



3901 Technology Drive
Paducah, KY 42001-5201

FOR IMMEDIATE RELEASE

For more information, contact:

David L. Simon, Treasurer & CFO
800-545-4274, ext. 10126 or dsimon@csiweb.com

CSI REPORTS RECORD RESULTS FOR THIRD QUARTER FISCAL 2011

PADUCAH, Ky. (January 7, 2011) — Computer Services, Inc. (CSI) (OTCQX: CSVI) today reported record results for the third quarter and nine months ended November 30, 2010.

Third quarter revenues rose 5.2% to \$40.2 million in fiscal 2011 compared with \$38.2 million in the third quarter of fiscal 2010. Net income rose 17.7% to \$5.7 million, and net income per diluted share increased 21.9% to \$0.39 compared with the prior year's third quarter.

“CSI's third quarter of this fiscal year represented our 27th consecutive quarter of revenue growth,” stated President and Chief Executive Officer Steven A. Powless. “Our continued string of record results is due to the strength of our recurring revenue base and the largely non-discretionary nature of our products and services.

“Our continued growth in revenues benefited from internal growth across major product lines and to the contribution of the MSI (Myriad Systems) acquisition completed as of October 1, 2009. The internal growth was primarily driven by sales to new customers, cross-sales to existing customers and increases in transaction volumes. Our pipeline for new sales remains solid due to increased customer interest for key products and services, including cross-sales of MSI's print and mail services, and its online document delivery solutions,” continued Mr. Powless.

Third Quarter Results

Third quarter consolidated revenues rose 5.2% to \$40.2 million compared with \$38.2 million for the third quarter ended November 30, 2009. Processing revenues increased 5.9% to \$29.2 million and accounted for 72.7% of total revenues compared with \$27.6 million, or 72.3% of total revenues, in the third quarter of last year. The growth in processing revenues benefitted from a 4.2% internal growth rate with the remaining growth attributable to the MSI acquisition. Other revenues increased 3.6% to \$11.0 million compared with \$10.6 million in fiscal 2010. Other revenues were up due to a 1.5% internal growth rate with the remaining growth due to the MSI acquisition.

Third quarter operating income rose 18.1% to \$9.5 million compared with \$8.0 million in the third quarter of the prior year. Operating margins increased to 23.6% in the third quarter of fiscal 2011 compared with 21.0% in the third quarter of fiscal 2010. The increase in margin was primarily due to higher sales and improved product mix. Operating expenses rose only 1.8% compared with the third quarter of last fiscal year and were up primarily due to the MSI acquisition. Non-MSI expenses were down compared with the prior year due to improved operating efficiencies. Total operating expenses declined as a percentage of revenue to 76.4% in the third quarter of fiscal 2011 compared with 79.0% in the same period of fiscal 2010.

Net income rose 17.7% to \$5.7 million in the third fiscal quarter of 2011 compared with \$4.9 million in the prior-year period. Net income per fully diluted share was \$0.39 compared with \$0.32 in the same quarter last year. Weighted average fully diluted shares outstanding were down 1.5% to 14.9 million primarily due to CSI shares repurchased under the Company's stock repurchase program. CSI repurchased approximately 46,700 shares during the third quarter of fiscal 2011.

“CSI’s Board of Directors approved the repurchase of an additional \$5.0 million in company stock in December 2010,” stated Mr. Powless. “At the end of the third fiscal quarter, CSI had approximately \$1.8 million remaining under previous stock repurchase authorizations. We believe the Board’s approval to buy back additional CSI shares highlights its confidence in the future of our Company.”

Nine Month Results

Consolidated revenues for the first nine months of fiscal 2011 rose 8.6% to \$121.8 million compared with \$112.2 million for the same period in fiscal 2010. CSI’s growth in revenues benefited from a 2.8% internal growth rate, including higher processing revenues, higher other revenues and the MSI acquisition.

Operating income rose 15.4% to \$28.6 million for the first nine months of fiscal 2011 compared with \$24.8 million for the same period last year. Operating margin rose to 23.5% in the first nine months of fiscal 2011 compared with 22.1% in the same period of fiscal 2010 due to higher sales, improved product mix and sound expense management. For the first nine months of fiscal 2011, total operating expenses declined as a percentage of revenue to 76.5% compared with 77.9% in the same period of fiscal 2010.

Net income for the first nine months of fiscal 2011 rose 14.7% to \$17.2 million compared with \$15.0 million in the first nine months of fiscal 2010. Net income per diluted share rose 17.2% to \$1.16 for the latest nine-month period compared with \$0.99 for the same period last year. Weighted average fully diluted shares outstanding were down 1.4% to 14.9 million for the nine month period primarily due to CSI shares repurchased under the Company’s stock repurchase program.

“CSI’s strong balance sheet has allowed us to repurchase Company stock while increasing our cash dividend. We have increased our cash dividend amount in each of the last 22 years. In addition, we continue to invest in our business, including over \$12.8 million in new equipment and software during the first three quarters of fiscal 2011. We remain very positive about the opportunities to leverage our strong financial position in the future,” stated Mr. Powless.

CSI’s cash position increased to \$6.8 million, up \$3.5 million in the first nine months of fiscal 2011. Notes payable have been paid down over \$8.2 million in the latest 12 months and are down over \$5.2 million in the first nine months of fiscal 2011. Total long-term debt was only \$3.2 million, or 3% of shareholders’ equity, at November 30, 2010.

About Computer Services, Inc.

Computer Services, Inc. (CSI) delivers core banking, payments processing, Internet, card services, risk assessment, fraud prevention, network management, regulatory compliance and document delivery solutions to financial institutions and corporate entities across the nation. Technology planning, personal account management and world-class customer service explain why CSI is known as one of the nation’s premier providers of technology solutions for the financial services industry. CSI’s stock is traded on the OTCQX under the symbol CSVI. For more information about CSI, visit www.csiweb.com.

Forward-Looking Statements

This news release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. All statements except historical statements contained herein constitute "forward-looking statements." Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially. Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI's operations, customers, markets, services, products and prices; and (ii) other factors discussed in CSI's Information and Disclosure Statements and other documents posted from time to time on the OTCQX website, including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. CSI undertakes no obligation to update, and is not responsible for updating, the information contained in this release beyond the publication date, whether as a result of new information or future events, or to conform the statement to actual results or changes in CSI's expectations, or otherwise or for changes made to this document by wire services or Internet services.

January 7, 2011

COMPUTER SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except share and per share data)

	<u>Three Months Ended November 30,</u>		<u>Nine Months Ended November 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Processing revenues	\$ 29,194	\$ 27,576	\$ 87,179	\$ 80,970
Other revenues	10,961	10,581	34,633	31,223
Total revenues	40,155	38,157	121,812	112,193
Operating expenses	30,676	30,130	93,169	87,378
Operating income	9,479	8,027	28,643	24,815
Interest income (expense), net	(37)	(75)	(144)	(172)
Income before income taxes	9,442	7,952	28,499	24,643
Provision for income taxes	3,730	3,101	11,257	9,611
Net income	\$ 5,712	\$ 4,851	\$ 17,242	\$ 15,032
Earnings per share				
Basic	\$ 0.39	\$ 0.34	\$ 1.18	\$ 1.03
Diluted	\$ 0.39	\$ 0.32	\$ 1.16	\$ 0.99
Shares used in computing earnings per common and common equivalent share				
Basic	14,588,769	14,604,012	14,636,736	14,652,944
Diluted	14,853,968	15,073,390	14,904,370	15,112,948

January 7, 2011

COMPUTER SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	11/30/2010 <i>(Unaudited)</i>	02/28/2010 <i>(Audited)</i>	11/30/2009 <i>(Unaudited)</i>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,770	\$ 3,281	\$ 7,702
Accounts receivable	17,052	19,427	16,646
Prepaid expenses and other current assets	5,187	5,285	7,222
Total current assets	29,009	27,993	31,570
Property and equipment, net	30,548	30,857	31,760
Software and software licenses, net	16,595	15,015	15,770
Goodwill	48,761	46,761	46,617
Intangible assets	1,707	2,171	2,346
Other assets	6,827	3,123	2,773
Total assets	\$ 133,447	\$ 125,920	\$ 130,836
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	\$ 15,309	\$ 10,955	\$ 16,332
Deferred revenue	6,406	6,263	5,824
Income taxes payable	213	895	-
Notes payable	187	138	138
Earn-out provision related to acquisition	2,000	2,000	-
Total current liabilities	24,115	20,251	22,294
Long-term liabilities			
Deferred income taxes	840	1,008	3,049
Notes payable	3,152	8,340	11,376
Earn-out provision related to acquisition	-	2,000	2,000
Other long-term liabilities	948	879	1,593
Total long-term liabilities	4,940	12,227	18,018
Total liabilities	29,055	32,478	40,312
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued	-	-	-
Common stock, no par; shares authorized, 20,000,000 in fiscal 2011 and 2010; shares issued and outstanding, 14,574,130 at November 30, 2010, 14,639,782 at February 28, 2010, and 14,575,228 at November 30, 2009	16,528	15,320	15,412
Retained earnings	90,688	81,055	78,070
Restricted stock	(2,824)	(2,933)	(2,958)
Total shareholders' equity	104,392	93,442	90,524
Total liabilities and shareholders' equity	\$ 133,447	\$ 125,920	\$ 130,836