

April 27, 2005



## BBSI Announces First Quarter 2005 Operating Results and Financial Guidance for 2Q05

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

Services, Inc. (Nasdaq: BBSI) reported today net income of \$931,000 for the first quarter ended March 31, 2005, an improvement of \$325,000 or 53.6% over net income of \$606,000 for the first quarter of 2004. Diluted earnings per share for the 2005 first quarter were \$.15, as compared to diluted earnings per share of \$.10 for the same quarter a year ago.

Net revenues for the first quarter ended March 31, 2005 totaled \$49.2 million, an increase of approximately \$8.6 million or 21.2% over the \$40.6 million for the same quarter in 2004.

(\$ in thousands)	(Unaudited)	
	First Quarter Ended	
	March 31,	
Results of Operations	2005	2004
Revenues:		
Staffing services	\$28,542	\$25,054
Professional employer service fees	20,702	15,556
Total revenues	49,244	40,610
Cost of revenues:		
Direct payroll costs	21,017	18,320
Payroll taxes and benefits	15,697	11,531
Workers' compensation	4,930	4,036
Total cost of revenues	41,644	33,887
Gross margin	7,600	6,723
Selling, general and administrative		

expenses	5,946	5,532
Depreciation and amortization	236	242
Income from operations	1,418	949
Other income, net	108	21
Income before taxes	1,526	970
Provision for income taxes	595	364
Net income	\$931	\$606
Basic earnings per share	\$.16	\$.11
Weighted average basic shares		
outstanding	5,764	5,704
Diluted earnings per share	\$.15	\$.10
Weighted average diluted shares		
outstanding	6,234	6,196

As previously reported on April 18, 2005, the Company has declared a 3-for-2 stock split. The additional shares to be issued in the stock split will be distributed on May 19, 2005 to stockholders of record at the close of business on April 29, 2005. On a split adjusted basis, diluted earnings per share for the 2005 first quarter would have been \$.10, as compared to \$.07 for the same quarter a year ago.

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.

	Unaudited	
	First Quarter	
	March 31,	
(in thousands)	2005	2004

Revenues:

Staffing services	\$28,542	\$25,054
Professional employer services	128,551	91,720
Total revenues	157,093	116,774
Cost of revenues:		
Direct payroll costs	127,397	93,367
Payroll taxes and benefits	15,697	11,531
Workers' compensation	6,399	5,153
Total cost of revenues	149,493	110,051
Gross margin	\$7,600	\$6,723

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

For the first quarters ended March 31, 2005 and 2004 (in thousands):

	Unaudited	
	Three Months Ended March 31,	
	Gross Revenue	
(in thousands)	Reporting Method	
	2005	2004

Revenues:

Staffing services	\$28,542	\$25,054
Professional employer services	128,551	91,720
Total revenues	\$157,093	\$116,774
Cost of revenues:	\$149,493	\$110,051

	Unaudited	
	Three Months Ended March 31,	
(in thousands)	Reclassification	
	2005	2004

Revenues:

Staffing services	\$--	\$--
Professional employer services	(107,849)	(76,164)
Total revenues	\$ (107,849)	\$ (76,164)

Cost of revenues:	\$ (107,849)	\$ (76,164)
	Unaudited	
	Three Months Ended March 31,	
	Net Revenue	
(in thousands)	Reporting Method	
	2005	2004
Revenues:		
Staffing services	\$28,542	\$25,054
Professional		
employer		
services	20,702	15,556
Total revenues	\$49,244	\$40,610
Cost of revenues:	\$41,644	\$33,887

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

that: "Our results for the quarter reflect strong growth from all of our

operating regions, which bodes well for 2005."

The following summarizes the unaudited consolidated balance sheets at

March 31, 2005 and December 31, 2004.

	March 31,	December 31,
(\$ in thousands)	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$20,667	\$12,153
Marketable securities	4,584	4,630
Trade accounts receivable, net	31,264	23,840
Prepaid expenses and other	3,249	1,364
Deferred income taxes	4,910	4,100
Workers' compensation receivables		
for insured claims	213	213
Total current assets	64,887	46,300
Goodwill, net	22,516	22,516
Intangibles, net	20	25

Property, equipment and software,		
net	4,221	4,301
Restricted marketable securities		
and workers'		
compensation deposits	1,734	1,702
Deferred income taxes	459	582
Other assets	395	401
Workers' compensation receivables		
for insured claims	4,090	4,158
	\$98,322	\$79,985
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$348	\$348
Income taxes payable	213	--
Accounts payable	774	994
Accrued payroll, payroll taxes		
and related benefits	31,246	17,427
Workers' compensation claims		
liabilities	5,530	4,946
Workers' compensation claims		
liabilities for insured claims	213	213
Safety incentives liabilities	5,618	4,807
Other accrued liabilities	2,013	414
Total current liabilities	45,955	29,149
Long-term debt, net of current		
portion	1,204	1,441
Customer deposits	635	608
Long-term workers' compensation		
claims liabilities	4,956	4,840
Long-term workers' compensation		
liabilities for insured claims	4,090	4,158
Deferred gain on sale and		
leaseback	1,006	1,036

Stockholders' equity	40,476	38,753
	\$98,322	\$79,985

#### Outlook for Second Quarter 2005

The Company also disclosed today limited financial guidance with respect to its operating results for the second quarter ending June 30, 2005. The Company expects gross revenues for the second quarter of 2005 to range from \$172 million to \$174 million, an increase of approximately 35% over the second quarter of 2004, and anticipates diluted earnings per share for the second quarter of 2005, on a split-adjusted basis, to range from \$.27 to \$.28 per share, an increase of approximately 37% over \$.20 per share for the same period a year ago, on a split-adjusted basis. Management expectations for diluted earnings per share for the second quarter of 2005 on a non-split adjusted basis equate to a range of \$.40 to \$.42.

A reconciliation of estimated gross revenues to estimated GAAP net revenues for the second quarter of 2005 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On April 28, 2005 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss first quarter 2005 operating results. To participate in the call, dial 877-356-3717. The call identification number is 5396598. The conference call will also be webcast live at [www.barrettbusiness.com](http://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 April 28, 2005 at 11:00 a.m. and ending May 5, 2005. To listen to the recording, dial 800-642-1687 and enter conference identification code 5396598.

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 second 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 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 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.

SOURCE Barrett Business Services, Inc.

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(BBSI)

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