

April 26, 2011



## BBSI Announces First Quarter 2011 Operating Results, Financial Guidance for 2Q11 and Conference Call

VANCOUVER, Wash., April 26, 2011 (GLOBE NEWSWIRE) -- Barrett Business Services, Inc. (Nasdaq:BBSI) reported today net income of \$5.5 million for the first quarter ended March 31, 2011 compared to a net loss of \$1.7 million for the first quarter of 2010. Diluted earnings per share for the 2011 first quarter were \$.54, as compared to a diluted loss per share of \$.16 for the same quarter a year ago. Income for the first quarter of 2011 included \$10.0 million of proceeds from a key man life insurance policy the Company carried on William W. Sherertz, the Company's President and Chief Executive Officer, who passed away January 20, 2011.

Net revenues for the first quarter ended March 31, 2011 totaled \$68.8 million, an increase of approximately \$10.5 million or 18.0% over the \$58.3 million for the same quarter in 2010.

| (Unaudited)<br>(in thousands, except per share amounts) | First Quarter Ended<br>March 31, |                     |
|---|----------------------------------|---------------------|
| Results of Operations                                   | 2011                             | 2010<br>As Restated |
| Revenues:   |                                  |                     |
| Staffing services                                       | \$ 28,332                        | \$ 27,062           |
| Professional employer service fees                      | 40,437                           | 31,198              |
| Total revenues  | 68,769                           | 58,260              |
| Cost of revenues:                                       |                                  |                     |
| Direct payroll costs                                    | 21,448                           | 20,436              |
| Payroll taxes and benefits                              | 31,763                           | 24,628              |
| Workers' compensation                                   | 9,960                            | 7,831               |
| Total cost of revenues                                  | 63,171                           | 52,895              |
| Gross margin  | 5,598                            | 5,365               |
| Selling, general and administrative expenses            | 8,827                            | 8,224               |
| Depreciation and amortization                           | 335                              | 377                 |
| Loss from operations                                    | (3,564)                          | (3,236)             |
| Life insurance proceeds                                 | 10,000                           | --                  |
| Other income, net                                       | 454                              | 285                 |
| Income (loss) before taxes                              | 6,890                            | (2,951)             |
| Provision for (benefit from) income taxes               | 1,344                            | (1,248)             |
| Net income (loss)                                       | \$ 5,546                         | \$ (1,703)          |
| Basic income (loss) per share                           | \$ .54                           | \$ (.16)            |
| Weighted average basic shares outstanding               | 10,201                           | 10,466              |
| Diluted income (loss) per share                         | \$ .54                           | \$ (.16)            |
| Weighted average diluted shares outstanding             | 10,248                           | 10,466              |

Without the benefit of the life insurance proceeds and the incremental selling, general and administrative ("SG&A") costs associated with the CEO transition, the Company experienced a net loss for the 2011 first quarter of approximately \$2.0 million or \$.19 cents per share. A reconciliation of net income (loss) on the basis of generally accepted

accounting principles ("GAAP") to the non-GAAP operating performance is as follows:

| (Unaudited)                                  |          |             |  | First Quarter  |
|--|----------|-------------|--|----------------|
| (in thousands, except per share amounts)     |          |             |  | March 31, 2011 |
|  | GAAP     | Adjustments |  |                |
| Gross margin                                 | \$ 5,598 |             |  | \$ 5,598       |
| Selling, general and administrative expenses | 8,827    | \$ (150)    |  |                |
| Depreciation and amortization                | 335      |             |  |                |
| Loss from operations                         | (3,564)  |             |  |                |
| Life insurance proceeds                      | 10,000   | (10,000)    |  |                |
| Other income, net                            | 454      |             |  |                |
| Income (loss) before taxes                   | 6,890    |             |  |                |
| Provision for (benefit from) income taxes    | 1,344    | (2,336)     |  |                |
| Net income (loss)                            | \$ 5,546 |             |  | \$ (1,000)     |
| Basic income (loss) per share                | \$ .54   |             |  | \$ .54         |
| Weighted average basic shares outstanding    | 10,201   |             |  |                |
| Diluted income (loss) per share              | \$ .54   |             |  | \$ .54         |
| Weighted average diluted shares outstanding  | 10,248   |             |  |                |

The incremental SG&A expenses totaling \$150,000 were primarily for costs related to the leadership transition. The Company is presenting the non-GAAP financial information because it believes it more accurately reflects the Company's actual operating results.

The Company reports its Professional Employer Organization services ("PEO") revenues on a net basis because it is not the primary obligor for the services provided by the Company's PEO clients to their customers. The gross revenues and cost of revenues information below, although not in accordance with 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 Ended |                |
|--------------------------------|-----------|---------------------|----------------|
| (in thousands)                 |           | 2011                | March 31, 2010 |
|                                |           |                     | As Restated    |
| <b>Revenues:</b>               |           |                     |                |
| Staffing services              | \$ 28,332 |                     | \$ 27,062      |
| Professional employer services | 302,734   |                     | 235,495        |
| Total revenues                 | 331,066   |                     | 262,557        |
| <b>Cost of revenues:</b>       |           |                     |                |
| Direct payroll costs           | 282,642   |                     | 223,547        |
| Payroll taxes and benefits     | 31,763    |                     | 24,628         |
| Workers' compensation          | 11,063    |                     | 9,017          |
| Total cost of revenues         | 325,468   |                     | 257,192        |
| Gross margin                   | \$ 5,598  |                     | \$ 5,365       |

Gross revenues of \$331.1 million for the first quarter ended March 31, 2011 increased 26.1% over the similar period in 2010.

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

For the first quarters ended March 31, 2011 and 2010:

| (in thousands) | Gross Revenue Reporting Method |
|----------------|--------------------------------|
|----------------|--------------------------------|

|                                |                   | 2011       | 2010       |          |
|--------------------------------|-------------------|------------|------------|----------|
|                                | Revenues:         |            |            |          |
|                                | Staffing services | \$ 28,332  | \$ 27,062  |          |
| Professional employer services | 302,734           | 235,495    | (262,297)  | (204)    |
|                                | Total revenues    | \$ 331,066 | \$ 262,557 | \$ (262) |
|                                | Cost of revenues  | \$ 325,468 | \$ 257,192 | \$ (262) |

As described in Note 2 of the Consolidated Financial Statements in Item 15 in the Company's 2010 Annual Report on Form 10-K, the Company restated its financial statements as a result of an error related to legal expenses incurred for the administration of workers' compensation claims by Associated Insurance Company for Excess ("AICE"), the Company's captive insurance subsidiary formed January 1, 2007. The Company also determined to make a conforming change to its accounting method for legal expenses incurred for the administration of workers' compensation claims that arose prior to the formation of AICE. The Company's results of operations for the quarter ended March 31, 2010 have been restated to reflect these changes.

The following summarizes the unaudited consolidated balance sheets at March 31, 2011 and December 31, 2010.

| March 31,   | December 31, |                                       |            |
|---|--------------|---------------------------------------|------------|
|   |              | (in thousands)                        | 20         |
|   |              | Assets                                |            |
|   |              | Current assets:                       |            |
|   |              | Cash and cash equivalents             | \$ 27,79   |
|   |              | Marketable securities                 | 34,6       |
|   |              | Trade accounts receivable, net        | 54,7       |
|   |              | Income taxes receivable               | 2,3        |
|   |              | Prepaid expenses and other            | 3,3        |
|   |              | Deferred income taxes                 | 5,7        |
|   |              | Total current assets                  | 128,6      |
|   |              | Marketable securities                 | 8,8        |
|   |              | Property, equipment and software, net | 14,9       |
| Restricted marketable securities and workers' compensation deposits |              |                                       | 9,0        |
|   |              | Other assets                          | 3,0        |
| Workers' compensation receivables for insured claims                |              |                                       | 3,8        |
|   |              | Goodwill, net                         | 47,8       |
|   |              |                                       | \$ 216,175 |
|   |              | Liabilities and Stockholders' Equity  |            |
|   |              | Current liabilities:                  |            |
|   |              | Accounts payable                      | \$ 56      |
| Accrued payroll, payroll taxes and related benefits                 |              |                                       | 61,0       |
|   |              | Other accrued liabilities             | 4          |
| Workers' compensation claims liabilities                            |              |                                       | 14,69      |
|   |              | Safety incentives liabilities         | 4,9        |
|   |              | Total current liabilities             | 81,7       |
| Long-term workers' compensation claims liabilities                  |              |                                       | 22,42      |
| Long-term workers' compensation liabilities for insured claims      |              |                                       | 2,6        |
|   |              | Deferred income taxes                 | 7,8        |
| Customer deposits and other long-term liabilities                   |              |                                       | 1,4        |
|   |              | Stockholders' equity                  | 100,0      |
|   |              |                                       | \$ 216,175 |

Outlook for Second Quarter 2011

The Company also disclosed today limited financial guidance with respect to its operating results for the second quarter ending June 30, 2011. The Company expects gross revenues for the second quarter of 2011 to range from \$347 million to \$352 million, as compared to \$297.1 million for the second quarter of 2010, and anticipates diluted earnings for the second quarter of 2011 to range from \$.31 to \$.34 per share, as compared to diluted earnings per share of \$.22 for the same period a year ago. The range of anticipated diluted earnings per share for the 2011 second quarter includes a favorable income tax rate benefit related to the effect of a much lower annual effective income tax rate attributable to the \$10.0 million life insurance proceeds. Without the effect of the favorable tax rate benefit, the range of diluted earnings per share for the 2011 second quarter is estimated to be \$.25 to \$.28. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the second quarter of 2011 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

#### Conference Call

On Wednesday, April 27 at 9:00 a.m. Pacific Time, Michael Elich and James Miller will host an investor telephone conference call to discuss first quarter 2011 operating results. To participate in the call, dial (877) 214-1511. The call identification number is 61979029. 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 Wednesday, April 27, 2011 at 12:00 p.m. PT and ending on Wednesday, May 4, 2011. To listen to the recording, dial (800) 642-1687 and enter conference identification code 61979029.

Statements in this release about future events or performance, including gross revenues and earnings expectations for the second quarter of 2011, 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, the Company's ability to retain current customers and attract new customers, future workers' compensation claims experience, the effect of changes in the workers' compensation regulatory environment in one or more of the Company's primary markets, the collectibility of accounts receivable, and the effect of conditions in the global capital markets on the Company's investment portfolio, among others. Other important factors that may affect the Company's future prospects are described in the Company's 2010 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.

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

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