

August 2, 2000



## **Barrett Business Services, Inc. Announces Second Quarter Earnings**

PORTLAND, Ore., Aug. 2 /PRNewswire/ --

Barrett Business Services, Inc. (Nasdaq: BBSI) reported today net income of \$794,000 for the second quarter ended June 30, 2000, a decrease of \$422,000 or 34.7% from the second quarter of 1999. Basic and diluted earnings per share for the 2000 second quarter were \$.11 as compared to basic and diluted earnings per share of \$.16 for the 1999 second quarter. The operating results reported for the second quarter ended June 30, 2000 were consistent with the Company's expectations, as previously reported on July 20, 2000.

Revenues for the second quarter ended June 30, 2000 totaled \$86.5 million, an increase of approximately \$1.8 million or 2.1% over the \$84.7 million for the same quarter in 1999. The internal growth rate for revenues yielded a decline of 4.5% for the 2000 second quarter.

William W. Sherertz, President and CEO, stated that: "The decline in net income compared to the same period a year ago was attributable primarily to a slowing in the Company's revenue growth rate compared to recent quarters, combined with higher workers' compensation expense, depreciation and amortization, and interest expense."

Mr. Sherertz commented further that: "The Company's revenue growth rate was affected in part by a new, comprehensive pre-employment screening system, which helps ensure that applicants are appropriately qualified. Although the new pre-employment screening system may result in lower revenues, we believe that in the long term the system will enhance the quality of our employees and

thus strengthen our competitive position in a low unemployment economy. We have also increased the Company's rates for services to reflect the continuing imbalance between the demand for and supply of qualified employees for our customers."

The Company attributed the increase in workers' compensation expense over the same quarter a year ago to an increase in the expected total costs of claims and an increase in the number of claims. Higher comparable depreciation and amortization expense was due to a May 1999 acquisition, combined with costs associated with the Company's new information system, implementation of which was completed in the first quarter of 2000. The increase in net interest expense was attributable to higher debt levels necessary to finance three 1999 acquisitions.

(in thousands, except per share amounts)

	(Unaudited)		(Unaudited)	
	Second Quarter Ended		Six Months Ended	
	June 30,		June 30,	
Results of Operations	2000	1999	2000	1999
Revenues:				
Staffing services	\$51,698	\$46,185	\$ 99,465	\$ 83,414
Professional employer services	34,804	38,522	74,159	72,308
Total revenues	86,502	84,707	173,624	155,722
Cost of revenues:				
Direct payroll costs	67,155	65,575	135,159	120,738
Payroll taxes and benefits	7,306	7,142	15,224	13,393
Workers' compensation and safety incentives	3,263	2,848	5,860	5,134
Total cost of revenues	77,724	75,565	156,243	139,265
Gross margin	8,778	9,142	17,381	16,457
Selling, general and				

administrative expenses	6,464	6,403	12,949	11,976
Depreciation and amortization	822	582	1,553	1,093
Income from operations	1,492	2,157	2,879	3,388
Other (expense) income, net	(151)	(15)	(283)	57
Income before taxes	1,341	2,142	2,596	3,445
Provision for income taxes	547	926	1,058	1,489
Net income	\$794	\$ 1,216	\$1,538	\$1,956
Basic earnings per share	\$.11	\$.16	\$.21	\$.26
Weighted average basic shares				
outstanding	7,416	7,581	7,438	7,624
Diluted earnings per share	\$.11	\$.16	\$.21	\$.26
Weighted average diluted				
shares outstanding	7,459	7,624	7,484	7,666

Certain 1999 amounts have been reclassified to conform with the 2000 presentation. Such reclassifications had no impact on gross margin, net income or stockholders' equity.

The following summarizes the unaudited balance sheets at June 30, 2000 and December 31, 1999.

(\$ in thousands)	June 30, 2000	December 31, 1999
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$332	\$550
Trade accounts receivable, net	29,451	30,216
Prepaid expenses and other	1,218	1,219
Deferred tax assets	2,350	1,658
Total current assets	33,351	33,643
Intangibles, net	20,958	21,945
Property, equipment and software, net	7,439	7,027
Restricted marketable securities and		
workers' compensation deposits	4,481	6,281
Unrestricted marketable securities	1,584	--

Deferred tax assets	773	712
Other assets	1,294	1,132
	\$69,880	\$70,740
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	\$--	\$865
Current portion of long-term debt	2,762	2,783
Line of credit payable	4,992	4,882
Accounts payable	619	1,356
Accrued payroll, payroll taxes and related benefits	12,014	11,437
Workers' compensation claim and safety incentive liabilities	4,701	4,219
Other accrued liabilities	703	413
Total current liabilities	25,791	25,955
Long-term debt, net of current portion	2,864	4,232
Customer deposits	698	815
Long-term workers' compensation liabilities	691	699
Other long-term liabilities	1,905	1,710
Stockholders' equity	37,931	37,329
	\$69,880	\$70,740

Barrett Business Services, Inc. is a human resource management company

with offices in ten states. For 1999, Barrett reported net income of

\$5.1 million and revenues of \$347.9 million.

Statements in this release about future events or performance 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, and future

workers' compensation claims experience, among others. 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.

SOURCE Barrett Business Services, Inc.

Web site: <http://www.barrettbusiness.com>

Company News On-Call: <http://www.prnewswire.com/comp/082187.html> or fax, 800-758-5804, ext. 082187

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