



## Healthcare Services Group, Inc. Reports Results for the Three Months and Year Ended December 31, 2009

Bensalem, PA - February 9, 2010 Healthcare Services Group, Inc. (NASDAQ-HCSG) reported that revenues for the three months ended December 31, 2009 increased 18% to \$182,561,000 compared to \$154,563,000 for the same 2008 period. Net income for the three months ended December 31, 2009 was \$6,566,000 or \$.15 per basic and per diluted common share, compared to the 2008 fourth quarter net income of \$7,283,000 or \$.17 per basic and per diluted common share.

The Company also reported that revenues for the year ended December 31, 2009 increased 15% to \$692,695,000 compared to \$602,718,000 for the same 2008 period. In addition, net income for the year ended December 31, 2009 increased over 14% to \$30,342,000 or \$.70 per basic and \$.69 per diluted common share compared to the year ended December 31, 2008 net income of \$26,614,000 or \$.62 per basic and \$.60 per diluted common share.

Additionally, on January 26, 2010, our Board of Directors declared a regular quarterly cash dividend of \$.21 per common share, payable on March 5, 2010 to shareholders of record at the close of business February 12, 2010. This represents a 5% increase over the dividend declared for the 2009 third quarter and a 24% increase over the 2008 same period payment. It is the 27th consecutive regular quarterly cash dividend payment, as well as the 26th consecutive increase since our initiation of regular quarterly cash dividend payments in 2003.

The Company also announced that it will make a presentation on February 10, 2010 regarding the Company at the "UBS Warburg Global Healthcare Services Conference" at the Grand Hyatt in New York City. This presentation will also be audio webcast at [www.ibb.ubs.com](http://www.ibb.ubs.com).

The Company will host a conference call today at 4:30 PM Eastern Time to discuss its results for the three month and twelve month periods ended December 31, 2009. The call in numbers will be 800-769-8320 and 416-695-6616.

### Cautionary Statement Regarding Forward-Looking Statements

This release 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 12% of revenues in the year ended December 31, 2009; risks associated with our acquisition of Contract Environmental Services, 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, 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, 2008 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. Currently, the U.S. Congress is considering legislation to reform health care in the United States which, among other initiatives, may impose cost containment measures impacting our clients. These laws and proposed 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.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the Three Months Ended December 31,	
	2009	2008
Revenues	\$ 182,561,000	\$ 154,563,000
Operating costs and expenses:		
Cost of services provided	158,765,000	134,113,000
Selling, general and administrative	13,941,000	9,204,000
Income from operations	9,855,000	11,246,000
Other income:		
Investment and interest income	821,000	596,000
Income before income taxes	10,676,000	11,842,000
Income taxes	4,110,000	4,559,000
Net income	\$ 6,566,000	\$ 7,283,000
Basic earnings per common share	\$ .15	\$ .17
Diluted earnings per common share	\$ .15	\$ .17
Cash dividends per common share	\$ .20	\$ .16
Basic weighted average number of common shares outstanding	43,715,000	43,290,000
Diluted weighted average number of common shares outstanding	44,470,000	43,948,000

HEALTHCARE SERVICES GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

For the Year Ended  
December 31,

	2009	2008
Revenues	\$ 692,695,000	\$ 602,718,000
Operating costs and expenses:		
Cost of services provided	597,715,000	521,269,000
Selling, general and administrative	50,269,000	39,523,000
	44,711,000	41,926,000
Other income:		
Investment and interest income	4,624,000	1,349,000
Income before income taxes	49,335,000	43,275,000
Income taxes	18,993,000	16,661,000
Net income	\$ 30,342,000	\$ 26,614,000
Basic earnings per Common Share	\$ .70	\$ .62
Diluted earnings per Common Share	\$ .69	\$ .60
Cash dividends per common share	\$ .74	\$ .58
Basic weighted average number of common shares outstanding	43,584,000	43,131,000
Diluted weighted average number of common shares outstanding	44,286,000	44,025,000

## HEALTHCARE SERVICES GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 31,301,000	\$ 37,501,000
Marketable securities, net	52,648,000	49,413,000
Accounts receivable, net	104,356,000	96,558,000
Other current assets	23,865,000	23,143,000
Total current assets	<u>212,170,000</u>	<u>206,615,000</u>
Property and equipment, net	4,391,000	3,929,000
Notes receivable- long term, net	4,623,000	3,201,000
Goodwill , net	17,087,000	15,020,000
Other Intangible Assets, net	8,862,000	5,033,000
Deferred compensation funding	10,783,000	8,287,000
Other assets	<u>7,976,000</u>	<u>6,476,000</u>
Total Assets	<u>\$ 265,892,000</u>	<u>\$ 248,561,000</u>
Accrued insurance claims- current	\$ 4,844,000	\$ 3,943,000
Other current liabilities	<u>29,873,000</u>	<u>25,099,000</u>
Total current liabilities	34,717,000	29,042,000
Accrued insurance claims- long term	11,302,000	9,201,000
Deferred compensation liability	11,099,000	8,636,000
Stockholders' equity	<u>208,774,000</u>	<u>201,682,000</u>
Total Liabilities and Stockholders' Equity	<u>\$ 265,892,000</u>	<u>\$ 248,561,000</u>

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