



SOLUTIONS ● PERFORMANCE ● RESULTS



YEAR END 2012

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; from having several significant clients who each individually contributed at least 3% with one as high as 7% to our total consolidated revenues in the three and/or nine month periods ended September 30, 2012; 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, 2011 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 and related agencies have affected through the enactment of a number of major laws and regulations during the past decade, including the March 2010 enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Most recently, on July 29, 2011, the United States Center for Medicare Services issued final rulings which, among other things, reduced Medicare payments to nursing centers by 11.1% and changed the reimbursement for the provision of group rehabilitation therapy services to Medicare beneficiaries. 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 significantly 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.

Company Contacts:

Daniel P. McCartney
Chairman and Chief Executive Officer
215-639-4274

Theodore Wahl
President and Chief Operating Officer
215-639-4274



INDUSTRY TRENDS

- **Legislation**
- **Cost Containment/Managed Care**
- **The “Graying” of America**
- **DRGs**
- **Subacute Care**
- **Assisted Living**
- **Prospective Pay System (PPS)**

MARKET PENETRATION

	<u>Hospitals</u>	<u>Long-Term Care</u>
Number of Facilities	6,915	23,000
Total Expenditures	\$ 706 Billion	\$ 135.7 Billion
Housekeeping & Laundry Costs	\$ 21.8 Billion (3%)	\$ 8.1 Billion (6%)
Contractual Management	24%	Less than 18%
Food Service Cost	\$ 42.35 Billion (6%)	\$ 16.2 Billion (12%)
Contractual Management	28%	Less than 5%

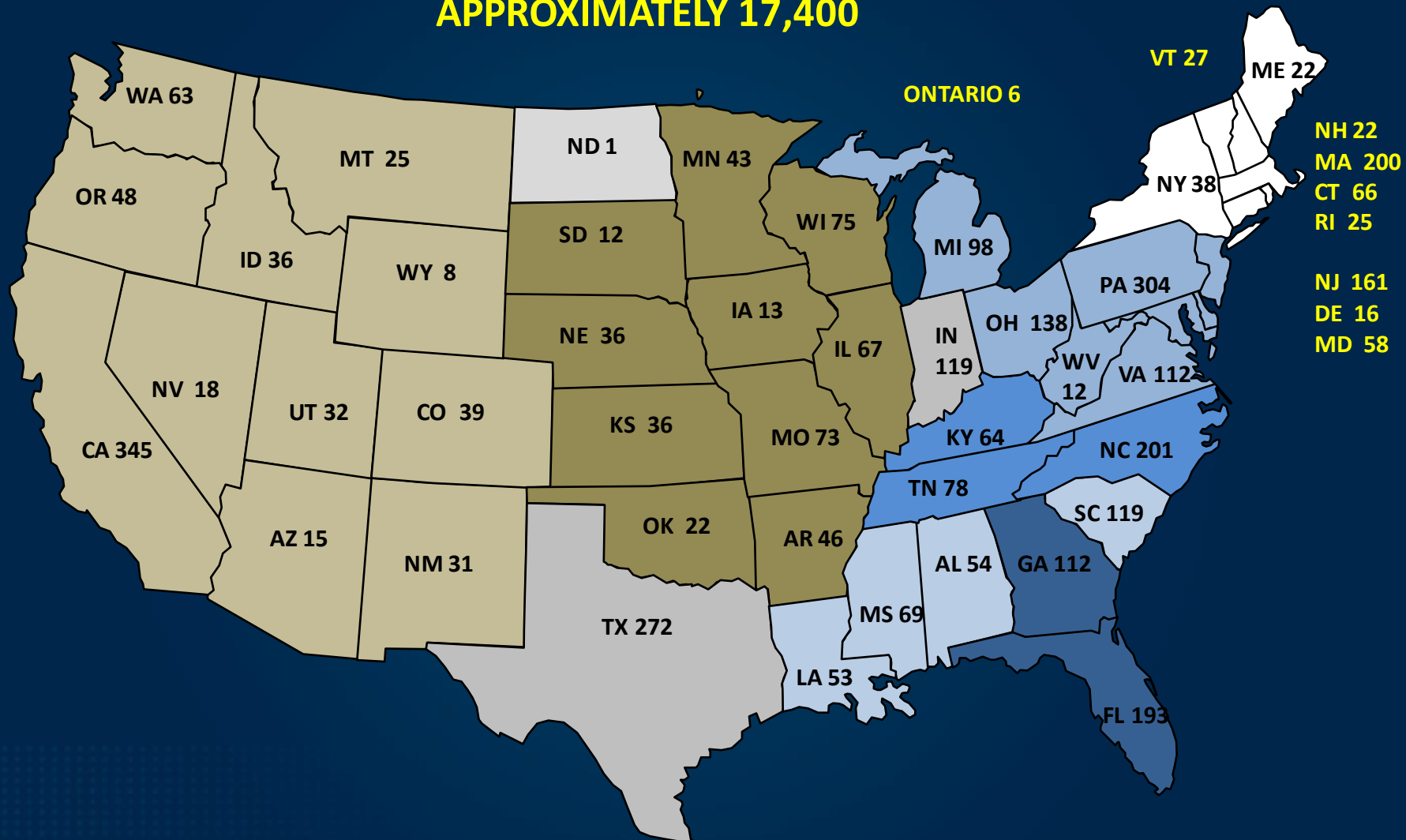
Source: American Hospital Association, Dept. of Health and Human Services, Center for Medicare and Medicaid Services, Modern Healthcare Survey

- **Largest Independent Housekeeping and Laundry Service for Long-Term Care**
- **Over 3,500 Facilities Under Management**
- **90% Client Retention Rate - Base Business**
- **Long-Term Revenue Stream**

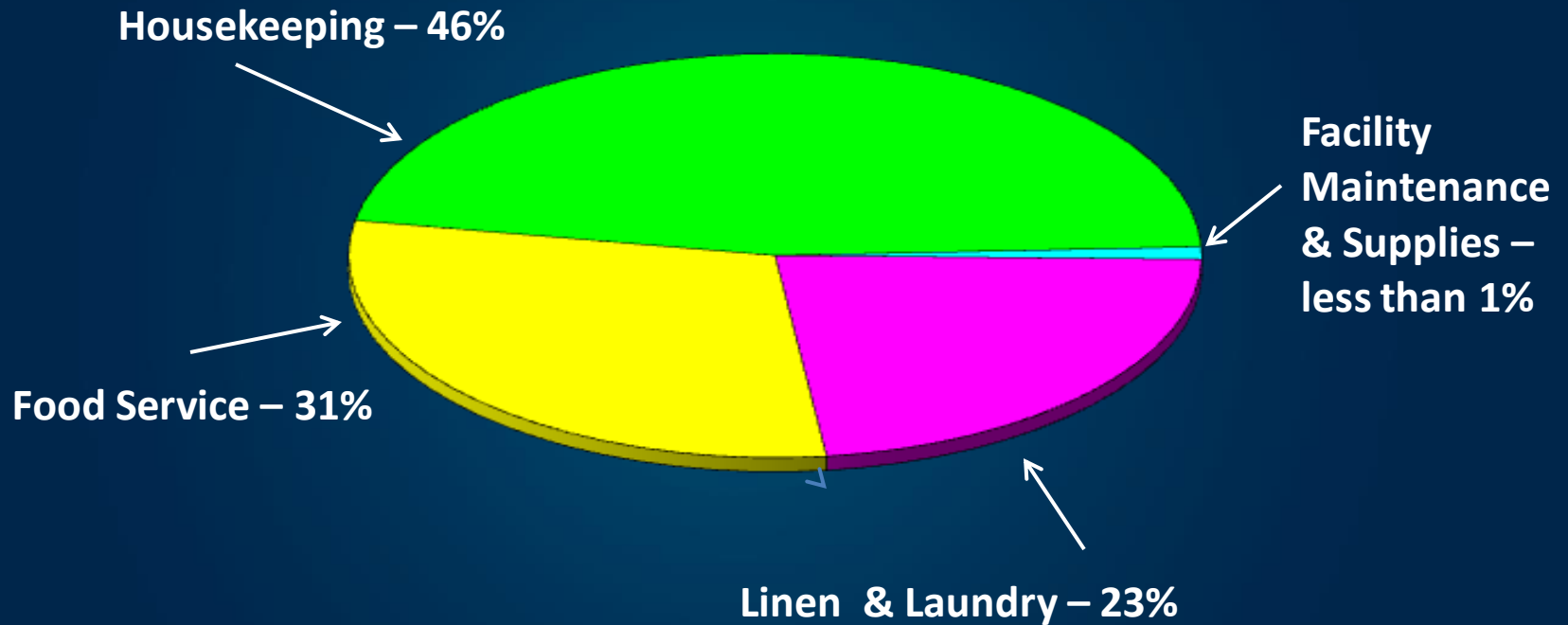
CURRENT MAJOR MARKETS

TOTAL LONG-TERM CARE FACILITIES:

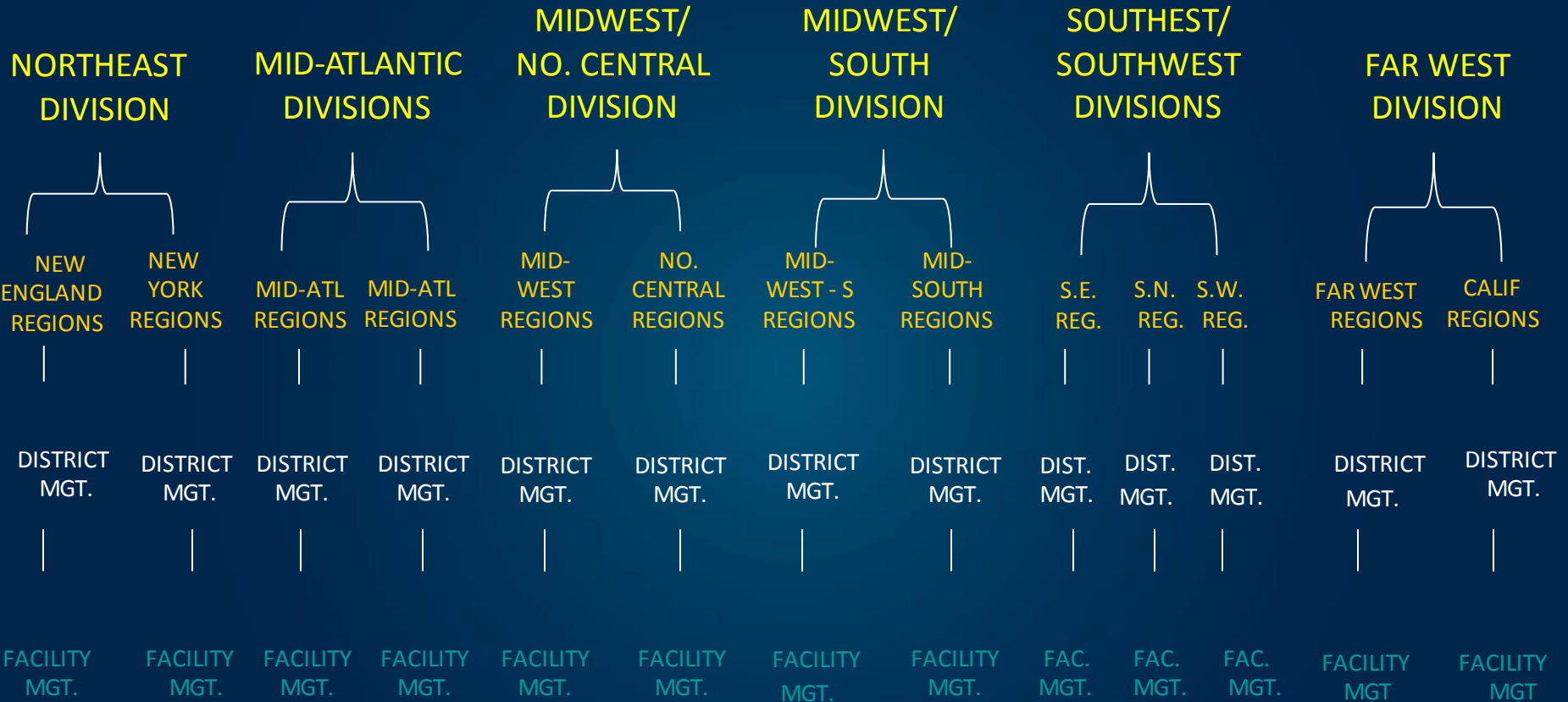
APPROXIMATELY 17,400



SERVICES (% OF SALES)



CENTRAL OFFICE



OPERATIONAL MANAGEMENT STRUCTURE



MARKETING & SALES STRUCTURE



SOURCES OF GROWTH

- **Geographic Expansion of Regional and Local Clients**
- **National Chains**
- **New Facilities of Existing Clients**
- **Sale of Linen Services to New and Existing Clients**
- **Sale of Food Services to New and Existing Clients**

THE ADVANTAGE

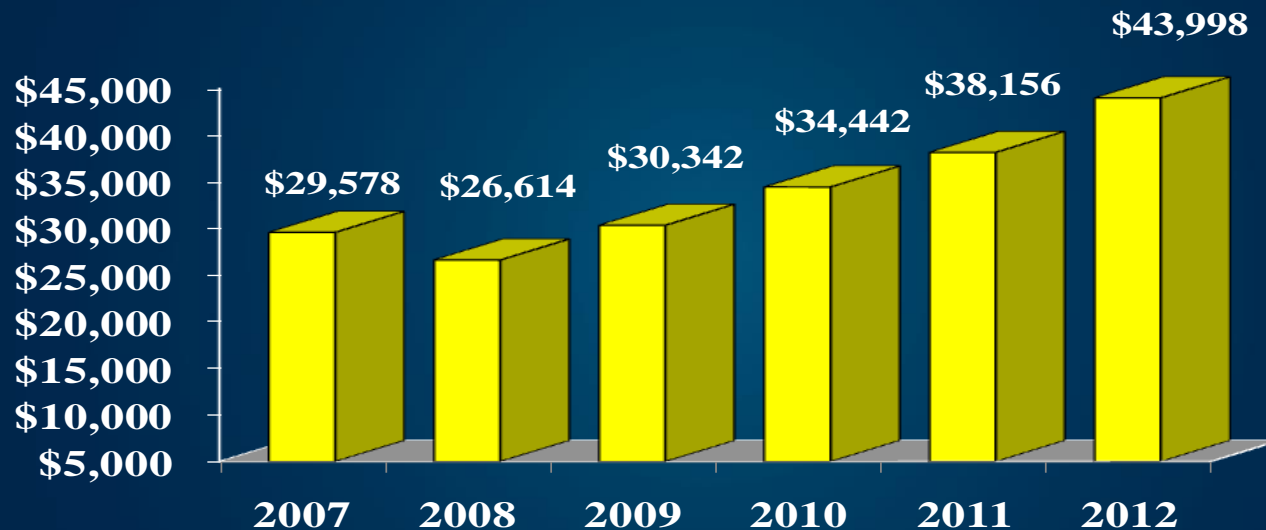
- **Demonstrated Cost Savings to Long-Term Care Facilities**
- **Superior Professional Management System**
- **National Network to Service Local, Regional and National Accounts**
- **Substantial Capacity to Generate Incremental Business with Existing Infrastructure**

REVENUES (000)



2012 Year End

NET INCOME (000)



2012 Year End

INVESTMENT CONSIDERATIONS

4rd QUARTER ENDED 12/31/2012

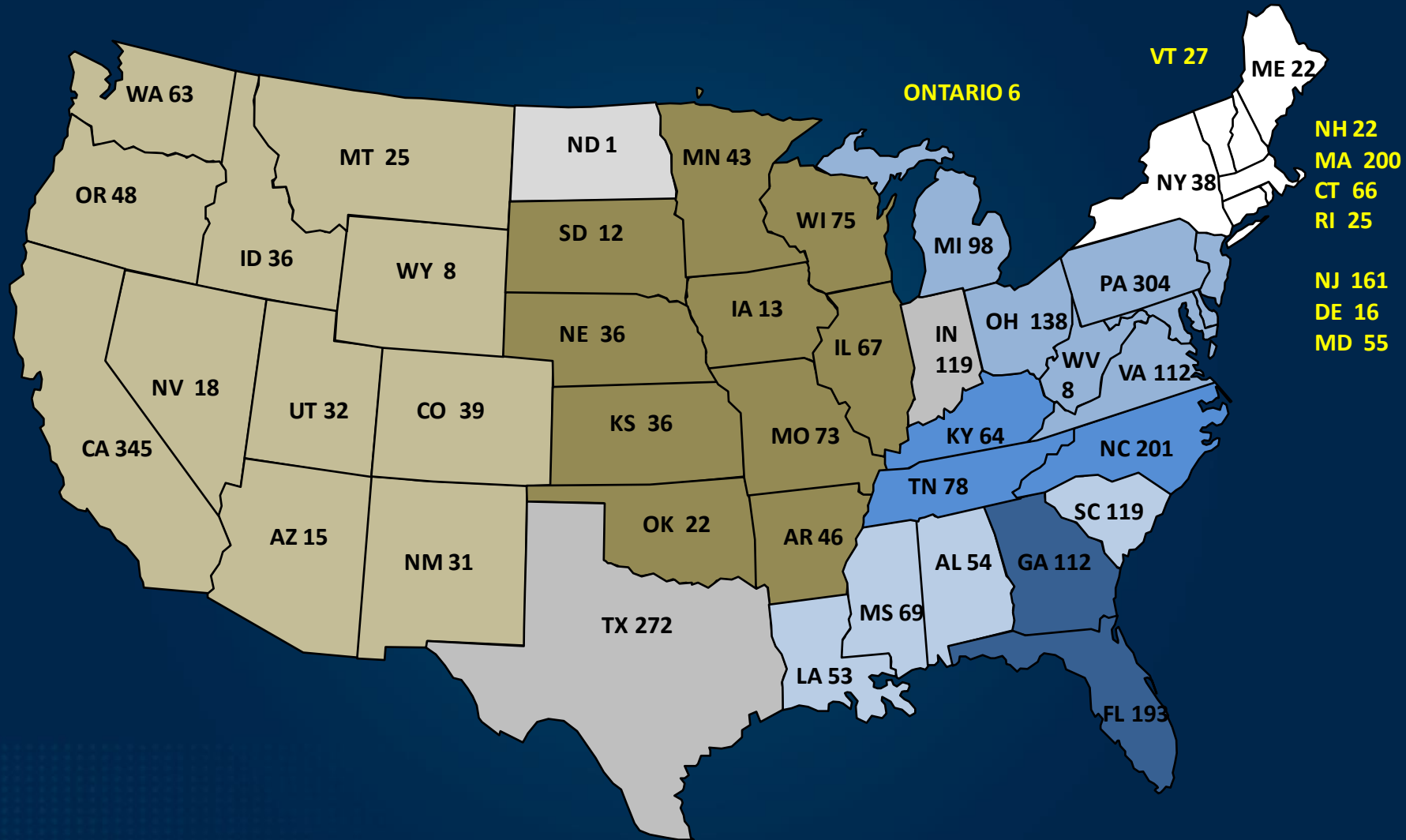
- **Cash & Equivalents - \$90.2 million**
- **Current Assets - \$267.8 million**
- **Current Ratio – 4:1**
- **Stockholder Equity - \$229.5 million**
- **Dividend - \$.66 p/share – annualized
(post 3:2 split)**
- **Book Value - \$3.40 (split adjusted)**

GROWTH OBJECTIVES

- **Expand Established Regions Locally**
 - Local Operators**
 - National Chains**
- **Expand Food Service to Client Base**
- **90% Client Retention Rate**

GROWTH OBJECTIVES

25% GROWTH RATE IN EXISTING BASE



OPPORTUNITY

- **“Graying” of America/Cost Containment**
- **Growing Market with Little Competition**
- **Organization in Place for Growth**