

August 3, 2005



BBSI Announces Second Quarter 2005 Operating Results and Financial Guidance for 3Q05

PORTLAND, Ore.--(BUSINESS WIRE)--Aug. 3, 2005--Barrett Business

Services, Inc. (Nasdaq:BBSI) reported today net income of \$2,905,000

for the second quarter ended June 30, 2005, an improvement of

\$1,065,000 or 57.9% over net income of \$1,840,000 for the second

quarter of 2004. Diluted earnings per share for the 2005 second

quarter were \$.31, as compared to diluted earnings per share of \$.20

for the same quarter a year ago, which have been adjusted for a

3-for-2 stock split effected on May 19, 2005.

Net revenues for the second quarter ended June 30, 2005 totaled

\$59.6 million, an increase of approximately \$11.9 million or 24.9%

over the \$47.7 million for the same quarter in 2004.

(\$ in thousands)	(Unaudited)		(Unaudited)	
	Second Quarter		Six Months	
	Ended		Ended	
	June 30,		June 30,	
Results of Operations	2005	2004	2005	2004
Revenues:				
Staffing services	\$ 35,637	\$ 30,470	\$ 64,179	\$ 55,524
Professional employer service fees	23,994	17,234	44,696	32,790

Total revenues	59,631	47,704	108,875	88,314
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Cost of revenues:				
Direct payroll costs	26,598	22,551	47,615	40,871
Payroll taxes and benefits	15,303	10,649	31,000	22,180
Workers' compensation	6,295	5,978	11,701	10,332
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Total cost of revenues	48,196	39,178	90,316	73,383
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Gross margin	11,435	8,526	18,559	14,931
Selling, general and administrative expenses	6,251	5,367	11,721	10,581
Depreciation and amortization	217	253	453	495
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Income from operations	4,967	2,906	6,385	3,855
Other (expense) income, net	(205)	38	(97)	59
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Income before taxes	4,762	2,944	6,288	3,914
Provision for income taxes	1,857	1,104	2,452	1,468
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Net income	\$ 2,905	\$ 1,840	\$ 3,836	\$ 2,446
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Basic earnings per share	\$.33	\$.21	\$.44	\$.29
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Weighted average basic shares outstanding	8,717	8,573	8,681	8,565
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Diluted earnings per share	\$.31	\$.20	\$.41	\$.26
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Weighted average diluted shares outstanding	9,398	9,279	9,375	9,286
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The Company changed its reporting of PEO revenues from a gross basis to a net basis in 2002. The gross revenues and cost of revenues information below, although not in accordance with generally accepted accounting principles ("GAAP"), are presented for comparison purposes and because management believes such information is more informative as to the level of the Company's business activity and more useful in managing its operations.

(in thousands)	(Unaudited)		(Unaudited)	
	Second Quarter		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Revenues:				
Staffing services	\$ 35,637	\$ 30,470	\$ 64,179	\$ 55,524
Professional employer services	147,945	97,984	276,496	189,704
Total revenues	183,582	128,454	340,675	245,228
Cost of revenues:				
Direct payroll costs	148,927	102,390	276,324	195,757
Payroll taxes and benefits	15,303	10,648	31,000	22,179
Workers' compensation	7,917	6,890	14,792	12,361
Total cost of revenues	172,147	119,928	322,116	230,297
Gross margin	\$ 11,435	\$ 8,526	\$ 18,559	\$ 14,931

Gross revenues of \$183.6 million for the second quarter ended June 30, 2005 rose 42.9% over the similar period in 2004. For the six

months ended June 30, 2005, gross revenues of \$340.7 million increased 38.9% over the comparable period in 2004.

A reconciliation of non-GAAP gross revenues to net revenues is as follows:

For the second quarters ended June 30, 2005 and 2004 (in thousands):

(Unaudited)						
Three Months Ended June 30,						
(in thousands)	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	
	2005	2004	2005	2004	2005	2004
Revenues:						
Staffing						
services	\$ 35,637	\$ 30,470	\$ -	\$ -	\$35,637	\$30,470
Professional						
employer						
services	147,945	97,984	(123,951)	(80,750)	23,994	17,234
Total						
revenues	\$183,582	\$128,454	\$ (123,951)	\$ (80,750)	\$59,631	\$47,704
Cost of						
revenues:	\$172,147	\$119,928	\$ (123,951)	\$ (80,750)	\$48,196	\$39,178

For the six months ended June 30, 2005 and 2004 (in thousands):

(Unaudited)						
Six Months Ended June 30,						
(in thousands)	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	

thousands)	Reporting Method		Reclassification		Reporting Method	
	2005	2004	2005	2004	2005	2004
Revenues:						
Staffing						
services	\$ 64,179	\$ 55,524	\$ -	\$ -	\$ 64,179	\$55,524
Pro-						
fessional						
employer						
services	276,496	189,704	(231,800)	(156,914)	44,696	32,790
Total						
revenues	\$340,675	\$245,228	\$ (231,800)	\$ (156,914)	\$108,875	\$88,314
Cost of						
revenues:	\$322,116	\$230,297	\$ (231,800)	\$ (156,914)	\$ 90,316	\$73,383

William W. Sherertz, President and Chief Executive Officer, commented that: "We had a great quarter and our business continues to grow. Our management team is proud that we were recently named the number one company in The Seattle Times's Northwest Top 100, as well as of our recent inclusion in the new Russell Microcap Index."

The following summarizes the unaudited consolidated balance sheets at June 30, 2005 and December 31, 2004.

	June 30,	December 31,
(\$ in thousands)	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,662	\$ 12,153

Marketable securities	5,568	4,630
Trade accounts receivable, net	36,420	23,840
Prepaid expenses and other	2,074	1,364
Deferred income taxes	5,588	4,100
Workers' compensation receivables for insured claims	213	213
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Total current assets	71,525	46,300
Goodwill, net	22,516	22,516
Intangibles, net	16	25
Property, equipment and software, net	4,161	4,301
Restricted marketable securities and workers' compensation deposits	2,060	1,702
Unrestricted marketable securities	391	-
Deferred income taxes	336	582
Other assets	405	401
Workers' compensation receivables for insured claims	4,019	4,158
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	\$ 105,429	\$ 79,985
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Liabilities and Stockholders' Equity

Current liabilities:

Current portion of long-term debt	\$ 348	\$ 348
Income taxes payable	1,264	-
Accounts payable	585	994
Accrued payroll, payroll taxes and related benefits	32,200	17,427
Workers' compensation claims liabilities	5,648	4,946
Workers' compensation claims liabilities for insured claims	213	213
Safety incentives liabilities	6,758	4,807

Other accrued liabilities	1,255	414
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Total current liabilities	48,271	29,149
Long-term debt, net of current portion	1,168	1,441
Customer deposits	670	608
Long-term workers' compensation claims liabilities	6,712	4,840
Long-term workers' compensation liabilities for insured claims	4,019	4,158
Deferred gain on sale and leaseback	976	1,036
Stockholders' equity	43,613	38,753
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	\$ 105,429	\$ 79,985
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Outlook for Third Quarter 2005

The Company also disclosed today limited financial guidance with respect to its operating results for the third quarter ending September 30, 2005. The Company expects gross revenues for the third quarter of 2005 to range from \$198 million to \$201 million, an increase of approximately 38% over the third quarter of 2004, and anticipates diluted earnings per share for the third quarter of 2005, including the approximate effect of its recent follow-on equity offering, to range from \$.35 to \$.37 per share, an increase of approximately 33% over \$.27 per share for the same period a year ago, on a split-adjusted basis. Excluding the approximate effect of its recent follow-on equity offering, anticipated diluted earnings per share for the third quarter of 2005 would range from \$.40 to \$.42 per share, an increase of approximately 52% over \$.27 per share for the same period last year, on a split-adjusted basis. Calculation of the

approximate effect of the Company's recent follow-on equity offering is based on the issuance of 1,864,000 shares of common stock on August 2, 2005, as well as the issuance of an additional 320,850 shares assuming exercise of the underwriters' over-allotment option prior to its expiration on August 26, 2005. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the third quarter of 2005 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On August 4, 2005 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss second quarter 2005 operating results. To participate in the call, dial 877-356-3717. The call identification number is 8219159. The conference call will also be webcast live at www.barrettbusiness.com. To access the webcast, click on the Investor Relations section of the Web site and select Webcast. A replay of the call will be available beginning August 4, 2005 at 11:00 a.m. and ending on August 11, 2005. To listen to the recording, dial 800-642-1687 and enter conference identification code 8219159.

BBSI provides a comprehensive range of human resource management solutions to large and small companies throughout many regions of the United States.

Statements in this release about future events or performance, including earnings expectations for the third quarter of 2005, are forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Factors that

could affect future results include economic conditions in the Company's service areas, the effect of changes in the Company's mix of services on gross margin, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of our primary markets, collectibility of accounts receivable, and the effect of our recent follow-on equity offering, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2004 Annual Report on Form 10-K. Although forward-looking statements help to provide complete information about the Company, readers should keep in mind that forward-looking statements may be less reliable than historical information. The Company undertakes no obligation to update or revise forward-looking statements in this release to reflect events or changes in circumstances that occur after the date of this release.

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