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## FOR IMMEDIATE RELEASE

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## CSI REPORTS RECORD RESULTS FOR SECOND QUARTER FISCAL 2012

### *Marks 29<sup>th</sup> Consecutive Quarter of Revenue Growth*

PADUCAH, Ky. (October 14, 2011) - Computer Services, Inc. (CSI) (OTCQX: CSVI) today reported record revenues and record net income for the second quarter and six months ended August 31, 2011.

Second quarter revenues rose 3.8% to \$43.5 million in fiscal 2012 compared with \$41.9 million in the second quarter of fiscal 2011. Net income rose 3.4% to \$6.4 million, and net income per diluted share increased 4.9% to \$0.43 compared with the prior year's second quarter.

"This quarter marked CSI's 29<sup>th</sup> consecutive quarter of revenue growth," stated Chief Executive Officer Steven A. Powless. "We believe our results highlight our recurring revenue model and the largely non-discretionary nature of our products and services.

"After the close of the quarter, we acquired HEIT Consulting, Inc. ("HEIT") of Ft. Collins, Colorado in a stock purchase transaction. We expect HEIT to add to our revenue growth in the second half of this fiscal year and be accretive to our earnings in fiscal 2013," continued Mr. Powless. "HEIT is a provider of cloud-based managed compliance, security and IT services with approximately 400 customers. We believe the acquisition will become an integral part of our strategy to expand services to our core bank customers and expand the compliance and security services we offer through ATTUS Technologies."

### *Second Quarter Results*

Second quarter consolidated revenues rose 3.8% to \$43.5 million compared with \$41.9 million in the second quarter ended August 31, 2010. Processing revenues increased 4.3% to \$30.4 million and accounted for 69.9% of total revenues compared with \$29.1 million, or 69.5% of total revenues, in the second quarter of last year. The growth in processing revenues benefitted from sales to new customers, cross-sales to existing customers and increases in transaction volumes from existing customers, partially offset by the effect of customers lost primarily due to mergers and government actions, and customers migrating to in-bank check imaging systems. Other revenues rose 2.5% to \$13.1 million in the second quarter of fiscal 2012 compared with \$12.8 million in the second quarter of fiscal 2011.

Second quarter operating income rose 2.5% to \$10.6 million compared with \$10.3 million in the second quarter of the prior year. Operating margin for the second quarter was 24.3% compared with 24.6% in the second quarter of fiscal 2011. The slight decline in CSI's operating margin in the latest quarter was primarily due to increased personnel costs associated with planned staffing additions as part of CSI's Strategic Growth Initiative.

Net income rose 3.4% to \$6.4 million in the second quarter compared with \$6.2 million in the prior-year period. Net income per fully diluted share was up 4.9% to \$0.43 compared with \$0.41 in the same quarter last year. Weighted average shares outstanding were down 1.0% to 14.8 million since last year primarily due to CSI shares repurchased under the Company's stock repurchase program. CSI has repurchased approximately 195,000 shares during the past year, including 11,591 in the second quarter of fiscal 2012. CSI had approximately \$2.9 million available under existing stock purchase authorizations outstanding as of August 31, 2011.

CSI's cash and cash equivalents rose to \$16.4 million as of August 31, 2011, up from \$10.1 million at May 31, 2011. The growth in cash was largely attributable to cash flow from operations that totaled \$12.7 million in the second quarter of fiscal 2012.

"We continued to strengthen CSI's balance sheet with our increased cash position and reduction of debt," continued Mr. Powless. "Our cash position grew by \$12.9 million in the first half of fiscal 2012 and we paid off all but \$202,000 of debt. After the close of the quarter, we used a portion of our cash position and untapped lines of credit to fund the HEIT acquisition.

"We plan to continue using our strong cash flow from operations to fund future growth, including investments in new software and hardware platforms, and potential acquisitions. Our Board of Directors is also committed to funding our stock repurchase program as market conditions permit while distributing a portion of our earnings to shareholders in the form of cash dividends. Last quarter, the Board approved a 13.6% increase in our cash dividend to \$0.125 per share, representing the 23<sup>rd</sup> consecutive annual increase in CSI's cash dividend. We remain committed to building long-term shareholder value by investing in our company and distributing a portion of our earnings to shareholders through our stock buyback and dividend programs."

### ***Six Month Results***

Consolidated revenues for the first six months of fiscal 2012 rose 2.8% to a record \$83.9 million compared with \$81.7 million for the same period in fiscal 2011. CSI's growth in revenues benefited from growth in processing and other revenues.

Operating income rose 3.6% to \$19.9 million for the first six months of fiscal 2012 compared with \$19.2 million for the same period last year. Operating margin rose to 23.6% in the first six months of fiscal 2012 compared with 23.5% in the same period of fiscal 2011 due to higher sales and improved product mix.

Net income for the first six months of fiscal 2012 rose 4.5% to \$12.0 million compared with \$11.5 million in the first six months of fiscal 2011. Net income per diluted share increased 6.5% to \$0.82 for the latest six month period compared with \$0.77 for the same period last year.

### ***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 OTCQX under the symbol CSVI. For more information about CSI, visit [www.csiweb.com](http://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. Unless required by law, 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.*

**COMPUTER SERVICES, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
*(Unaudited)*  
*(in thousands, except share and per share data)*

	<u>Three Months Ended August 31,</u>		<u>Six Months Ended August 31,</u>	
	2011	2010	2011	2010
Processing revenues	\$ 30,399	\$ 29,135	\$ 60,037	\$ 57,985
Other revenues	13,114	12,788	23,908	23,672
Total revenues	43,513	41,923	83,945	81,657
Operating expenses	32,961	31,629	64,095	62,493
Operating income	10,552	10,294	19,850	19,164
Interest income (expense), net	5	(44)	(19)	(107)
Income before income taxes	10,557	10,250	19,831	19,057
Provision for income taxes	4,144	4,048	7,784	7,527
Net income	\$ 6,413	\$ 6,202	\$ 12,047	\$ 11,530
Earnings per share				
Basic	\$ 0.44	\$ 0.43	\$ 0.83	\$ 0.79
Diluted	\$ 0.43	\$ 0.41	\$ 0.82	\$ 0.77
Shares used in computing earnings per common and common equivalent share				
Basic	14,607,050	14,653,934	14,595,200	14,660,459
Diluted	14,767,710	14,915,615	14,755,017	14,929,297

**COMPUTER SERVICES, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets***(in thousands, except share data)*

	<b>08/31/2011</b>	<b>02/28/2011</b>	<b>08/31/2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 16,397	\$ 3,527	\$ 4,657
Accounts receivable	19,949	19,018	17,413
Income tax receivable	-	2,042	-
Prepaid expenses and other current assets	5,050	5,933	4,420
Total current assets	41,396	30,520	26,490
Property and equipment, net	31,337	30,008	35,910
Software and software licenses, net	16,952	18,245	13,118
Goodwill	48,761	48,761	48,761
Intangible assets	1,297	1,500	1,852
Other assets	6,734	7,088	4,357
<b>Total assets</b>	<b>\$ 146,477</b>	<b>\$ 136,122</b>	<b>\$ 130,488</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 13,083	\$ 12,271	\$ 11,857
Deferred revenue	7,414	6,575	5,996
Income taxes payable	2,616	-	249
Notes payable	168	191	170
Earn-out provision related to acquisition	2,000	2,000	2,000
Total current liabilities	25,281	21,037	20,272
Long-term liabilities			
Notes payable	34	3,099	5,214
Deferred income taxes	4,060	4,269	840
Earn-out provision related to acquisition	-	-	2,000
Other long-term liabilities	1,224	1,014	945
Total long-term liabilities	5,318	8,382	8,999
<b>Total liabilities</b>	<b>30,599</b>	<b>29,419</b>	<b>29,271</b>
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued	-	-	-
Common stock, no par; shares authorized, 20,000,000 in fiscal 2012 and 2011; shares issued and outstanding, 14,604,749 at August 31, 2011, 14,581,602 at February 28, 2011, and 14,613,521 at August 31, 2010	17,916	16,523	16,481
Retained earnings	101,114	93,055	87,560
Restricted stock	(3,152)	(2,875)	(2,824)
Total shareholders' equity	115,878	106,703	101,217
<b>Total liabilities and shareholders' equity</b>	<b>\$ 146,477</b>	<b>\$ 136,122</b>	<b>\$ 130,488</b>