forward-Looking Statements

This release and any schedules incorporated by reference into it may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, our beliefs and assumptions. Words such as "believes," "anticipates," "plans," "expects," "will," "goal," and similar expressions are intended to identify forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our providing services exclusively to the health care industry, primarily providers of long-term care; credit and collection risks associated with this industry; one client accounting for approximately 9% of revenues in the six month period ended June 30, 2011; our claims experience related to workers' compensation and general liability insurance; the effects of changes in, or interpretations of laws and regulations governing the industry, our workforce and services provided, including state and local regulations pertaining to the taxability of our services; and the risk factors described in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2010 in Part I thereof under "Government Regulation of Clients", "Competition" and "Service Agreements/Collections", and under Item 1A "Risk Factors". Many of our clients' revenues are highly contingent on Medicare and Medicaid reimbursement funding rates, which Congress has affected through the enactment of a number of major laws during the past decade, most recently the March 2010 enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Currently, the U.S. Congress is considering further changes or revising legislation relating to health care in the United States which, among other initiatives, may impose cost containment measures impacting our clients. These laws and proposed laws and forthcoming regulations have significantly altered, or threaten to alter, overall government reimbursement funding rates and mechanisms. The overall effect of these laws and trends in the long-term care industry has affected and could adversely affect the liquidity of our clients, resulting in their inability to make payments to us on agreed upon payment terms. These factors, in addition to delays in payments from clients, have resulted in, and could continue to result in, significant additional bad debts in the near future. Additionally, our operating results would be adversely affected if unexpected increases in the costs of labor and labor related costs, materials, supplies and equipment used in performing services could not be passed on to our clients.

In addition, we believe that to improve our financial performance we must continue to obtain service agreements with new clients, provide new services to existing clients, achieve modest price increases on current service agreements with existing clients and maintain internal cost reduction strategies at our various operational levels. Furthermore, we believe that our ability to sustain the internal development of managerial personnel is an important factor impacting future operating results and successfully executing projected growth strategies.

Healthcare Services Group, Inc. is the largest national provider of professional housekeeping, laundry and dietary services to

long-term care and related health care facilities.

HEALTHCARE SERVICES GROUP, INC.

CONDENSED CONSOLIDATED

STATEMENTS OF INCOME

(Unaudited)

For the Three Months Ended

June 30,

2011 2010

	2011	2010
Revenues	\$ 211,507,000	\$ 192,954,000
Operating costs and expenses:		
Cost of services provided	181,742,000	165,240,000
Selling, general and administrative	15,511,000	13,150,000
Income from operations	14,254,000	14,564,000
Other income (loss):		
Investment and interest income (loss)	463,000	(383,000)
Income before income taxes	14,717,000	14,181,000
Income taxes	4,889,000	5,460,000
Net income	\$ 9,828,000	\$ 8,721,000
	=====	=====
Basic earnings per common share	\$.15	\$.13

	=====	=====
Diluted earnings per common share	\$.15	\$.13
	=====	=====
Cash dividends per common share	\$.16	\$.15
	=====	=====
Basic weighted average number of common shares outstanding	66,517,000	65,948,000
	=====	=====
Diluted weighted average number of common shares outstanding	67,545,000	66,978,000
	=====	=====

HEALTHCARE SERVICES GROUP, INC.

CONDENSED CONSOLIDATED

STATEMENTS OF INCOME

(Unaudited)

For the Six Months Ended

June 30,

2011 2010

Revenues	\$ 419,897,000	\$ 376,755,000
Operating costs and expenses:		
Cost of services provided	361,727,000	323,812,000
Selling, general and administrative	32,291,000	27,051,000
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Income from operations	25,879,000	25,892,000
Other income:		
Investment and interest income	1,177,000	366,000
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Income before income taxes	27,056,000	26,258,000
Income taxes	9,461,000	10,109,000
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Net income	\$ 17,595,000	\$ 16,149,000
	=====	=====
Basic earnings per common share	\$.26	\$.25
	=====	=====
Diluted earnings per common share	\$.26	\$.24
	=====	=====
Cash dividends per common share	\$.31	\$.29
	=====	=====

Basic weighted average number of common shares

outstanding	66,459,000	65,898,000
	=====	=====

Diluted weighted average number of common

shares outstanding	67,499,000	66,983,000
	=====	=====

HEALTHCARE SERVICES GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

June 30, 2011 December 31, 2010

Cash and cash equivalents	\$ 35,498,000	\$ 39,692,000
Marketable securities, net	40,782,000	43,437,000
Accounts receivable, net	117,204,000	108,426,000
Other current assets	27,566,000	30,220,000
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Total current assets	221,050,000	221,775,000

Property and equipment, net	8,178,000	6,656,000
Notes receivable- long term, net	3,793,000	5,055,000
Goodwill, net	16,955,000	16,955,000
Other Intangible Assets, net	6,326,000	7,262,000

Deferred compensation funding	13,462,000	12,080,000
Other assets	9,125,000	8,151,000
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Total Assets	\$ 278,889,000	\$ 277,934,000
	=====	=====
Accrued insurance claims- current	\$ 5,878,000	\$ 5,076,000
Other current liabilities	31,326,000	35,455,000
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Total current liabilities	37,204,000	40,531,000
Accrued insurance claims- long term	13,715,000	11,845,000
Deferred compensation liability	13,728,000	12,479,000
Stockholders' equity	214,242,000	213,079,000
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Total Liabilities and Stockholders'		
Equity	\$ 278,889,000	\$ 277,934,000
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Company Contact:

Daniel P. McCartney

Chairman and Chief Executive Officer

215-639-4274

Source: Healthcare Services Group, Inc.

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