



Healthcare Services Group, Inc. Reports Results for the Three and Nine Months Ended September 30, 2007 and Declares Third Quarter 2007 Cash Dividend

- Third quarter net income up 17% and diluted earnings per common share up 21% on 12% increase in revenues over 2006 third quarter
- Nine month period net income up 22% and diluted earnings per common share up 21% on 15% increase in revenues over 2006 nine month period
- Eighteenth consecutive regular quarterly cash dividend raised 9% over prior quarter's payment and 33% increase over same 2006 period payment

Healthcare Services Group, Inc. (NASDAQ: HCSG) reported that revenues for the three months ended September 30, 2007 increased over 12% to \$146,081,000 compared to \$130,083,000 for the same 2006 period. Net income increased 17% for the three months ended September 30, 2007 to \$7,299,000 or \$.17 per basic and per diluted common share, compared to the 2006 third quarter net income of \$6,241,000 or \$.15 per basic and \$.14 per diluted common share.

Revenues for the nine months ended September 30, 2007 increased over 15% to \$429,137,000 compared to \$371,841,000 for the same 2006 period. Net income for the nine months ended September 30, 2007 increased by 22% to \$22,274,000 or \$.53 per basic and \$.51 per diluted common share compared to the 2006 nine month period net income of \$18,224,000 or \$.44 per basic and \$.42 per diluted common share.

The Board of Directors has declared a third quarter 2007 regular quarterly cash dividend of \$.12 per common share, payable on November 9, 2007 to shareholders of record at the close of business October 29, 2007. This represents a 9% increase over the dividend declared for the 2007 second quarter and a 33% increase over the 2006 same period payment.

It is the eighteenth consecutive regular quarterly cash dividend payment, as well as the seventeenth consecutive increase since our initiation of regular quarterly cash dividend payments in 2003.

On August 10, 2007, the Company paid a 50% stock dividend in the form of a three-for-two stock split; therefore all per share information reported in this release has been adjusted to reflect such stock split.

Cautionary Statement Regarding Forward-Looking Statements

This report contains 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, are not historical facts but rather 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 16% of revenues in the 2007 nine month period; risks associated with our acquisition of Summit Services Group, Inc., including integration risks and costs, or such business not achieving expected financial results or synergies or failure to otherwise perform as expected; 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, 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, 2006 Part I thereof under "Government Regulation of Clients," "Competition" and "Service Agreements/Collections," and under Item IA "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. These laws have significantly altered, or threatened to alter, overall government reimbursement funding rates and mechanisms. The overall effect of these laws and trends in the long-term care industry have 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 food services to long-term care and related facilities.

HEALTHCARE SERVICES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2007	December 31, 2006
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Cash and cash equivalents	\$ 86,045,000	\$ 72,997,000
Accounts receivable, net	90,335,000	78,086,000
Other current assets	21,271,000	17,154,000
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Total current assets	197,651,000	168,237,000
Property and equipment, net	4,391,000	4,875,000
Notes receivable-long term, net	6,047,000	7,861,000
Goodwill, net	14,907,000	14,543,000
Other Intangible Assets, net	6,355,000	7,148,000
Deferred compensation funding	10,934,000	7,385,000
Other assets	6,238,000	5,507,000
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Total Assets	\$ 246,523,000	\$ 215,556,000
	=====	=====
Accrued insurance claims- current	\$ 4,456,000	\$ 4,647,000
Other current liabilities	28,452,000	22,963,000
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Total current liabilities	32,908,000	27,610,000
Accrued insurance claims- long term	10,399,000	10,843,000
Deferred compensation liability	11,227,000	11,626,000
Stockholders' equity	191,989,000	165,477,000
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Total Liabilities and Stockholders' Equity	\$ 246,523,000	\$ 215,556,000
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CONDENSED
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended September 30,	
	2007	2006
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Revenues	\$ 146,081,000	\$ 130,083,000
Operating costs and expenses:		
Cost of services provided	125,476,000	112,195,000
Selling, general and administrative	9,865,000	9,280,000
Other income:		
Investment and interest income	1,128,000	1,298,000
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Income before income taxes	11,868,000	9,906,000
Income taxes	4,569,000	3,665,000
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Net income	\$ 7,299,000	\$ 6,241,000
	=====	=====
Basic earnings per common share	\$.17	\$.15
	=====	=====
Diluted earnings per common share	\$.17	\$.14
	=====	=====

Cash dividends per common share	\$.11	\$.08
	=====	=====
Basic weighted average number of common shares outstanding	42,606,000	41,190,000
	=====	=====
Diluted weighted average number of common shares outstanding	43,969,000	43,140,000
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HEALTHCARE SERVICES GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Nine Months Ended September 30,	
	2007	2006
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Revenues	\$ 429,137,000	\$ 371,841,000
Operating costs and expenses:		
Cost of services provided	365,874,000	320,220,000
Selling, general and administrative	30,481,000	26,311,000
Other income:		
Investment and interest income	3,436,000	3,617,000
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Income before income taxes	36,218,000	28,927,000
Income taxes	13,944,000	10,703,000
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Net income	\$ 22,274,000	\$ 18,224,000
	=====	=====
Basic earnings per common share	\$.53	\$.44
	=====	=====
Diluted earnings per common share	\$.51	\$.42
	=====	=====
Cash dividends per common share	\$.30	\$.22
	=====	=====
Basic weighted average number of common shares outstanding	42,134,000	41,098,000
	=====	=====
Diluted weighted average number of common shares outstanding	43,783,000	43,036,000
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SOURCE: Healthcare Services Group, Inc.