

October 27, 2004



Barrett Business Services, Inc. Announces Third Quarter 2004 Operating Results and Financial Guidance for 4Q04

PORTLAND, Ore., Oct. 27 /PRNewswire-FirstCall/ -- Barrett Business

Services, Inc. (Nasdaq: BBSI) reported today net income of \$2,448,000 for the third quarter ended September 30, 2004, an improvement of \$1,505,000 over net income of \$943,000 for the third quarter of 2003. Diluted earnings per share for the 2004 third quarter was \$.40, as compared to diluted earnings per share of \$.16 for the same quarter a year ago.

Net revenues for the third quarter ended September 30, 2004 totaled \$54.7 million, an increase of approximately \$19.9 million or 57.2% over the \$34.8 million for the same quarter in 2003.

Results of Operations (in thousands, except per share amounts)	(Unaudited) Third Quarter Ended		(Unaudited) Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Revenues:				
Staffing services	\$35,673	\$26,727	\$91,197	\$69,883
Professional employer service fees	19,006	8,046	51,796	16,189
Total revenues	54,679	34,773	142,993	86,072
Cost of revenues:				
Direct payroll costs	26,436	19,740	67,307	51,617
Payroll taxes and benefits	11,376	6,181	33,556	14,371
Workers' compensation	6,094	2,622	15,774	6,029
Total cost of revenues	43,906	28,543	116,637	72,017
Gross margin	10,773	6,230	26,356	14,055

Selling, general and administrative expenses	6,404	4,461	17,637	11,926
Depreciation and amortization	257	256	752	807
Income from operations	4,112	1,513	7,967	1,322
Other income (expense), net	73	(62)	132	(136)
Income before taxes	4,185	1,451	8,099	1,186
Provision for income taxes	1,737	508	3,205	419
Net income	\$2,448	\$943	\$4,894	\$767
Basic earnings per share	\$.43	\$.17	\$.86	\$.13
Weighted average basic shares outstanding	5,739	5,645	5,720	5,700
Diluted earnings per share	\$.40	\$.16	\$.80	\$.13
Weighted average diluted shares outstanding	6,144	5,927	6,140	5,805

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"), is 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)	
	Third Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Revenues:				
Staffing services	\$35,673	\$26,727	\$91,197	\$69,883
Professional employer services	109,435	46,886	299,139	95,767
Total revenues	145,108	73,613	390,336	165,650
Cost of revenues:				
Direct payroll costs	115,580	57,977	311,337	130,592
Payroll taxes and benefits	11,376	6,181	33,555	14,371

Workers' compensation	7,379	3,225	19,088	6,632
Total cost of revenues	134,335	67,383	363,980	151,595
Gross margin	\$ 10,773	\$6,230	\$ 26,356	\$ 14,055

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

For the third quarters ended September 30, 2004 and 2003 (in thousands):

	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	
	2004	2003	2004	2003	2004	2003
Revenues:						
Staffing						
services	\$35,673	\$26,727	\$--	\$--	\$35,673	\$26,727
Professional						
employer						
services	109,435	46,886	(90,429)	(38,840)	19,006	8,046
Total						
revenues	\$145,108	\$73,613	\$(90,429)	\$(38,840)	\$54,679	\$34,773
Cost of						
revenues:	\$134,335	\$67,383	\$(90,429)	\$(38,840)	\$43,906	\$28,543

For the nine months ended September 30, 2004 and 2003 (in thousands):

	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	
	2004	2003	2004	2003	2004	2003
Revenues:						
Staffing						
services	\$91,197	\$69,883	\$--	\$--	\$91,197	\$69,883
Professional						
employer						
services	299,139	95,767	(247,343)	(79,578)	51,796	16,189
Total						
revenues	\$390,336	\$165,650	\$(247,343)	\$(79,578)	\$142,993	\$86,072
Cost of						
revenues:	\$363,980	\$151,595	\$(247,343)	\$(79,578)	\$116,637	\$72,017

William W. Sherertz, President and Chief Executive Officer, commented

that: "We are very pleased with the continued momentum of our earnings and revenue growth, as well as the strengthening of our balance sheet. Our third quarter represents the eighth consecutive quarter in which our operating results improved over the comparable period."

The following summarizes the unaudited consolidated balance sheets at September 30, 2004 and December 31, 2003.

(\$ in thousands)	September 30, December 31,	
	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$10,009	\$7,785
Marketable securities	4,503	--
Trade accounts receivable, net	30,523	18,481
Prepaid expenses and other	1,243	958
Deferred income taxes	5,168	2,196
Total current assets	51,446	29,420
Goodwill, net	21,738	18,749
Intangibles, net	30	13
Property, equipment and software, net	4,439	3,367
Restricted marketable securities and workers'		
compensation deposits	1,775	1,647
Deferred income taxes	758	1,041
Other assets	399	436
	\$80,585	\$54,673
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$348	\$88
Income taxes payable	2,685	--
Accounts payable	430	727
Accrued payroll, payroll taxes and related		
benefits	23,829	13,881
Workers' compensation claims liabilities	4,977	3,886

Safety incentives liabilities	4,534	2,007
Other accrued liabilities	606	361
Total current liabilities	37,409	20,950
Long-term debt, net of current portion	1,478	400
Customer deposits	501	455
Long-term workers' compensation claims liabilities	4,576	1,031
Other long-term liabilities	--	45
Deferred gain on sale and leaseback	1,067	1,158
Stockholders' equity	35,554	30,634
	\$80,585	\$54,673

OUTLOOK FOR FOURTH QUARTER 2004

The Company also disclosed today limited financial guidance with respect to its operating results for the fourth quarter ending December 31, 2004. The Company expects gross revenues for the fourth quarter to range from \$144 million to \$146 million and anticipates diluted earnings per share to range from \$.35 to \$.38 per share for the same period. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the fourth quarter of 2004 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On October 28, 2004 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss third quarter 2004 operating results. To participate in the call, dial (877)356-3717. The call identification number is 1430173. 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 October 28, 2004 at 11:00 a.m. and ending November 4, 2004. To listen to the recording, dial (800) 642-1687 and enter conference identification code

1430173.

BBSI provides 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 fourth quarter of 2004, 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 availability of funding for working capital purposes, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2003 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.

SOURCE Barrett Business Services, Inc.

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