

July 28, 2004



Barrett Business Services, Inc. Announces Second Quarter 2004 Operating Results and Financial Guidance for 3Q04

PORTLAND, Ore., July 28 /PRNewswire-FirstCall/ -- Barrett Business

Services, Inc. (Nasdaq: BBSI) reported today net income of \$1,840,000 for the second quarter ended June 30, 2004, an improvement of \$1,673,000 over net income of \$167,000 for the second quarter of 2003. Diluted earnings per share for the 2004 second quarter was \$.30, as compared to diluted earnings per share of \$.03 for the same quarter a year ago.

Net revenues for the second quarter ended June 30, 2004 totaled \$47.7 million, an increase of approximately \$19.8 million or 71% over the \$27.9 million for the same quarter in 2003.

	(Unaudited)		(Unaudited)	
	Second Quarter Ended		Six Months Ended	
	June 30,		June 30,	
Results of Operations	2004	2003	2004	2003
(in thousands, except per share amounts)				
Revenues:				
Staffing services	\$30,470	\$23,046	\$55,524	\$43,156
Professional employer service fees	17,234	4,856	32,790	8,143
Total revenues	47,704	27,902	88,314	51,299
Cost of revenues:				
Direct payroll costs	22,551	17,079	40,871	31,877
Payroll taxes and benefits	10,649	4,385	22,180	8,190
Workers' compensation	5,644	1,982	9,680	3,407
Total cost of revenues	38,844	23,446	72,731	43,474
Gross margin	8,860	4,456	15,583	7,825

Selling, general and administrative expenses	5,701	3,869	11,233	7,465
Depreciation and amortization	253	271	495	551
Income (loss) from operations	2,906	316	3,855	(191)
Other income (expense), net	38	(68)	59	(74)
Income (loss) before taxes	2,944	248	3,914	(265)
Provision for (benefit from) income taxes	1,104	81	1,468	(89)
Net income (loss)	\$1,840	\$167	\$2,446	\$ (176)
Basic earnings (loss) per share	\$.32	\$.03	\$.43	\$ (.03)
Weighted average basic shares outstanding	5,716	5,708	5,710	5,728
Diluted earnings (loss) per share	\$.30	\$.03	\$.40	\$ (.03)
Weighted average diluted shares outstanding	6,134	5,726	6,138	5,728

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)		(Unaudited)	
	Second Quarter Ended		Six Months Ended	
(\$ in thousands)	June 30,		June 30,	
	2004	2003	2004	2003
Revenues:				
Staffing services	\$30,470	\$23,046	\$55,524	\$43,156
Professional employer services	97,984	28,342	189,704	48,881
Total revenues	128,454	51,388	245,228	92,037
Cost of revenues:				
Direct payroll costs	102,390	40,565	195,757	72,615
Payroll taxes and benefits	10,648	4,385	22,179	8,190

Workers' compensation	6,556	1,982	11,709	3,407
Total cost of revenues	119,594	46,932	229,645	84,212
Gross margin	\$8,860	\$4,456	\$15,583	\$7,825

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

For the second quarters ended June 30, 2004 and 2003 (in thousands):

	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	
	2004	2003	2004	2003	2004	2003
Revenues:						
Staffing services	\$30,470	\$23,046	\$--	\$--	\$30,470	\$23,046
Professional						
employer services	97,984	28,342	(80,750)	(23,486)	17,234	4,856
Total revenues	\$128,454	\$51,388	\$(80,750)	\$(23,486)	\$47,704	\$27,902
Cost of revenues:	\$119,594	\$46,932	\$(80,750)	\$(23,486)	\$38,844	\$23,446

For the six months ended June 30, 2004 and 2003 (in thousands):

	Gross Revenue				Net Revenue	
	Reporting Method		Reclassification		Reporting Method	
	2004	2003	2004	2003	2004	2003
Revenues:						
Staffing services	\$55,524	\$43,156	\$--	\$--	\$55,524	\$43,156
Professional						
employer						
services	189,704	48,881	(156,914)	(40,738)	32,790	8,143
Total revenues	\$245,228	\$92,037	\$(156,914)	\$(40,738)	\$88,314	\$51,299
Cost of revenues:	\$229,645	\$84,212	\$(156,914)	\$(40,738)	\$72,731	\$43,474

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

that: "We are very pleased with our continuing growth in earnings and revenues, both of which portend a strong second half of the year. During the second quarter, we achieved strong revenue growth in all of our operating regions, particularly in California, and we expect these trends to continue in the foreseeable future."

The following summarizes the unaudited consolidated balance sheets at June

30, 2004 and December 31, 2003.

(\$ in thousands)	June 30, December 31,	
	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$5,374	\$7,785
Marketable securities	4,337	--
Trade accounts receivable, net	27,952	18,481
Prepaid expenses and other	1,805	958
Deferred income taxes	3,057	2,196
Total current assets	42,525	29,420
Goodwill, net	21,738	18,749
Intangibles, net	35	13
Property, equipment and software, net	4,575	3,367
Restricted marketable securities and workers' compensation deposits	1,854	1,647
Deferred income taxes	833	1,041
Other assets	412	436
	\$71,972	\$54,673
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$348	\$88
Income taxes payable	1,438	--
Accounts payable	470	727
Accrued payroll, payroll taxes and related benefits	21,471	13,881
Workers' compensation claims liabilities	6,185	3,886
Safety incentives liabilities	3,787	2,007
Other accrued liabilities	1,166	361
Total current liabilities	34,865	20,950
Long-term debt, net of current portion	1,515	400
Customer deposits	514	455
Long-term workers' compensation claims liabilities	1,020	1,031

Other long-term liabilities	--	45
Deferred gain on sale and leaseback	1,097	1,158
Stockholders' equity	32,961	30,634
	\$71,972	\$54,673

Outlook for Third Quarter 2004

The Company also disclosed today limited financial guidance with respect to its operating results for the third quarter ending September 30, 2004. The Company expects gross revenues for the third quarter to range from \$135 million to \$137 million and anticipates diluted earnings per share to range from \$.33 to \$.36 per share for the same period. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the third quarter of 2004 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On July 29, 2004 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 2004 operating results. To participate in the call, dial (877)356-3717. The call identification number is 8656923. 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 July 29, 2004 at 11:00 a.m. and ending August 6, 2004. To listen to the recording, dial (800)642-1687 and enter conference identification code 8656923.

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 third 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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(BBSI)

CO: Barrett Business Services, Inc.

ST: Oregon

IN: FIN CPR STW

SU: ERN ERP CCA

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