

February 10, 2005



BBSI Announces Fourth Quarter 2004 Operating Results and Financial Guidance For 1Q05

PORTLAND, Ore., Feb 10, 2005 /PRNewswire-FirstCall via COMTEX/ -- Barrett Business Services, Inc. (Nasdaq: BBSI) reported today net income of \$2,477,000 for the fourth quarter ended December 31, 2004, an improvement of \$1,159,000 over net income of \$1,318,000 for the fourth quarter of 2003. Diluted earnings per share for the 2004 fourth quarter were \$.40, as compared to diluted earnings per share of \$.22 for the same quarter a year ago. For 2004, diluted earnings per share were \$1.19, as compared to \$.35 for 2003.

Net revenues for the fourth quarter ended December 31, 2004 totaled \$52.0 million, an increase of approximately \$15.4 million or 42.1% over the \$36.6 million for the same quarter in 2003. For 2004, net revenues were \$195 million, an increase of 58.9% over 2003.

(Unaudited)

(Unaudited)

Results of Operations	Fourth Quarter Ended		Year Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
(in thousands, except per share amounts)				
Revenues:				
Staffing services	\$ 32,317	\$ 23,661	\$ 123,514	\$ 93,544
Professional employer				
service fees	19,651	12,988	71,447	29,177
Total revenues	51,968	36,649	194,961	122,721
Cost of revenues:				

Direct payroll costs	23,883	17,482	91,190	69,099
Payroll taxes and benefits	11,988	8,545	45,544	22,916
Workers' compensation	5,783	3,680	21,557	9,709
Total cost of revenues	41,654	29,707	158,291	101,724
Gross margin	10,314	6,942	36,670	20,997
Selling, general and administrative expenses	6,207	4,884	23,844	16,810
Depreciation and amortization	256	251	1,008	1,058
Income from operations	3,851	1,807	11,818	3,129
Other income (expense), net	300	(18)	432	(154)
Income before taxes	4,151	1,789	12,250	2,975
Provision for income taxes	1,674	471	4,879	890
Net income	\$2,477	\$1,318	\$7,371	\$2,085
Basic earnings per share	\$.43	\$.23	\$1.29	\$.36
Weighted average basic shares outstanding	5,741	5,660	5,725	5,690
Diluted earnings per share	\$.40	\$.22	\$1.19	\$.35
Weighted average diluted shares outstanding	6,192	6,088	6,193	5,876

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)

Fourth Quarter Ended

Year Ended

(\$ in thousands)

December 31,

December 31,

	2004	2003	2004	2003
Revenues:				
Staffing services	\$ 32,317	\$ 23,661	\$ 123,514	\$ 93,544
Professional employer services	119,871	77,366	419,010	173,134
Total revenues	152,188	101,027	542,524	266,678
Cost of revenues:				
Direct payroll costs	122,697	80,510	434,034	211,102
Payroll taxes and benefits	11,988	8,545	45,544	22,916
Workers' compensation	7,189	5,030	26,276	11,663
Total cost of revenues	141,874	94,085	505,854	245,681
Gross margin	\$ 10,314	\$6,942	\$ 36,670	\$ 20,997

Gross revenues of \$152.2 million for the 2004 fourth quarter rose 50.6% over the comparable 2003 period. For 2004, gross revenues of \$542.5 million increased 103.4% over 2003.

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

For the fourth quarters ended December 31, 2004 and 2003 (in thousands):

	Gross Revenue			
	Reporting Method		Reclassification	
	2004	2003	2004	2003
Revenues:				
Staffing services	\$ 32,317	\$ 23,661	\$ --	\$ --
Professional employer services	119,871	77,366	(100,220)	(64,378)
Total revenues	\$152,188	\$101,027	\$ (100,220)	\$ (64,378)
Cost of revenues:	\$141,874	\$ 94,085	\$ (100,220)	\$ (64,378)
	Net Revenue			
	Reporting Method			
Revenues:	2004	2003		
Staffing services	\$ 32,317	\$ 23,661		
Professional employer services				

employer services	19,651	12,988
Total revenues	\$ 51,968	\$ 36,649
Cost of revenues:	\$ 41,654	\$ 29,707

For the years ended December 31, 2004 and 2003 (in thousands):

Gross Revenue				
		Reporting Method		Reclassification
		2004	2003	2004 2003
Revenues:				
Staffing services	\$ 123,514	\$ 93,544	\$ --	\$ --
Professional				
employer services	419,010	173,134	(347,563)	(143,957)
Total revenues	\$542,524	\$266,678	\$ (347,563)	\$ (143,957)
Cost of revenues:	\$505,854	\$245,681	\$ (347,563)	\$ (143,957)

Net Revenue		
		Reporting Method
		2004 2003
Revenues:		
Staffing services	\$ 123,514	\$ 93,544
Professional		
employer services	71,447	29,177
Total revenues	\$ 194,961	\$ 122,721
Cost of revenues:	\$ 158,291	\$ 101,724

William W. Sherertz, President and Chief Executive Officer, commented that: "We are very pleased with another quarter of strong earnings and revenues, both of which results in 2004 being a record year. The continuing expansion of our PEO and staffing services with a high quality customer base bodes well for an even stronger year in 2005."

The following summarizes the unaudited consolidated balance sheets at December 31, 2004 and December 31, 2003. Please note that the Company is currently analyzing, but no determination has been made as to the effect, if any, on long-term assets and long-term liabilities related to an accounting

principle under which the Company would gross up its balance sheet to include (1) estimated future receivables from the Company's excess workers' compensation insurance carriers for the estimated future reimbursements to the Company relating to claims that such insurers are obligated to pay pursuant to insurance policies in effect at the time of the insured losses and (2) identical estimated future liabilities for payments to claimants relating to such insured losses.

(Unaudited)

(\$ in thousands)	December 31, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$12,153	\$ 7,785
Marketable securities	4,630	--
Trade accounts receivable, net	23,840	18,481
Prepaid expenses and other	1,364	958
Deferred income taxes	4,100	2,196
Total current assets	46,087	29,420
Goodwill, net	22,516	18,749
Intangibles, net	25	13
Property, equipment and software, net	4,301	3,367
Restricted marketable securities		
and workers' compensation deposits	1,702	1,647
Deferred income taxes	582	1,041
Other assets	401	436
	\$75,614	\$54,673
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$348	\$88
Accounts payable	994	727
Accrued payroll, payroll taxes		
and related benefits	17,427	13,881

Workers' compensation claims liabilities	4,946	3,886
Safety incentives liabilities	4,807	2,007
Other accrued liabilities	414	361
Total current liabilities	28,936	20,950
Long-term debt, net of current portion	1,441	400
Customer deposits	608	455
Long-term workers' compensation claims liabilities	4,840	1,031
Other long-term liabilities	--	45
Deferred gain on sale and leaseback	1,036	1,158
Stockholders' equity	38,753	30,634
	\$75,614	\$54,673

Outlook for First Quarter 2005

The Company also disclosed today limited financial guidance with respect to its operating results for the first quarter ending March 31, 2005. The Company expects gross revenues for the first quarter of 2005 to range from \$152 million to \$154 million, an increase of approximately 30% over the first quarter of 2004, and anticipates diluted earnings per share for the first quarter of 2005 to range from \$.13 to \$.14 per share, an increase of 30% to 40% over the same period a year ago. A reconciliation of estimated gross revenues to estimated GAAP net revenues for the first quarter of 2005 is not included because PEO revenues and cost of PEO revenues for the period are not reasonably estimable.

On February 11, 2005 at 9:00 a.m. Pacific Time, William W. Sherertz and Michael D. Mulholland will host an investor telephone conference call to discuss fourth quarter 2004 operating results. To participate in the call, select Webcast. A replay of the call will be available beginning February 11, 2005 at 11:00 a.m. and ending February 18, 2005. To listen to the recording, dial 800-642-1687 and enter conference identification code 3986981.

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 first 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 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.

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