SYKES ENTERPRISES INC

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 03/29/99 for the Period Ending 12/31/98

Address	400 NORTH ASHLEY DRIVE TAMPA, FL 33602
Telephone	8132741000
CIK	0001010612
Symbol	SYKE
SIC Code	7373 - Computer Integrated Systems Design
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

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Address	100 NORTH TAMPA ST STE 3900
	TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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(MARK ONE)
   [X]         ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
               THE SECURITIES EXCHANGE ACT OF 1934
               FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
                                        OR
   [ ]         TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
               THE SECURITIES EXCHANGE ACT OF 1934
               FOR THE TRANSITION PERIOD FROM ____________ TO ____________
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COMMISSION FILE NUMBER 0-28274

SYKES ENTERPRISES, INCORPORATED
(Exact name of registrant as specified in its charter)

FLORIDA (State or other jurisdiction of incorporation or organization)	56-1383460 (IRS Employer Identification No.)
100 N. TAMPA STREET, SUITE 3900 TAMPA, FLORIDA (Address of principal executive officers)	33602 (Zip Code)

(813) 274-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:

TITLE OF EACH CLASS
Voting Common Stock $.0l Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes [X]

As of March 12, 1999, there were outstanding 42,080,581 shares of Common Stock. The aggregate market value of the voting stock held by non-affiliates of the registrant based on the last sale price reported on the Nasdaq National Market as of March 12, 1999 was $731,717,129.

DOCUMENTS INCORPORATED BY REFERENCE:

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Documents..................................................  Form 10-K Reference
Portions of the 1998 Sykes Enterprises,
  Incorporated Annual Report...............................  Part II Items 5-8
Portions of the Proxy Statement
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SYKES ENTERPRISES, INCORPORATED

FORM 10-K ANNUAL REPORT

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Certain matters discussed or incorporated by reference in this report are forward-looking statements within the meaning of the federal securities laws. Although the company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from the Company's current expectations include the loss of a significant customer; technological change; the inability of the Company to manage its growth; the inability of the Company to integrate the operations of acquisitions; risks associated with the Company's international operations; general economic conditions, and other risks discussed elsewhere in this report and in other filings of the Company with the Securities Exchange Commission.

PART I

ITEM 1. BUSINESS

Sykes Enterprises, Incorporated ("Sykes" or the "Company") provides information technology ("IT") outsourcing services including information technology support services, information technology development services and solutions, on-line clinical managed care services, medical protocol products, employee benefit administration and support services, and customer product services. The Company's services are provided at various stages during the life cycle of computer hardware and software products.

Through its state-of-the-art IT call centers, Sykes provides information technology support services (i) to leading computer hardware and software companies by providing technical product support services to end users of their products and (ii) to major companies by providing help desk services to their employees. The Company also provides outsourced care management services, products, and employee benefit administration services through its wholly-owned subsidiary, SHPS, Incorporated. In addition, through its staff of technical professionals, Sykes provides information technology development services and solutions to large corporations, on a contract or temporary staffing basis, including software design, development, integration and implementation; systems support and maintenance; and documentation, foreign language translation and software localization. Sykes also provides customer product services to computer hardware and software companies including design, replication, material integration, packaging and distribution. The integration of these services provides Sykes' customers the opportunity to outsource a broad range of their information technology services needs to the Company.

In 1993, in an effort to capitalize on the trend toward outsourcing information technology services, the Company focused its strategic direction exclusively on the information technology services marketplace and broadened its array of services. Pursuant to this strategy, the Company began providing information technology support services by opening IT call centers. Revenues from information technology support services have grown rapidly through the opening of two domestic IT call centers in 1994, two in 1995, three in 1996, one in 1997, and one in 1998. All of the domestic IT call centers with the exception of the Charlotte, Scottsdale and Louisville locations are stand-alone facilities, each modeled after the same prototype. The Company's strategy of locating its domestic IT call centers in smaller communities, typically near a college or university, has enabled the Company to benefit from a relatively low cost structure and a technically proficient, stable work force. In addition to its domestic IT call centers, internationally the Company has opened one call center in 1994, and two during 1997. Additional international IT call centers were obtained as part of business combinations, of which one was acquired during 1996, eight were acquired during 1997, and five in 1998. The Company estimates that the IT call centers will have the capacity to process in excess of 200,000 calls per day in the aggregate, up from 7,000 calls per day in January 1994, from various users of hardware and software products and ancillary services.

The Company believes that outsourcing by information technology companies and companies with information technology needs will continue to grow as increasing competition encourages businesses to focus on their core competencies rather than non-revenue producing activities. Rapid technological changes, significant capital requirements for state-of-the-art technology, and the need to integrate and update complex information technology systems spanning multiple generations of hardware and software components make it

increasingly difficult for businesses to cost-effectively maintain quality information technology services in-house. To capitalize on this trend toward outsourcing, the Company has developed a strategy which includes the following key elements: (i) expand information technology support services revenues through additional IT call centers; (ii) market the Company's expanded customer care services to existing and new customers to position Sykes to become a preferred vendor of outsourced services; (iii) establish a competitive advantage through the Company's proprietary, sophisticated technological capabilities; and
(iv) expand its international customer base through strategic alliances and selective acquisitions.

During 1998, the Company completed two business combinations for the aggregate purchase price of approximately 2.1 million shares of the Company's common stock. These business combinations were accounted for using the pooling-of-interests method of accounting. In addition, the Company also acquired the stock of SHPS, Incorporated ("SHPS") and related assets for approximately $30.6 million in cash and accounted for the acquisition utilizing the purchase method of accounting. In the aggregate, these acquisitions expanded the Company's geographical presence in Europe, established operations in Canada and expanded the vertical market service offerings that the Company provides.

Sykes was founded in 1977 in North Carolina and moved its headquarters to Florida in 1993. In March 1996, Sykes changed its state of incorporation from North Carolina to Florida.

INDUSTRY BACKGROUND

In today's rapidly changing technological environment, consumers and businesses require a variety of information technology services in order to effectively use and manage their complex information technology systems, including technical support, software development and information systems integration and management. Many companies' computer systems incorporate a variety of hardware and software components which may span a number of technology generations. For example, a company may use client/server systems or mainframe or midrange hardware platforms running a variety of operating systems, software applications and relational databases. Information technology services have become much more important in this environment as information technology departments strive to integrate a company's information processing capabilities into a single system while providing the flexibility to change with technological innovations.

These technological changes are making it increasingly difficult and expensive for companies to maintain in-house the necessary personnel to handle all of their information technology needs. Hardware and software companies, as well as businesses utilizing their products, are increasingly turning to third party vendors to perform specialized functions and services. Outsourcing of (i) product support functions by leading hardware and software companies, (ii) employee help desk functions by major companies, and (iii) other information technology services such as software design and systems integration and management, is growing rapidly because of the following factors:

- Increasing need for companies to focus on core competencies rather than non-revenue producing activities;

- Rapid technological changes requiring personnel with specialized technical expertise;

- Growing capital requirements for sophisticated technology necessary to provide timely product support and help desk functions;

- Increasing need to integrate and continually update complex systems incorporating a variety of hardware and software components spanning a number of technology generations;

- Extensive and ongoing staff training and associated costs required to maintain responsive, up-to-date in-house technical support and information technology services; and

- Cost savings from converting fixed employee costs to flexible, variable costs.

As the outsourcing of technical product support, help desk and other information technology services has gained acceptance, many companies also are seeking to consolidate the number of vendors which provide them with these services. Accordingly, providers of information technology outsourcing services must offer a wide array of services to maintain a preferred vendor relationship with their customers. Sykes believes its broad range of services will allow it to capitalize on this trend.

STRATEGY

The Company's objective is to continue its growth and to become a leading provider of a wide variety of information technology outsourcing services by being responsive to and providing skilled personnel for its clients' long-term outsourcing needs. The Company's principal strategies for achieving this objective are as follows:

Expand Through Systematic Addition of IT Call Centers. Sykes has grown utilizing a strategy of both internal growth and external acquisitions. This plan has resulted in an increase from three IT call centers in 1994 to 29 IT call centers as of March 12, 1999. The Company has built nine domestic IT call centers between October 1995 and March 1999, has added an IT call center in Charlotte, North Carolina, and has acquired 13 call centers through business combinations. In addition, the Company has expanded its international operations through the IT call centers added in Sunninghill, South Africa and Les Ulis, France during 1997 and significantly expanded its call center in Sweden during 1998. The Company's IT call centers currently have the capacity to handle up to approximately 55 million calls per year. Sykes has systematized the establishment and ongoing operation of its domestic IT call centers by: (i) locating the centers in smaller communities, near a college or university, with a relatively low cost structure and a technically proficient, stable work force;
(ii) constructing the IT call centers modeled after the same prototype; (iii) utilizing standardized procedures to hire and train technicians; and (iv) maintaining consistently responsive, high quality services through call monitoring and tracking technology and other quality assurance procedures. The Company's systematic approach and procedures are part of its strategy of providing responsive, high quality support at a lower cost than the Company's competitors.

Position Sykes as a Preferred Vendor. The Company intends to cross-market its expanded array of information technology services to existing customers and to continue to provide consistently high quality services to new and existing customers in order to position the Company as a preferred vendor of outsourced services. Sykes believes that its ability to work in partnership with its customers during the life cycle of their information technology products and systems, from software design and systems implementation, through technical documentation and foreign language translation, to product packaging and distribution, to end user technical product support and other telephonic services, gives it a competitive advantage to become the provider of choice to its customers. Sykes has expanded the services it provides, such as help desk and diagnostic support services through its existing relationships with Fortune 500 companies, particularly those customers using the Company's services to satisfy all or part of their information technology development services and solutions needs.

Capitalize on Sophisticated Technology. The Company seeks to establish a competitive advantage by continuing to capitalize on its sophisticated and specialized technological capabilities, including PBX switches, automatic call distributors, call tracking software and computer-telephone integration. These capabilities allow its IT call centers to serve as the transparent extension of the Company's customers, receive telephone calls and data directly from its customers' systems, and report detailed information concerning the status and results of the Company's services on a daily basis. The Company's sophisticated technology and systems, which the Company is able to upgrade periodically because of their open architecture, enable the Company to provide high response rates at a low cost per transaction.

The Company's strategy is to continue to develop or acquire other technologies that complement its call center activity functions. For example, the Company intends to integrate the capabilities of its sophisticated diagnostic proprietary software with Sykes' IT call centers to further enhance the efficiency and quality of the Company's information technology support services, and believes that enhancements to this software will enable it to access and offer information technology support services directly to the home and small business markets.

Growth Through Vertical Industry Markets. The Company believes that numerous industries such as retail, telecommunications, financial services and healthcare will expand their usage of outsourcing vendors from the significant usage of emerging technologies. This strategy was imbedded in the Company's formation and subsequent acquisition of SHPS to enter the healthcare industry. The Company's strategy is to aggressively market itself to new and existing customers as a single-source provider of comprehensive and clinically sophisticated care management and employee benefit services. In addition, the Company intends to continue to expand its service offerings to meet its customers' existing needs as well as future needs created by regulatory and other charges.

Growth Through Strategic Alliances. The Company intends to expand its customer base, geographic presence and the information technology services Sykes provides by forming strategic alliances with other information technology service providers, particularly those who do not provide labor intensive technical support. For example, information technology services providers such as systems integrators increasingly are seeking partners to whom they can outsource the help desk requirements of their customers. The Company continues to actively seek help desk contracts with such providers.

Growth Through Selective Acquisitions and Mergers. The Company intends to continue to acquire or combine with complementary businesses to increase market share, expand its services, enter key industry sectors and expand its geographic presence. Through December 31, 1998 the Company has completed 11 such strategic combinations since its initial public offering in April 1996. The Company believes it can expand the scope and quality of its information technology support services by acquiring or combining with companies with IT call centers in international markets which provide quality call center activities for leading computer hardware and software companies, as well as companies which enhance its ability to provide such services. The Company further believes that significant opportunities exist to acquire or combine with organizations which provide information technology services within the Company's strategic focus of emerging technology industries, such as the banking and telecommunications industries in which the Company competes on a limited basis. The information technology services industry is highly fragmented. Many of these firms may be attractive acquisition or merger candidates because they would enable Sykes to expand existing service offerings or open new geographic offices.

SERVICES

The Company provides a wide array of information technology outsourcing services, including information technology support services and information technology development services and solutions. The following is a description of Sykes' outsourcing services:

Technical Product Support. Sykes provides technical product support services by telephone (24 hours a day, 7 days a week) to end users of the products of hardware and software companies through its 14 stand-alone IT call centers in the United States, three call centers in Canada, and 12 international call centers located in Europe, South Africa and the Philippines. Consumers of hardware or software products of Sykes' customers dial a technical support number listed in their product manuals and are automatically connected to an IT call center technician who is specially trained in the applicable product and acts as a transparent extension of the hardware or software company in diagnosing problems and answering technical questions. The IT call centers also provide technical product support by electronic mail and electronic bulletin boards. The IT call centers in Europe provide support in 16 languages to 20 European and Asian countries.

The Company provides a modular call center support management software product (AnswerTeam), capable of being included on the hard drive of a personal computer, that integrates communication and remote control technology with hardware and software diagnostic tools to provide end users a total support solution. This technology capability allows a user, with AnswerTeam loaded on their computer, to connect to a technical support technician located in a Sykes call center at the mouse click of an icon. Once connected the end user can receive support from traditional voice response means or the technician, with the user's authorization, can remotely fix the computer system directly from the call center. The end user can also receive support through the Internet or via E-mail.

The Company also develops and markets the proprietary hardware diagnostic software for use by manufacturers, professional service personnel and end users. Proprietary diagnostic products are developed and marketed for use with a variety of operating systems which include software used by personal computer manufacturers for quality assurance and pre-installed or bundled software used by professional service personnel and end users for verifying component functionality, troubleshooting, resolving hardware and software conflicts and hardware repairs.

Help Desk Services. The Company provides help desk services to major companies, at their facilities or through the IT call centers, that have outsourced technical support for their internal information technology systems. Employees of Sykes' customers telephone the help desk number provided to them by their employer for technical assistance. Trained technicians dedicated to a specific customer answer questions and diagnose and resolve technical problems ranging from a simplistic error message to a wide area network failure.

Care Management. The Company's care management services and products assist customers in improving the quality of healthcare services provided to plan participants and monitor patients' compliance with their prescribed course of treatment, while simultaneously reducing inappropriate medical costs. The Company's care management services are designed to prospectively assist in determining an individual's healthcare needs and monitor and evaluate the delivery of clinical care provided. The Company's clinical staff, comprised of registered nurses and physicians, interacts with patients, providers and payors to assist in determining, implementing and monitoring an effective and efficient customized care management program based on each patient's medical profile. The Company's care management services include demand, utilization, care disease and disability management. In addition, for providers and payors that wish to perform their own utilization management or quality assurance functions, the Company provides quality and utilization managed care software solutions through its Optimed software products and related services. These products are based on Optimed protocols developed and reviewed by the Company's medical panel of approximately 250 board certified physicians.

Employee Benefit Administration and Support Services. The Company's Employee Benefit Services allow its customers to outsource the administration of their employee benefit plans, including enrolling new plan participants, developing and maintaining records, verifying or paying claims and producing management reports. The Company provides a broad range of Employee Benefit Services, including benefit plan administration ("BPA"), flexible spending account ("FSA") administration, COBRA administration, retiree benefits services and other ancillary services.

Software Design, Development, Integration and Implementation. Sykes' professional personnel provide software application design services geared toward the development of a functional and technical blueprint for a client's desired software application. These professionals identify applicable business processes supported by an application and its related functions, determine end user requirements and prepare a comprehensive plan for developing and implementing the application. Additional services provided could also include on an independent program basis development of custom software necessary to operate a desired application, integration of the application into the customer's existing information processing architecture, the testing of the functionality of the application and assisting the customer in training its personnel to use the application.

Software Localization and Documentation Development. Sykes also specializes in the development of product information for high-tech companies worldwide. Through its software localization, translation, technical documentation, and on-line information development services, Sykes provides turnkey solutions to help customers deliver their products to worldwide markets. Localization services include cultural adaptation, language translation, interface modification and international testing in over 27 languages. Technical documentation and on-line development services are provided in many leading formats (DOC, RTF, HTML, SGML) and a variety of platforms (Windows, Mac, Unix).

Customer Product Services. The Company provides customer product services to computer hardware and software organizations as well as other technology companies. These services which can be provided through an e-commerce solution, include design, replication, printing documentation, material integration, packaging and distribution. The products are distributed to various levels of the distribution chain as directed by the customer.

Systems Specialization and Maintenance. Sykes' professional personnel provide a variety of services designed to support and maintain client/server systems and mainframe and midrange platforms. These services include systems administration, maintenance and management support, applications enhancement and training services.

OPERATIONS

IT Call Centers. The Company's strategy in the United States is to locate its IT call centers in smaller communities with similar demographic characteristics, typically near a college or university. The Company believes these characteristics tend to provide a well-educated, technically proficient employee pool from which to attract qualified candidates. These locations also tend to have lower labor and infrastructure costs than large metropolitan areas.

New IT call centers are established to accommodate anticipated growth in the Company's business or in response to a specific customer need. The Company believes that additional IT call centers will be established in the United States and Europe and potentially in Asia, the Pacific Rim region and South America.

A typical domestic IT call center is approximately 42,000 square feet, has 425 work stations and can handle 12,000 calls per day. The IT call centers employ current technology in PBX switches, call tracking software, telephone-computer integration, interactive voice response and relational database management systems that are integrated into centrally managed local area networks and wide area networks. The Company's sophisticated equipment and technology enable it to serve as the transparent extension of its customers at a low cost per transaction and provide its customers with immediate access to the status and results of the Company's services. Due to its modular, open system architecture, the Company's computer system allows timely system updates and modifications. The Company utilizes sophisticated call tracking software and systems to provide efficient scheduling of personnel to accommodate fluctuations in call volume.

Automated call distributors and digital switches identify each call by the number dialed and automatically route the call to a technician with the applicable knowledge and training. The technical product support calls are routed directly from the end user to the IT call center or are overflow calls routed from the client's place of business.

IT call center systems capture and download to permanent databases a variety of information concerning each call for reporting on a daily basis to customers, including number and duration of calls (which are important for billing purposes), response time and results of the call. Summary data and complete databases are made available to the customer to enable it to monitor the level of service provided by the Company, as well as to determine whether end users of its products are encountering recurring problems that require modification. The databases also provide Sykes' customers with considerable marketing information concerning end users, such as whether the user is a home or business user and regional differences in purchasing patterns or usage. The Company maintains tape backups and offsite storage to assure the integrity of its reporting systems and databases.

The IT call centers are protected by a fire extinguishing system and backup generators and short-term battery backup in the event of a power outage, reduced voltage or power surge. Rerouting of telephone calls to one of the other IT call centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are imposed to prevent unauthorized access. Software and related data files are backed up daily and stored off site at multiple locations. The Company carries business interruption insurance covering interruptions that might occur as a result of damage to its business. In addition, the Company believes that it has adequate arrangements with its equipment vendors pursuant to which damaged equipment can be replaced promptly.

Customer Product Centers. Sykes has expanded its customer product services during 1997 and 1998 through acquisitions, and through its ability to utilize the Internet. Sykes has three distribution centers located in the United States and six distribution centers located in Europe. Each of these centers have e-commerce capabilities through which the Company offers a broad range of brands in each of the product categories it covers, and meets the needs of customers who prefer to deal with a single source for many of their product needs. Sykes is continually evaluating new products, the demand for current products, and its overall product mix.

Service and Solution Offices. Sykes' professional personnel are assigned to one of the Company's 25 offices, which are located in metropolitan areas throughout the United States, Canada, Europe and Singapore in order to be closer to their major customers. Each office is responsible for staffing the professional personnel needs of customers within its geographic region and customers referred from other offices based on specialized needs. These offices give Sykes the ability to (i) offer a broad range of professional services on a local basis, and (ii) respond to changing market demands in each geographical area served. The number of professionals assigned to each office ranges from 3 to 150.

Each office is staffed with one or more account executives whose goal is to become the client's partner in evaluating and meeting the client's information technology needs. The account executive's primary responsibilities include:
client development; understanding and identifying clients' information technology service needs; working closely with recruiters to staff assignments appropriately; setting billing rates for each assignment; and monitoring ongoing assignments. Each account executive is responsible for between four and ten active corporate accounts, some of which may involve several projects with multiple operating units of a particular company. The account executive cultivates and maintains relationships with the client's chief information officer and numerous department and project managers within the client's organization.

The account executive has responsibility for staffing an assignment on a timely basis. Upon receiving a new assignment, the account executive prepares a proposal with assignment specifications and distributes the proposal to a recruiter who is familiar with the professionals who have the expertise required for the assignment. The account executive reviews the recruiter's recommended candidates, submits the resumes of qualified employees and other available candidates to the client and schedules client interviews of the candidates. Typically, an assignment is staffed within five working days. For certain clients with whom the Company has long-term relationships, account executives are given sole responsibility for staffing assignments with little or no client involvement in the decision.

QUALITY ASSURANCE

Sykes carefully trains, monitors and supervises its employees to enhance the efficiency and the quality of its services. The training of new technicians at the IT call centers is conducted in-house through certified trainers or by professionals supplied by the Company's customers. Sykes actively recruits highly skilled professionals to staff specific assignment needs of its information technology development services and solutions customers. Generally, employees also receive ongoing training throughout the year to respond to changes in technology.

An IT call center manager supervises project leaders, team leaders and technicians dedicated to individual customer accounts. Each team leader at the IT call centers monitors approximately ten technicians. A project leader supervises a particular customer's account by monitoring calls and reviewing quality standards. Using the Company's proprietary, sophisticated call tracking software, the project leader monitors the number of calls each technician handles, the duration of each call, time between calls, response time, number of queries resolved after the first call and other statistics important in measuring and enhancing productivity and service levels. Remote and on-site call monitoring systems and on-line performance tracking are used to enhance high quality services. Customers have daily access to a variety of measures of service performance tracked by the Company's technology and can monitor calls directly through the Company's remote call monitoring systems.

The Company emphasizes a team approach in order to provide high quality, customized solutions to meet its clients' information technology development services and solutions needs. The central role in this team approach is provided by the Company's account executives and recruiters who work together to achieve a successful relationship between the client and the Company's professionals. The team shares information on active and prospective clients, reviews the availability of professionals and discusses general market conditions. Such forums enable the teams to remain informed and knowledgeable on the latest technologies and to identify business development opportunities as they emerge.

The Company is committed to providing its customers with the highest quality services. To that end, the Company's IT call center in Sterling, Colorado has received ISO 9002 certification, an international standard for quality assurance and consistency in operating procedures. The Company's other locations are ISO 9002 compliant, but not certified. The Company anticipates that ISO 9002 certification may become a factor to organizations outsourcing their technical product support or help desk functions. Consequently, the Company has modeled each IT call center after ISO 9002 procedures to achieve consistency and quality. In addition, the Company received the 1995, 1996, 1997 and 1998 STAR Award in the highest call volume category. This award has been presented annually since 1988 by the Software Support Professionals Association (SSPA) to the software support company that achieves superior customer satisfaction and call metrics.

SALES AND MARKETING

The Company's marketing objective is to develop long-term relationships with existing and potential clients to become the preferred vendor of their information technology outsourcing services. Sykes believes that its significant client base provides excellent opportunities for further marketing and cross selling of its broad range of capabilities. The Company markets its information technology services through a variety of methods, including client referrals, personal sales calls, advertising in industry publications, attending trade shows, direct mailings to targeted customers, telemarketing and cross selling additional services to existing clients. The Company currently employs 109 people in its direct sales force.

As part of its marketing efforts, the Company invites potential and existing customers to visit the IT call centers, where the Company demonstrates its sophisticated telecommunications and call tracking technology, quality procedures and the knowledge of its technicians. The Company also demonstrates its ability to quickly accommodate a new customer or a significant increase in business from an existing customer by emphasizing its systematic approach to establishing and managing IT call centers.

The Company also emphasizes account development to strengthen its relationships with its customers. Sales representatives and account executives are assigned to a limited number of accounts in order to develop a complete understanding of each customer's particular needs, to form strong customer relationships and encourage cross selling of other services offered by the Company. Account executives also receive incentives for cross selling the Company's services.

The Company's customer product services sales force is composed of field sales representatives who manage relationships with the accounts. In addition, the Company has inside customer sales representatives who receive product orders and answer customer inquiries. The Company will process the order and ship the product from the appropriate distribution center. Customer product services are generally billed to the client based on a per unit basis.

Technical product support services provided through IT call centers generally are billed to the client based on a fee per call, rate per minute or time and material basis. As a result of the significant infrastructure costs required for each IT call center, the Company requires a minimum billing amount to facilitate planning and capital needs. Help desk services usually are billed at a flat rate per employee per month, with the per employee charge varying depending on the customer's total number of employees and the complexity of its information systems.

Information technology development services and solutions engagements generally are billed on a time and material basis. Sykes is expanding its efforts to obtain contracts with customers lasting six months or longer to increase recurring revenues, maximize utilization of professional personnel and enhance long-term relationships. The Company also is attempting to obtain contracts to provide for the management of specific information technology projects, rather than providing professionals to staff client-managed projects. This activity is directed towards a view of enhancing profit margins through the provision of value-added management services.

CUSTOMERS

The Company has customers in the United States, Canada, Europe, the Phillippines, and South Africa. The Company's customers include Fortune 500 corporations and leading hardware and software companies.

The Company believes its nationally recognized customer base presents opportunities for further cross-marketing of its services.

Adobe Systems Incorporated, which became the Company's largest customer as a result of the McQueen business combination during 1997, accounted for 12% and 10% of the Company's consolidated revenues for the years ended December 31, 1996 and 1997, respectively. In 1998, another customer became the Company's largest, accounting for approximately 8% of consolidated revenues. The Company's loss of (or the failure to retain a significant amount of business with) its key customers could have a material adverse effect on the Company. The Company's largest ten customers accounted for approximately 42% of the consolidated revenues in 1998. Generally, the Company's contracts are cancelable by each customer at any time or on short-term notice, and customers may unilaterally reduce their use of the Company's services under such contracts without penalty. Sykes provided services to approximately 1,200 customers during 1998.

COMPETITION

The industry in which the Company competes is extremely competitive and highly fragmented. While many companies provide information technology services, management believes no one company is dominant. There are numerous and varied providers of such services, including firms specializing in various call center operations, product distribution, temporary staffing and personnel placement companies, language translation companies, developers of software diagnostic tools, general management consulting firms, major accounting firms, divisions of large hardware and software companies and niche providers of information technology services, many of whom compete in only certain markets. The Company's competitors include many companies who may possess substantially greater resources, greater name recognition and a more established customer base than the Company. In addition, the services offered by the Company historically have been provided by in-house personnel.

The Company believes that the most significant competitive factors in the sale of its services include quality and reliability of services, flexibility in tailoring services to customer needs, price, experience, reputation and comprehensive and integrated services. As a result of intense competition, information technology development services and solutions engagements frequently are subject to pricing pressure. Customers also require vendors to be able to provide services in multiple locations. Competition for contracts for many of Sykes' services takes the form of competitive bidding in response to requests for proposals.

Many of Sykes' large customers purchase information technology services primarily from a limited number of preferred vendors. Sykes has experienced and continues to anticipate pricing pressure from these customers in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations.

INTELLECTUAL PROPERTY

The Company relies upon a combination of contract provisions and trade secret laws to protect the proprietary technology it uses at its IT call centers and facilities, and relies on a combination of copyright, trademark and trade secret laws to protect its proprietary software. The Company attempts to further protect its trade secrets and other proprietary information through agreements with employees and consultants. The Company does not hold any patents and does not have any patent applications pending. There can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to deter misappropriation of its proprietary rights or third party development of similar proprietary software. Sykes(R) and SHPS(R) are registered servicemarks of the Company. Sykes holds a number of registered trademarks, including DIAGSOFT(R), QAPLUS/WIN(R), ETSC(R), FS PRO(R) and FS PRO MARKETPLACE(R), AnswerTeam (R), and OPTIMED(R). In addition, the Company owns all copyrights to HI CARES.

EMPLOYEES

As of February 15, 1999, the Company had 10,841 full-time employees, consisting of 109 in sales and marketing, 8,468 customer support technicians at the IT call centers, 822 technical professionals, 723 in distribution services and 719 in management, administration and finance.

The technical and service nature of the Company's business makes its employees an important corporate asset. While the market for qualified personnel is extremely competitive, the Company believes its relationship with its employees is good. The Company's employees with the exception of 157 employees in Scotland, are not represented by any labor union.

The Company believes that it gains a competitive advantage by locating its IT call centers in smaller communities in which they become an integral part of the local economy and labor force. The Company believes that personnel located in such communities can be employed at a lower overall cost than employees located in a metropolitan setting. Sykes IT call centers are located in communities near a college or university to provide a well-educated, technically proficient work force. Applicants are interviewed for technical skills as well as interpersonal skills.

The Company recruits its professional personnel through a continually updated recruiting network. This network includes a seasoned team of technical recruiters, a Company-wide candidate database, internet/ newspaper advertising, candidate referral programs and job fairs. However, demand for qualified professionals conversant with certain technologies may outstrip supply as new skills are needed to keep pace with the requirements of customer engagements. Competition for such personnel is intense and employee turnover in this industry is high.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table provides the names and ages of the Company's executive officers, and the positions and offices with the Company currently held by each of them:

NAME	AGE	PRINCIPAL POSITION
John H. Sykes.............	62	Chairman and Chief Executive Officer
David L. Grimes...........	51	President and Chief Operating Officer
Scott J. Bendert..........	42	Senior Vice President -- Finance, Treasurer, and Chief Financial Officer
Keith L. Gibson...........	39	Senior Vice President -- Worldwide Sales and Marketing
John D. Bray..............	50	Senior Vice President -- Human Resources and Administration
Gerry L. Rogers...........	53	Group Vice President, North America

John H. Sykes has retained the titles and responsibilities of Chairman and Chief Executive Officer since December 1998. Mr. Sykes has been President and Chief Executive Officer of the Company from inception in 1977 until December 1998. Previously, Mr. Sykes was Senior Vice President of CDI Corporation, a publicly-held technical services firm.

David L. Grimes joined the Company in December 1998 as President and was named Chief Operating Officer during February 1999. From 1984 to 1998, Mr. Grimes held various management positions with AT&T, a publicly-held telecommunications firm, most recently as Region Vice President.

Scott J. Bendert joined the Company in 1993 as Chief Financial Officer and was named Senior Vice President-Finance during October 1997. In 1994, Mr. Bendert was named Treasurer, and in 1995 was appointed Vice President -- Finance. From 1984 to 1993, Mr. Bendert held various management positions with Reflectone, Inc., a publicly-held producer of complex computer simulator trainers and devices, most recently as Corporate Controller.

Keith L. Gibson joined the Company as Senior Vice President -- Worldwide Sales and Marketing during October 1997. From 1991 to 1997, Mr. Gibson was a partner of KPMG Peat Marwick LLP ("KPMG") where he acted as the Chief Knowledge Officer ("CKO"). Prior to his role as CKO, Mr. Gibson was Partner in Charge of Outsourcing Assessments. Prior to joining KPMG, Mr. Gibson spent 13 years at IBM in various marketing positions, working his way through many aspects of IBM's marketing area.

John D. Bray joined the Company in 1996 as Vice President -- Human Resources and was named Senior Vice President -- Human Resources and Administration during October 1997. From 1989 to 1995, Mr. Bray was Director of Human Resources and Risk Management for Lil' Champ Food Stores, Inc.

Gerry L. Rogers joined the Company as Group Vice President, North America in February 1999. From 1968 to 1999, Mr. Rogers held various management positions with AT&T, a publicly-held telecommunications firm, most recently as General Manager for the Business Growth Markets.

ITEM 2. PROPERTIES

The Company's principal executive offices are located in Tampa, Florida. This facility currently serves as the headquarters for senior management, the financial and administrative departments and the Tampa office. The following table sets forth additional information concerning the Company's facilities:

PROPERTIES	GENERAL USAGE	SQUARE FEET	LEASE EXPIRATION
UNITED STATES LOCATIONS			
Tampa, Florida...............	Corporate headquarters	18,000	December 2002
Tampa, Florida...............	Office	18,000	July 1999
Tampa, Florida...............	Office	19,900	June 2000
Ada, Oklahoma................	IT call center(Opened March 1999)	42,000	Company owned
Bismarck, North Dakota.......	IT call center	84,000	Company owned
Charlotte, North Carolina....	IT call center	56,800	October 2000
Greeley, Colorado............	IT call center	42,000	Company owned
Hays, Kansas.................	IT call center	42,000	Company owned
Klamath Falls, Oregon........	IT call center	42,000	Company owned
Louisville, Kentucky.........	IT call center/office	160,700	July 2005
Manhattan, Kansas............	IT call center	42,000	Company owned
Milton-Freewater, Oregon.....	IT call center(Opened March 1999)	42,000	Company owned
Minot, North Dakota..........	IT call center	42,000	Company owned
Ponca City, Oklahoma.........	IT call center	42,000	Company owned
Scottsdale, Arizona..........	IT call center	39,100	June 2002
Sterling, Colorado...........	IT call center	34,000	Company owned
Fremont, California..........	Distribution center	111,500	November 1999
Nashville, Tennessee.........	Distribution center	91,200	January 2001
Louisville, Kentucky.........	Distribution center	78,750	June 2001
Atlanta, Georgia.............	Office	2,000	May 2000
Boise, Idaho.................	Office	2,400	January 2000
Boston, Massachusetts........	Office	26,000	September 2000
Boulder, Colorado............	Office	13,000	March 2000
Cary, North Carolina.........	Office	5,400	December 1999
Charlotte, North Carolina....	Office	2,900	June 2000
Charlotte, North Carolina....	Office	37,800	October 2003

PROPERTIES	GENERAL USAGE	SQUARE FEET	LEASE EXPIRATION
Dallas, Texas................	Office	3,000	June 2003
Denver, Colorado.............	Office	2,000	January 2001
Greenville, South Carolina...	Office	4,300	December 1999
Jacksonville, Florida........	Office	1,800	November 2001
Lexington, Kentucky..........	Office	1,600	June 2000
Lexington, Massachusetts.....	Office	12,200	October 2002
Poughkeepsie, New York.......	Office	1,000	January 2000
St. Louis, Missouri..........	Office	5,500	September 2001
INTERNATIONAL LOCATIONS			
Amsterdam, The Netherlands...	IT call center/office	27,700	September 1999
Amsterdam, The Netherlands...	IT call center	12,400	December 1999
Amsterdam, The Netherlands...	IT call center	21,500	June 1999
Edinburgh, Scotland..........	IT call center/office	35,900	September 2019
London, Ontario..............	IT call center	40,000	Company owned
Toronto, Ontario.............	IT call center	8,200	December 2001
Moncton, New Brunswick.......	IT call center	1,700	June 1999
Les Ulis, France.............	IT call center	38,700	February 2007
Bochum, Germany..............	IT call center	26,400	December 2000
Hannover, Germany............	IT call center	12,500	June 2001
Hamburg, Germany.............	IT call center	6,400	November 2008
Esslingen, Germany...........	IT call center	9,200	December 2005
Wilhelmshaven, Germany.......	IT call center	36,800	March 2003
Manila, The Philippines......	IT call center	13,200	June 2000
Sunninghill, South Africa....	IT call center	4,300	September 2000
Sveg, Sweden.................	IT call center	35,100	June 2001
Shannon, Ireland.............	IT call center and distribution center	66,000	April 2013
Hoofddorp, The Netherlands...	Distribution center	20,000	July 2001
Sevran, France...............	Distribution center	19,400	August 2002
Galashiels, Scotland.........	Distribution center	92,800	Company owned
Kista, Sweden................	Distribution center	6,500	December 2000
Brentford, England...........	Sales office	550	December 2005
Stockholm, Sweden............	Sales office	2,700	December 1999
London, Ontario..............	Sales office	2,800	May 2002
Ottawa, Ontario..............	Sales office	500	June 1999
Singapore....................	Sales office	500	December 1999
Vancouver, British Columbia...................	Sales office	1,000	June 1999
Leuven, Belgium..............	Office and distribution center	30,100	January 2006

The Company owns each of its domestic IT call centers as identified and anticipates that additional IT call centers will be required due to growth and expansion. The Company may operate from time-to-time in temporary facilities to accommodate growth before new centers are available. The Company currently has two such temporary facilities totaling 18,300 square feet.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation incidental to its business. In the opinion of management, no litigation to which the Company currently is a party is likely to have a materially adverse effect on the Company's results of operations or financial condition, if decided adversely to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security-holders during the fourth quarter of the year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information called for by this item is contained on page 22 of the Company's Annual Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is contained in page 21 of the Company's Annual Report and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this Item is contained in pages 24 through 31 of the Company's Annual Report and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item is contained in pages 30 through 31 of the Company's Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in pages 34 through 58 of the Company's Annual Report and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On January 14, 1999, the Company appointed Ernst & Young LLP as its independent public accounting firm engaged as the principal accountant to audit the Company's financial statements for the year ended December 31, 1998. The Company has selected Ernst & Young LLP as its principal independent public accountant for 1999. A representative of Ernst & Young LLP will be present at the Annual Meeting, and will be available to respond to appropriate questions and may make a statement if he so desires.

PricewaterhouseCoopers, LLP, and one of PWC's predecessor firms, Coopers & Lybrand, LLP (together "PWC"), previously served as the Company's principal independent public accountant. The Company was advised by the Securities and Exchange Commission (the "SEC") that PWC violated the independence standards promulgated by the SEC, which require, among other things, that public accounting firms and their professionals not have any direct or material indirect financial interest in their audit clients. Among the violations, a professional of PWC's Tampa office owned securities of the Company during the period that PWC was designated as the Company's independent public accountant. The Company was among a number of companies affected by this type of activity within PWC. On January 14, 1999, the SEC announced that it instituted and simultaneously settled proceedings brought against PWC for failing to comply with the independence standards with respect to its publicly held audit clients. In connection with the foregoing, on January 14, 1999, the Company appointed Ernst & Young LLP as its principal independent public accountant to audit the Company's financial statements for calendar year 1998 and dismissed PWC as the Company's principal independent public accountant for calendar year 1998. Both of these decisions were approved by the audit committee of the Board of Directors.

The Company did not know and did not have any reason to know of PWC's lack of compliance with the SEC's independence standards. Moreover, PWC's conduct is not consistent with the standards regarding compliance with the SEC's independence standards that the Company expects from its independent public accountant. Nonetheless, the Company does not believe that these violations effected the quality or integrity of the Company's financial statements that were audited by PWC or PWC's audit opinions rendered in connection with such audits.

PWC's report on the Company's financial statements for 1996 and 1997 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. In addition, during the Company's 1996 and 1997 fiscal years and during the interim period in 1998 preceding PWC's dismissal, there have not been any disagreements with PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of PWC, would have caused PWC to make reference to the subject matter of the disagreement in connection with its report. During the Company's 1996 and 1997 fiscal years and during the interim period in 1998 preceding PWC's dismissal: (a) PWC has not advised the Company that the internal controls necessary for it to develop reliable financial statements do not exist;
(b) PWC has not advised the Company that information has come to PWC's attention that has led it to no longer be able to rely on management's representations, or that has made PWC unwilling to be associated with the financial statement prepared by management; (c) PWC has not advised the Company of the need to expand significantly the scope of its audit, or that information has come to PWC's attention during such time period that if further investigated may (i) materially impact the fairness or reliability of either a previously issued audit report or the underlying financial statements, or the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent audited financial statements (including information that may prevent PWC from rendering an unqualified audit report on those financial statements) or
(ii) cause PWC to be unwilling to rely on management's representations or be associated with the Company's financial statements and; (d) PWC has not advised the Company that information has come to PWC's attention that it has concluded materially impacts the fairness or reliability of either (i) a previously issued audit report or the underlying financial statements, or (ii) the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent financial statements covered by an audit report (including information that, unless resolved to the accountant's satisfaction, would prevent it from rendering an unqualified audit report on those financial statements).

PART III

All information required by Items 10 through 13 with the exception of information on Executive Officers which appears in the report under the caption "Executive Officers of the Registrant" is incorporated by reference to the Company's Proxy Statement for its 1999 Annual Meeting of Shareholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Consolidated Financial Statements

Reports of Independent Auditors.

The following information is contained in pages 34 through 58 of the Company's Annual Report, and is incorporated herein by reference:

- Consolidated Balance Sheets as of December 31, 1997 and 1998.

- Consolidated Statements of Income for the years ended December 31, 1996, 1997 and 1998.

- Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1996, 1997 and 1998.

- Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1997 and 1998.

- Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedule

Schedule II -- Valuation and Qualifying Accounts

(a)(3) Exhibits

The following documents are filed as exhibits to this report:

EXHIBIT NUMBER		EXHIBITS DESCRIPTION
2.1	--	Articles of Merger between Sykes Enterprises, Incorporated, a North Carolina corporation, and Sykes Enterprises, Incorporated, a Florida Corporation, dated March 1, 1996.(1)
2.2	--	Articles of Merger between Sykes Enterprises, Incorporated and Sykes Realty, Inc.(1)
2.3	--	Stock Purchase Agreement dated July 1, 1996 among Sykes Enterprises, Incorporated and Johan Holm, Arne Weinz and Norhold Invest AB.(2)
2.4	--	Stock Purchase Agreement dated August 30, 1996 among Sykes Enterprises, Incorporated and Gordon H. Kraft.(3)
2.5	--	Merger Agreement dated as of January 10, 1997 among Sykes Enterprises, Incorporated, Info Systems of North Carolina, Inc. and ISNC Acquisition Co.(4)
2.6	--	Stock Purchase Agreement date March 28, 19997 among Sykes Enterprises, Incorporated, Sykes Holdings of Belgium, B.V.B.A., Cycle B.V.B.A. and Michael McMahon.(5)
2.7	--	Joint Marketing and Distribution Agreement dated April 30, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation.(10)
2.8	--	Common Stock Purchase Agreement dated May 6, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation.(10)
2.9	--	Acquisition Agreement, dated May 30, 1997, by and among the holders of all of the capital interests of Telcare Gesellschaft fur Telekommunikations-Mehrwertdienste mbH, Sykes Enterprises GmbH, and Sykes Enterprises, Incorporated.(7)
2.10	--	Acquisition Agreement, dated September 19, 1997, by and among the holders of all of the capital interests of TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated.(8)
2.11	--	Acquisition Agreement, dated September 25, 1997, by and among the holders of all of the capital interests of TAS Hedi Fabinyi GmbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated.(8)
2.12	--	Shareholder Agreement dated December 18, 1997, by and among Sykes Enterprises, Incorporated and HealthPlan Services Corporation.(14)
2.13	--	Acquisition Agreement, dated December 31, 1997, by and among the holders of all of the capital interests of McQueen International Limited and Sykes Enterprises, Incorporated.(11)
2.14	--	Stock Purchase Agreement, dated September 11, 1998, between HealthPlan Services Corporation and Sykes Enterprises, Incorporated.(17)
2.15	--	Acquisition Agreement, dated November 23, 1998, by and among the holders of all of the capital interests of TAS GmbH Nord Telemarketing und Vertriebsberatung, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated (filed herewith).
2.16	--	Combination Agreement, dated December 29, 1998, by and among the holders of all of the capital interests of Oracle Service Networks Corporation and Sykes Enterprises, Incorporated.(18)
3.1	--	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended (filed herewith).

EXHIBIT NUMBER		EXHIBITS DESCRIPTION
3.2	--	Articles of Amendment to Articles of Incorporation of Sykes Enterprises, Incorporation (filed herewith).
3.3	--	Bylaws of Sykes Enterprises, Incorporated, as amended.(12)
4.1	--	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated.(1)
10.1	--	Loan Agreement between NationsBank, N.A. and Sykes Enterprises, Incorporated dated as of December 31, 1996.(6)
10.2	--	Employment Agreement dated as of January 1, 1996 between John H. Sykes and Sykes Enterprises, Incorporated.(1)
10.3	--	Form of Employment Agreement between executive officers and Sykes Enterprises, Incorporated.(1)
10.4	--	Stock Option Agreement between Sykes Enterprises, Incorporated and David E. Garner dated as of December 31, 1995.(1)
10.5	--	1996 Employee Stock Option Plan.(1)
10.6	--	1996 Non-Employee Director Stock Option Plan.(1)
10.7	--	1996 Non-Employee Directors' Fee Plan.(1)
10.8	--	Form of Split Dollar Plan Documents.(1)
10.9	--	Form of Split Dollar Agreement.(1)
10.10	--	Form of Indemnity Agreement between directors and executive officers and Sykes Enterprises, Incorporated.(1)
10.11	--	Aircraft Lease Agreement between JHS Leasing of Tampa, Inc. as lessor and Sykes Enterprises, Incorporated as lessee, dated December 1, 1995.(1)
10.12	--	Single Tenant Property Lease Agreement between Sykes Investments as landlord and Sykes Enterprises, Incorporated as tenant dated October 31, 1989, for building in Charlotte, North Carolina.(1)
10.13	--	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes.(1)
10.14	--	Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996.(1)
10.15	--	Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998.(16)
10.16	--	Amendment No. 1 to Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998.(16)
10.17	--	Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998.(16)
10.18	--	1997 Management Stock Incentive Plan.(15)
10.19	--	1999 Employee Stock Purchase Plan (filed herewith).
13.1	--	1998 Sykes Enterprises, Incorporated Annual Report (incorporates sections only in electronic filing).
21.1	--	List of subsidiaries of Sykes Enterprises, Incorporated (filed herewith).

EXHIBIT NUMBER		EXHIBITS DESCRIPTION
23.1	--	Consent of Ernst & Young LLP
24.1	--	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
27.1	--	Financial Data Schedule (for SEC use only)(filed herewith).

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(1) Filed as the same numbered Exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.
(2) Filed as an Exhibit to the Registrant's Form 8-K dated July 31, 1996, and incorporated herein by reference.
(3) Filed as an Exhibit to the Registrant's Form 8-K dated September 16, 1996, and incorporated herein by reference.
(4) Included as Appendix A to the Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by reference.
(5) Filed as an Exhibit to the Registrant's Form 10-K dated March 30, 1997, and incorporated herein by reference.
(6) Filed as Exhibit 2.5 to the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by reference.
(7) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 16, 1997, and incorporated herein by reference.
(8) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 26, 1997, and incorporated herein by reference.
(9) Filed as the same numbered Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.
(10) Filed as an Exhibit to the Registrant's Form 10-Q dated June 29, 1997, and incorporated herein by reference.
(11) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 15, 1998, and incorporated herein by reference.
(12) Filed as an Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.
(13) Filed as an Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-46569) and incorporated herein by reference.
(14) Filed as an Exhibit to the Registrant's Form 10-K dated December 31, 1997, and incorporated herein by reference.
(15) Filed as an Exhibit to the Registrant's Proxy Statement on Form 14A, dated April 1, 1998, and incorporated herein by reference.
(16) Filed as an Exhibit to the Registrant's Form 10-Q dated March 31, 1998, and incorporated herein by reference.
(17) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 11, 1998, and incorporated herein by reference.
(18) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated December 29, 1998, and incorporated herein by reference.

(b) Reports on Form 8-K

Item 2 -- Acquisition or Disposition of Assets
Acquisition of SHPS, Incorporated (formerly known as Sykes HealthPlan Services, Inc.)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tampa, and State of Florida, on this 24th day of March, 1999.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

By:

Scott J. Bendert Senior Vice President -- Finance, Treasurer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints Scott Bendert and John Crites and each of them individually, his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

SIGNATURE	TITLE	DATE
/s/ JOHN H. SYKES John H. Sykes	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1999
/s/ DAVID L. GRIMES David L. Grimes	President and Chief Operating Officer	March 24, 1999
/s/ SCOTT J. BENDERT Scott J. Bendert	Senior Vice President -- Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 24, 1999
/s/ GORDON H. LOETZ Gordon H. Loetz	Vice Chairman of the Board and Director	March 24, 1999
/s/ FURMAN P. BODENHEIMER, JR. Furman P. Bodenheimer, Jr.	Director	March 24, 1999
/s/ H. PARKS HELMS H. Parks Helms	Director	March 24, 1999
/s/ ERNEST J. MILANI Ernest J. Milani	Director	March 24, 1999
/s/ ADELAIDE A. SINK Adelaide A. Sink	Director	March 24, 1999
/s/ R. JAMES STROKER R. James Stroker	Director	March 24, 1999

SIGNATURE	TITLE	DATE
/s/ IAIN A. MACDONALD Iain A. Macdonald	Director	March 24, 1999
/s/ LINDA MCCLINTOCK-GRECO Linda McClintock-Greco	Director	March 24, 1999

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Sykes Enterprises, Incorporated

We consent to the incorporation by reference in this Form 10-K of Sykes Enterprises, Incorporated of our report dated March 5, 1999, included in the 1998 Annual Report to Shareholders of Sykes Enterprises, Incorporated.

Our audit also included the financial statement schedule of Sykes Enterprises, Incorporated listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-23681) pertaining to the Sykes Enterprises, Incorporated, 1996 Employee Stock Option Plan of our report dated March 5, 1999, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Form 10-K of Sykes Enterprises, Incorporated.

Ernst & Young LLP

Tampa, Florida
March 25, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Sykes Enterprises, Incorporated

We have audited the consolidated balance sheets of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 1996 and 1997, which financial statements are included on pages 34 through 58 of the Sykes Enterprises, Incorporated and subsidiaries Annual Report and incorporated by reference herein. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997, and the consolidated results of their operations and their cash flows for the year ended December 31, 1996 and 1997, in conformity with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Tampa, Florida
March 6, 1998

SYKES ENTERPRISES, INCORPORATED

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

	BEGINNING BALANCE	ADDITIONAL CHARGE TO COST AND EXPENSES	DEDUCTIONS(1)	ENDING BALANCE
Allowance for doubtful accounts:				
Year ended December 31, 1996..................	$310,739	$ 317,811	$130,421	$ 498,129
Year ended December 31, 1997..................	498,129	167,396	128,130	537,395
Year ended December 31, 1998..................	537,395	261,599	2,823	796,171
Foreign current deferred tax valuation allowance:				
Year ended December 31, 1996..................	$ --	$ 571,000	$ --	$ 571,000
Year ended December 31, 1997..................	571,000	--	436,000	135,000
Year ended December 31, 1998..................	135,000	--	135,000	--
Domestic non-current deferred tax valuation allowance:				
Year ended December 31, 1996..................	$ --	$ --	$ --	$ --
Year ended December 31, 1997..................	--	--	--	--
Year ended December 31, 1998..................	--	3,000,000	--	3,000,000
Foreign non-current deferred tax valuation allowance:				
Year ended December 31, 1996..................	$ --	$ --	$ --	$ --
Year ended December 31, 1997..................	--	--	--	--
Year ended December 31, 1998..................	--	704,000	--	704,000

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(1) Write-offs and recoveries

EXHIBIT INDEX

Exhibit Number	Exhibit Description
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2.7	Joint Marketing and Distribution Agreement dated April 30, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation. (10)
2.8	Common Stock Purchase Agreement dated May 6, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation. (10)
2.9	Acquisition Agreement, dated May 30, 1997, by and among the holders of all of the capital interests of Telcare Gesellschaft fur Telekommunikations-Mehrwertdienste mbH, Sykes Enterprises GmbH, and Sykes Enterprises, Incorporated. (7)
2.10	Acquisition Agreement, dated September 19, 1997, by and among the holders of all of the capital interests of TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated. (8)
2.11	Acquisition Agreement, dated September 25, 1997, by and among the holders of all of the capital interests of TAS Hedi Fabinyi GmbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated. (8)
2.12	Shareholder Agreement dated December 18, 1997, by and among Sykes Enterprises, Incorporated and HealthPlan Services Corporation. (14)
2.13	Acquisition Agreement, dated December 31, 1997, by and among the holders of all of the capital interests of McQueen International Limited and Sykes Enterprises, Incorporated. (11)

2.14	Stock Purchase Agreement, dated September 11, 1998, between HealthPlan Services Corporation and Sykes Enterprises, Incorporated. (17)
2.15	Acquisition Agreement, dated November 23, 1998, by and among the holders of all of the capital interests of TAS GmbH Nord Telemarketing und Vertriebsberatung, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated, (filed herewith).
2.16	Combination Agreement, dated December 29, 1998, by and among the holders of all of the capital interests of Oracle Service Networks Corporation and Sykes Enterprises, Incorporated. (18)
3.1	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. (12)
3.2	Articles to Amendment to Articles of Incorporation of Sykes Enterprises, Incorporated (filed herewith).
3.3	Bylaws of Sykes Enterprises, Incorporated, as amended. (12)
4.1	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. (1)
10.1	Loan Agreement between NationsBank, N.A. and Sykes Enterprises, Incorporated dated as of December 31, 1996. (6)
10.2	Employment Agreement dated as of January 1, 1996 between John H. Sykes and Sykes Enterprises, Incorporated. (1)
10.3	Form of Employment Agreement between executive officers and Sykes Enterprises, Incorporated. (1)
10.4	Stock Option Agreement between Sykes Enterprises, Incorporated and David E. Garner dated as of December 31, 1995. (1)
10.5	1996 Employees' Stock Option Plan. (1)
10.6	1996 Non-Employee Director Stock Option Plan. (1)
10.7	1996 Non-Employee Directors' Fee Plan. (1)
10.8	Form of Split Dollar Plan Documents. (1)
10.9	Form of Split Dollar Agreement. (1)
10.10	Form of Indemnity Agreement between directors and executive officers and Sykes Enterprises, Incorporated. (1)
10.11	Aircraft Lease Agreement between JHS Leasing of Tampa, Inc. as lessor and Sykes Enterprises, Incorporated as lessee, dated December 1, 1995. (1)
10.12	Single Tenant Property Lease Agreement between Sykes Investments as landlord and Sykes Enterprises, Incorporated as tenant dated October 31, 1989, for building in Charlotte, North Carolina. (1)

10.13	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. (1)
10.14	Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996. (1)
10.15	Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998. (16)
10.16	Amendment No. 1 to Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998. (16)
10.17	Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998. (16)
10.18	1997 Management Stock Incentive Plan. (15)
10.19	1999 Employees' Stock Purchase Plan (filed herewith).
13.1	1998 Sykes Enterprises, Incorporated Annual Report (incorporates sections only in electronic filing).
21.1	List of subsidiaries of Sykes Enterprises, Incorporated (filed herewith).
23.1	Consent of Ernst & Young LLP
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
27.1	Financial Data Schedule (for SEC use only)(filed herewith).

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(1) Filed as the same numbered Exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.
(2) Filed as an Exhibit to the Registrant's Form 8-K dated July 31, 1996, and incorporated herein by reference.
(3) Filed as an Exhibit to the Registrant's Form 8-K dated September 16, 1996, and incorporated herein by reference.
(4) Included as Appendix A to the Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by reference.
(5) Filed as an Exhibit to the Registrant's Form 10-K dated March 30, 1997, and incorporated herein by reference.
(6) Filed as Exhibit 2.5 to the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by reference.
(7) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 16, 1997, and incorporated herein by reference.

(8) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 26, 1997, and incorporated herein by reference.

(9) Filed as the same numbered Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(10) Filed as an Exhibit to the Registrant's Form 10-Q dated June 29, 1997, and incorporated herein by reference.

(11) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 15, 1998, and incorporated herein by reference.

(12) Filed as an Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(13) Filed as an Exhibit to the Registrant's Registration Statement on Form S-3 (Registration No. 333-46569) and incorporated herein by reference.

(14) Filed as an Exhibit to the Registrant's Form 10-K dated December 31, 1997, and incorporated herein by reference.

(15) Filed as an Exhibit to the Registrant's Proxy Statement on Form 14A dated April 1, 1998, and incorporated herein by reference.

(16) Filed as an Exhibit to the Registrant's Form 10-Q dated March 31, 1998, and incorporated herein by reference.

(17) Filed as an Exhibit to Registrant's Current Report on Form 8-K dated September 11, 1998, and incorporated herein by reference.

(18) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated December 29, 1998, and incorporated herein by reference.

EXHIBIT 2.15

ACQUISITION AGREEMENT

BY AND AMONG

THE

SHAREHOLDERS

OF

TAS GMBH NORD TELEMARKETING UND VERTRIEBSBERATUNG,

SYKES ENTERPRISES, INCORPORATED,

AND

SYKES ENTERPRISES GMBH

DATED NOVEMBER 23, 1998

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EXHIBITS

Exhibit A	Form of Pledge and Escrow Agreement
Exhibit B	Form of Registration Rights Agreement
Exhibit C1	Form of Employment Agreement for Mr. Stockmann
Exhibit C2	Form of Employment Agreement for Mr. Emmert
Exhibit D	TAS Real Property Transfer and Lease Terms

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT is made and entered into as of November 23, 1998, by and among the undersigned persons (collectively, the "Sellers"), being the holders of all the outstanding capital interests of TAS GMBH NORD TELEMARKETING UND VERTRIEBSBERATUNG , a limited liability company organized under the laws of the Federal Republic of Germany with offices in Hannover and Hamburg (the "Company"), each such Seller being an individual residing in, and a citizen of, the Federal Republic of Germany, SYKES ENTERPRISES GMBH , a limited liability company organized and existing under the laws of the Federal Republic of Germany ("Buyer"), and SYKES ENTERPRISES, INCORPORATED, a corporation organized and existing under the laws of Florida ("Sykes").

RECITALS

WHEREAS, the Sellers own all of the issued capital interests of the Company (the "Quotas");

WHEREAS, Sykes owns all of the issued capital interests of Buyer;

WHEREAS, the Sellers desire to sell the Quotas in exchange for shares of Sykes' common stock, and Sykes is willing to cause the Buyer to purchase the Quotas from the Sellers in exchange for shares of Sykes' common stock, on the terms and subject to the conditions hereinafter set forth; and

WHEREAS, Sykes intends to treat the acquisition by the Buyer of the Quotas as a "pooling of interests" for financial accounting purposes.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements hereinafter set forth and for other good and valuable considerations, the receipt and sufficiency of which are hereby expressly acknowledged by the Sellers, the Buyer and Sykes, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. DEFINITIONS. The terms defined in this Article shall have the following respective meanings for all purposes of this Agreement:

"Affiliate" means, with respect to any Person, an officer, director or beneficial owner of five percent (5%) or more of the issued and outstanding shares of any class of capital stock or other equity of such Person, a family member of such Person, if an individual, and any other Person controlling, controlled by or under common control with such Person.

"Alternative Transaction" means any merger, consolidation, sale of substantial assets, sale of capital interests or securities or similar transaction involving the Company, other than the transactions contemplated by this Agreement.

"Business" means the business conducted as of the date of this Agreement or as of the Closing Date, as the context permits or implies, by the Company, which consists of providing the following services on a "for hire" basis:

(i) call center services;

(ii) telemarketing and teleselling services;

(iii) fulfillment services for telemarketing and call center customers;

(iv) database development services for telemarketing and call center customers; and

(v) consulting and training services related to the above service categories.

"Business Day" means any day on which banks are open for business in New York, New York.

"Closing" means the consummation and effectuation of the transactions contemplated herein pursuant to the terms and conditions of this Agreement, which shall be held on the 27th day of November, 1998, at 10:00 AM in the offices of Schon Nolte Finkelnburg & Clemm in Hamburg, Federal Republic of Germany, or on such other date or at such other time or place as is mutually agreed by the parties hereto.

"Closing Date" means the date on which the Closing actually occurs.

"Code" means the Internal Revenue Code of 1986, as amended.

"Customers" shall have the meaning set forth in Section 4.15.

"Disclosure Schedule" means the disclosure schedule document executed by Sellers as of the date hereof and previously delivered to the Buyer and Sykes, without any amendment thereto subsequent to the date hereof.

"Employee Benefit Plan" means any pension, retirement, profit sharing, savings, thrift, stock bonus, stock option, stock purchase, restricted stock purchase, stock ownership, stock appreciation right, phantom stock, deferred compensation, supplemental retirement, deferred bonus, severance, change of control, parachute, health, medical, dental, vision, prescription drugs, fitness, dependent care, educational assistance, group legal services, life insurance, accidental death, accidental dismemberment, sick pay, short-term or long-term disability, supplemental unemployment income, training, apprenticeship, scholarship, tuition reimbursement, employee assistance, employee discount, subsidized cafeteria, fringe benefit, vacation, holiday, employer-sponsored recreational facility, or other employee pension benefit or welfare benefit plan, policy, contract, or arrangement, or other similar fringe or employee benefit plan, program, policy, contract, or arrangement, written or oral, qualified or nonqualified, funded or unfunded, foreign or domestic.

"Escrow Agent" means Firstar Trust Company of Milwaukee, Wisconsin, or such other person as Sykes and the Sellers shall mutually agree upon, in its capacity as escrow agent.

"Financial Statements" has the meaning set forth in Section 4.7.

"Form 10-Q Balance Sheet" means the unaudited balance sheet dated September 30, 1998 (and any related notes thereto), found in the quarterly report filed on Form 10-Q filed with the Securities and Exchange Commission for the quarterly period ended September 30, 1998, a copy of which is included as part of the Sykes Filings.

"GGAAP" means generally accepted accounting principles as in effect in the Federal Republic of Germany on December 31, 1997.

"Grants" means governmental grants, subsidies, guarantees and/or loans provided to or for the benefit of a Person.

"Intellectual Property" means all intellectual property and intellectual property rights, whether arising under the laws of the Federal Republic of Germany or any other jurisdiction including, without limitation,
(i) all patents, patent applications, continuations in part, divisions, reissues and patent disclosures, (ii) all copyrights, whether registered or unregistered, and pending applications to register the same, (iii) anything recognizable as a trademark, service mark or trade dress at common law or under the laws of any country, whether registered or not, which is used to identify the source and quality of goods or services or to distinguish them from those of others, and all registrations and applications for registration, including intent-to-use registrations and applications for registration, (iv) all licenses, sublicenses and rights to use any Intellectual Property of any other Person, (v) all names used to identify a particular company, business, subsidiary or division thereof, (vi) all confidential and proprietary ideas, trade secrets, know how, concepts, methods, processes, formulae, reports, data, customer lists, mailing lists, business plans or other proprietary information, including, without limitation, with respect to any Person, any formulae, pattern, device or compilation of information which is used in such

Person's business and which derives independent commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by other Persons who can obtain economic value from its disclosure or use, and (vii) all other forms of proprietary information.

"Interim Balance Sheets" means the unaudited balance sheet of the Company dated as of the Interim Balance Sheet Date (and any related notes thereto), a copy of which is included as part of the Financial Statements.

"Interim Balance Sheet Date" means September 30,1998.

"Leased Real Property" means all real property and premises currently leased to the Company.

"Material Adverse Effect" means, with respect to any Person, a material adverse effect on the financial condition, results of operations or business prospects of such Person.

"NASDAQ" means The Nasdaq National Stock Market, Inc.'s National Market.

"Person" means an individual, partnership, limited liability company, corporation, trust, unincorporated organization, association or joint venture or a government, agency, political subdivision or instrumentality thereof.

"Prepayment Amount" means all amounts payable by the Company in respect of the termination of the Silent Partnership, other than amounts in respect of principal and accrued interest thereon until the earlier of termination or November 30, 1998 at the rate of nine percent per annum.

"Purchase Price Shares" means the shares of Sykes Stock to be issued to the Seller in consideration of the transfer and assignment of the Quotas pursuant to this Agreement, the number of which will equal 590,000 less the Share Adjustment.

"Related Agreements" means the agreements described in
Section 6.8.

"SEC" means the United States Securities and Exchange Commission.

"Share Adjustment" means a number of shares of Sykes Stock equal to the result of the following formula:

P x.60 , where P equals the Prepayment Amount (in DM).

"Silent Partnership"means the silent partnership between the Company and Hannover Fonds Innovationsfinanzierungs-Gesellschaft mbH & Co Beteiligungs KG.

"Sykes Filings" means the following filings made by Sykes with the SEC: the annual report on Form 10-K for the annual period ending December 31, 1997, the quarterly reports on Form 10-Q for the quarterly periods ending March 31, 1998, June 30, 1998, and September 30, 1998, and the Annual Report to Stockholders and related proxy statement filed on Schedule 14A with respect to an annual meeting of Sykes' shareholders held on [date of 1998 meeting].

"Sykes Stock" means Sykes' common stock, $.01 par value per share.

"Sykes Stock Closing Price" means the average of the closing prices for Sykes Stock as reported on NASDAQ (as published in the Wall Street Journal or, if not reported therein, in another mutually agreed upon authoritative source) for the five (5) consecutive full trading days in which such shares are traded on NASDAQ, ending on the last such trading day prior to the date of determination.

"Seller's Shares" means, with respect to any Seller, a number of shares of Sykes Stock equal to the Purchase Price Shares multiplied by such Seller's percentage ownership (expressed as a decimal) in the Company as shown in Section 2.1.

"Taxes" means all taxes, assessments, and charges imposed by any national, federal, state, provincial, local, or foreign taxing authority, including social security, insurance and other state-sponsored pension funds and all interest, penalties and additions thereto.

"Transfer Agent" means Firstar Trust Company of Milwaukee, Wisconsin, in its capacity as transfer agent for Sykes Stock.

"USGAAP" means generally accepted accounting principles as in effect in the United States on December 31, 1997.

ARTICLE II

PURCHASE, SALE AND ASSIGNMENT OF SHARES ARTICLE

SECTION 2.1. PURCHASE AND SALE OF SHARES Upon the terms and subject to the conditions hereof, each of the Sellers hereby sells to Buyer and Buyer hereby buys from each of the Sellers, all of such Seller's right, title and interest in and to the Quotas set forth below opposite the name of such Seller, in each case together with the right to receive dividends with respect to such Quotas as of October 1, 1997, and the applicable capital reserve, in each case in consideration for the delivery of the Purchase Price Shares as provided in Article III below.

Name	Share Capital	Percentage Interest
Georg J. Stockmann	DM37,500	
	DM7,500	90%
Annette Stockmann	DM5,000	10%
Total	DM50,000	100%
	========	====

SECTION 2.2. ASSIGNMENT OF SHARES Each of the Sellers hereby assigns and transfers such Seller's Quotas as specified in Section 2.1, together with the right to receive dividends on the such Quotas as of October 1, 1997, to Buyer at the Closing and Buyer hereby accepts such assignments. All such assignments are subject to:

(a) the delivery of the Purchase Price Shares in accordance with Article III hereof;

(b) the non-occurrence of a termination of this Agreement in accordance with Section 7.1 prior to the Closing; and

(c) the fulfillment or waiver of all of the conditions precedent specified in Article VIII and Article IX.

Each of the Sellers hereby consents to the sales and transfers effected herein and waives any preemptive rights or rights of first refusal he may have under the Articles of Association of the Company.

ARTICLE III

DELIVERY OF PURCHASE PRICE SHARES

SECTION 3.1. DELIVERY OF PURCHASE PRICE SHARES Upon the terms and subject to the conditions hereof, Sykes shall issue, and Buyer shall deliver, the Purchase Price Shares as follows:

(a) to the Escrow Agent promptly following the Closing, a certificate or certificates issued in the name of each Seller, each such certificate bearing the legend provided for in Section 4.28(g) and evidencing a number of shares equal to ten percent (10%) of the applicable Seller's Shares, rounded down to the nearest whole share, to be held in accordance with a Pledge and Escrow Agreement dated as of the Closing Date by and among Sykes, Buyer, the Sellers and the Escrow Agent substantially in the form of EXHIBIT A (the "Pledge and Escrow Agreement"); and

(b) to each of the Sellers at the Closing, a certificate or certificates or, at Sykes' option, an original or a facsimile copy of an irrevocable letter of instructions (accompanied by an original or a facsimile of a letter from the Transfer Agent acknowledging receipt of such letter of instructions) to the Transfer Agent for the issue and delivery of a certificate or certificates, issued in such Seller's name, each such certificate bearing or to bear the legend provided for in Section 4.28(g) and evidencing or to evidence a number of shares equal to the applicable Seller's Shares remaining after delivery of Seller's Shares for the account of such Seller in accordance with Section 3.1(a) above.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLERS (GARANTIEN)

The Sellers hereby represent and warrant to Sykes and Buyer as follows, the representations and warranties in Sections 4.2 through 4.5 relating to individual Sellers and their respective Quotas being made severally by each such Seller, and all other representations and warranties in this Article IV being made by Georg J. Stockmann only:

SECTION 4.1. CORPORATE ORGANIZATION. The Company is a limited liability company duly organized and validly existing under the laws of the Federal Republic of Germany and has the full right, power and authority to own, lease and operate all of its properties and assets and to carry out the Business as it is presently conducted by the Company. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of property or the conduct of its Business requires such qualification or license. Except as set forth in Section 4.1 of the Disclosure Schedule, there are no corporations, joint ventures, partnerships or other entities or arrangements in which the Company, directly or indirectly, owns any capital stock or any equity interest. All such interests set forth in Section 4.1 of the Disclosure Schedule have been duly authorized and validly issued, are fully paid and non-assessable and were issued without violation of any preemptive rights. The Company is the record and beneficial owner of such interests, and holds such interests free and clear of all liens, pledges or encumbrances of any kind.

SECTION 4.2. CAPITALIZATION. The aggregate stated share capital of the Company consists of DM50,000. The Quotas, which represent all issued share capital of the Company, have been duly authorized and validly issued, are fully paid and nonassessable, were issued without violation of any preemptive rights, and can be transferred to Buyer as provided herein free of any preemptive rights. The Company has not repaid any stated share capital to any of the Sellers, or to any prior holder of the Company's share capital, or paid out any other equity capital in a manner which would adversely affect the Company's ability to pay dividends in a situation in which the Company would otherwise be permitted to pay dividends according to German law. Except for this Agreement and as set forth in Section 4.2 of the Disclosure Schedule, there are no options, warrants or other rights, nor any agreements, commitments or arrangements of any kind, relating to the subscription for or the issuance, voting, acquisition, sale, repurchase, transfer or disposition of (i) any share capital of the Company or securities convertible into or exchangeable for share capital of the Company, or (ii) any options, warrants or subscription rights relating to any such share capital or other securities of the Company.

SECTION 4.3. AUTHORITY; BINDING EFFECT. Each of the Sellers has all requisite right, power and authority to execute, deliver and perform this Agreement and the Related Agreements to which such Seller is a party. This Agreement and the Related Agreements to which the Sellers are parties have been duly and validly executed and delivered by the Sellers and constitute the legal, valid and binding obligations of each of the Sellers, enforceable against each of the Sellers in accordance with their respective terms.

SECTION 4.4. OWNERSHIP OF SHARE CAPITAL; TITLE. Except as disclosed in Section 4.4 of the Disclosure Schedule, each of the Sellers owns of record and beneficially the Quotas set forth beside such Seller's name in Section 2.1. All issued share capital of the Company has been owned of record and beneficially at all times exclusively by individual citizens of, or other Persons organized and existing under the laws of, the Federal Republic of Germany. Each of the Sellers has and will have, on the Closing Date, good, marketable and valid title to the Quotas to be sold by such Seller hereunder, free and clear of all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or other restrictions of any kind, nature or description, other than those referenced in Section 4.4 of the Disclosure Schedule. The execution, delivery, notarization and performance of this Agreement will convey to Buyer at the Closing good title to the Quotas free and clear of all claims, liens, encumbrances, security interests, charges or restrictions on transfer of any nature whatsoever, other than those contained in the Company's Articles of Association. No Seller is involved in any proceedings by or against such Seller under any bankruptcy laws or under any other insolvency or debtor's relief act.

SECTION 4.5. THE SELLERS' CONSENTS AND APPROVALS; NO VIOLATION. Except as set forth in Section 4.5 of the Disclosure Schedule, the execution, delivery and performance by each of the Sellers of this Agreement and the Related Agreements to which he is a party will not (with or without the giving of notice or the passage of time, or both) (a) violate any applicable provision of law or any rule or regulation of any national, federal, state, provincial or local administrative agency or governmental authority applicable to the Sellers, or any order, writ, injunction, judgment or decree of any court, administrative agency or governmental authority applicable to the Sellers, (b) violate or require any consent, waiver or approval under (except for the matters referenced in Section 4.5 of the Disclosure Schedule), result in a breach, modification or termination of any provisions of, constitute a default under, affect the rights under or enforceability of, or result in the imposition of any pledge, security interest or other encumbrance upon any of the Quotas pursuant to, any agreement, indenture, mortgage, deed of trust, lease, license, or other instrument to which any Seller is a party or by which any of them is bound, or any license, permit or certificate held by any of them including, without limitation, those listed on the Disclosure Schedule, or (c) based upon the information provided to the Sellers with respect to Buyer, require any consent or approval by, notice to or registration with any governmental authority or other Person which is applicable to any Seller.

SECTION 4.6. CONSENTS AND APPROVALS; NO VIOLATIONS. Except as set forth in Section 4.6 of the Disclosure Schedule, the execution, delivery and performance by each of the Sellers of this Agreement and the Related Agreements to which he is a party will not (with or without the giving of notice or the passage of time, or both) (a) violate any provision of law or any rule or regulation of any national, federal, state, provincial or local administrative agency or governmental authority applicable to the Company or any order, writ, injunction, judgment or decree of any court, administrative agency or governmental authority applicable to the Company, (b) violate the organizational documents of the Company, (c) violate or require any consent, waiver or approval under, result in a breach, modification or termination of any provisions of, constitute a default under, affect the rights under or enforceability of, result in the imposition of any pledge, security interest or other encumbrance pursuant to, or give any Person the right to terminate, modify or renegotiate any provision of, any agreement, indenture, mortgage, deed of trust, lease, license, or other instrument to which the Company is a party or by which the Company is bound, or any license, permit or certificate held by the Company including, without limitation, those listed on the Disclosure Schedule, (d) based upon the information provided to the Sellers with respect to Buyer, require any consent or approval by, notice to or registration with any governmental authority or other Person which is applicable to the Company, or (e) result in the creation of any lien, claim, encumbrance or charge upon any property or assets of the Company.

SECTION 4.7. FINANCIAL STATEMENTS.

(a) Section 4.7(a) of the Disclosure Schedule contains the audited balance sheet and the related audited income statement (including any related notes thereto) of the Company as of and for the fiscal years ended September 30, 1996, September 30, 1997 and (ii) the Interim Balance Sheet and the related unaudited income statements of the Company as of and for the twelve-month period ending as of the Interim Balance Sheet Date (including any related notes thereto) (collectively, the "Financial Statements").

(b) Except as set forth on Section 4.7(b) of the Disclosure Schedule, the Financial Statements (i) are true, correct and complete in all material respects; (ii) are in accordance with the books and records of the Company; (iii) have been prepared in accordance with principles of orderly bookkeeping and GGAAP applied on a consistent basis throughout the periods involved, respecting principles of prudence and continuity; (iv) fairly present, in the case of each year-end balance sheet and the Interim Balance Sheet, the financial position of the Company as of the respective dates thereof and, in the case of the related income statements, the results of operations and earnings of the Company for the respective periods indicated; and (v) in the case of the Interim Balance Sheet, were prepared in accordance with principles applicable to a year-end balance sheet and present information comparable to other balance sheets included in the Financial Statements.

SECTION 4.8. UNDISCLOSED LIABILITIES. Except as set forth on
Section 4.8 of the Disclosure Schedule, the Company has no liabilities (absolute, accrued, contingent or otherwise) which are required to be reflected in a balance sheet or in the notes thereto under GGAAP, except (a) liabilities reflected or reserved against in the Interim Balance Sheet, and (b) liabilities incurred since the Interim Balance Sheet Date in the ordinary course of business, or which, in the aggregate, do not exceed DM10,000 with respect to the Company.

SECTION 4.9. TAXES. Except as set forth in Section 4.9 of the Disclosure Schedule, the Company has timely filed all returns, declarations, reports, information returns and statements required to be filed by it (the "Returns") in respect of any Taxes and has paid all Taxes currently due and payable by it. Except as set forth in Section 4.9 of the Disclosure Schedule, the Returns accurately and completely reflect the facts regarding the income, properties, operations and status of any entity required to be shown thereon, and no notice of any proposed deficiency, assessment or levy in respect of Taxes has been received by the Company. Except as set forth in Section 4.9 of the Disclosure Schedule, the Company is not currently nor, during the past three years, has been the subject of an audit or in receipt of a notice that it is being or will be audited by a relevant Taxing authority, or has agreed to any extension of time of any applicable statute of limitations period, and the Company has duly withheld from each payment from which such withholding is required by law, the amount of all Taxes required to be withheld therefrom and has paid the same (to the extent due) together with the employer's share of the same, if any, to the proper Tax receiving officers. Except as set forth in
Section 4.9 of the Disclosure Schedule, the charges, accruals, and reserves for Taxes due, or accrued but not yet due, relating to the income, properties or operations of the Company for any period prior to or including the Closing Date as reflected on the books of the Company are adequate in all material respects to cover such Taxes, all Tax deficiencies which have been proposed or asserted against the Company have been fully paid or finally settled, and no issue has been raised in any examination which, by application of similar principles, can be expected to result in the proposal or assertion of a Tax deficiency for any other year not so examined, the Company has not received any Tax incentive, abatement or other credit with respect to its assets, the Business, its employees or otherwise which contains provisions for the repayment of any Tax benefit, and the Company has incurred liabilities for Taxes only in the ordinary course of the Business. The Company has never conducted business in the United States, has never had any assets, employees or shareholders located or resident in the United States, and has never made any election with the United States Internal Revenue Service regarding Taxes in the United States.

SECTION 4.10. TITLE TO PROPERTIES.

(a) Section 4.10(a) of the Disclosure Schedule sets forth a complete and accurate list of all fixed assets owned by the Company and used in the Business as of the Interim Balance Sheet Date.

(b) Except for the normal reservation of title of suppliers to the extent not paid and as set forth in Section 4.10(b) of the Disclosure Schedule, the Company has good and marketable title to all the personal property and assets (tangible and intangible) reflected as owned by it on the Interim Balance Sheet or acquired since the Interim Balance Sheet Date (except for properties and assets disposed of since such date in the ordinary course of business and consistent with past practice), free and clear of all liens, charges, security interests or other encumbrances of any nature whatsoever.

(c) Except as set forth on Section 4.10(c) of the Disclosure Schedule, all such assets (i) are now in the possession of the Company, (ii) are not subject to claims by any other Person with a right to possession of all or any part of such assets, (iii) are in good operating condition (ordinary wear and tear excepted), (iv) are not, individually or in the aggregate, in need of any repairs which individually or in the aggregate could cost in excess of DM10,000, and (v) are located on the Real Property referenced in Section 4.32 or on the Leased Real Property.

SECTION 4.11. ABSENCE OF CHANGES. Except as set forth in Section 4.11 of the Disclosure Schedule, since September 30, 1997, the Company has operated only in the ordinary course of the Business in all material respects and there has not been with respect to the Company:

(a) any change or changes in the Business, financial condition, properties, results of operations or assets or liabilities, or any development or event involving a prospective change, other than changes in the ordinary course of the Business and other than changes which singularly or in the aggregate, have not had and will not have a Material Adverse Effect;

(b) any material damage or destruction, loss or other casualty, however arising and whether or not covered by insurance;

(c) any labor dispute or any other similar event or condition of any character involving employees of the Company;

(d) any indebtedness incurred for borrowed money (except by endorsement for collection or for deposit of negotiable instruments received in the ordinary course of the Business);

(e) any change in the accounting methods, procedures or practices or any change in depreciation or amortization policies or rates theretofore adopted;

(f) any amendment or termination of any contract, agreement, lease, franchise or license;

(g) any amendment of its organizational documents;

(h) any mortgage, pledge or other encumbering of any property or assets;

(i) any material liability or obligation incurred, except current liabilities incurred in the ordinary course of the Business, or any cancellation or compromise of any material debt or claim, or any waiver or release of any right of substantial value to the Business;

(j) any sale, transfer, lease, abandonment or other disposal of any machinery, equipment or real property with a fair market value in excess of DM10,000 or, except in the ordinary course of the Business, any sale, transfer, lease, abandonment or other disposal of any portion of any other properties or assets (real, personal or mixed, tangible or intangible);

(k) any transfer, disposal or grant of any rights under any Intellectual Property owned by the Company, or any disposal of or disclosure to any other Person other than representatives of Buyer or Sykes of any material trade secret, formula, process or know-how not theretofore a matter of public knowledge; except, in each case, in the ordinary course of the Business;

(l) any bonus or other increase in the compensation of its officers, employees or directors, or any agreement entered into with any officer, employee or director, except, in each case, in the ordinary course of the Business and consistent with past practice;

(m) any single capital expenditure made, or any commitment to make any capital expenditure, in excess of DM10,000 for any tangible or intangible capital assets, additions or improvements, except in the ordinary course of the Business;

(n) any declaration, payment or reservation for payment of any dividend or other distribution in respect of the Quotas or any other securities, or any redemption, purchase or other acquisition, directly or indirectly, of any Quotas or other securities of the Company;

(o) any grant or extension of any power-of-attorney

or guaranty in respect of the obligation of any other Person;

(p) any forward purchase commitments involving more than DM10,000 in the aggregate or any other purchase commitments that are not in the ordinary course of the Business;

(q)the adoption of any ruling, law, ordinance, statute, rule, regulation, code, or other requirement of any governmental authority which adversely affects the Company or the Business; or

(r) any entry into any binding agreement, whether in writing or otherwise, to take any action described in this Section 4.11.

SECTION 4.12. INTELLECTUAL PROPERTY.

(a) Section 4.12(a) of the Disclosure Schedule contains a list and description (including information with respect to registration) of all Intellectual Property owned or used by the Company, subdivided by type of Intellectual Property. The Company owns or has the right to use all Intellectual Property used by it in the conduct of the Business as presently conducted by it. Except for the rights and licenses granted to the Company under software contracts, the Company owns all right, title and interest in the Intellectual Property required to be identified on Section 4.12(a) of the Disclosure Schedule, free and clear of any encumbrance. The Company has not granted, transferred, or assigned any right or interest in its Intellectual Property to any other Person.

(b) Except as disclosed in Section 4.12(b) of the Disclosure Schedule, no fees or royalties are payable or will be payable under any software contracts listed in Section 4.12(a) of the Disclosure Schedule as a result of the continued use of licensed software by the Company in the ordinary course of the Business, other than fees or royalties due for upgrades and fees or royalties that do not exceed DM20,000 per year in the aggregate.

(c) Except as disclosed in Section 4.12(c) of the Disclosure Schedule, (i) all registrations for Intellectual Property required to be identified in Section 4.12(a) of the Disclosure Schedule as being owned by the Company are valid and in force and applications to register any unregistered Intellectual Property so identified are pending and in good standing, all without challenge of any kind and to the best knowledge of the Sellers, there is no basis for any such challenge; and (ii) the Company has the exclusive right to bring actions for infringement or unauthorized use of the Intellectual Property identified as being owned by the Company, and there is, to the best knowledge of the Sellers, no basis for any such action.

(d) Except as disclosed in Section 4.12(d) of the Disclosure Schedule, all trade secrets of the Company (i) have at all times been maintained in confidence, and (ii) have not been disclosed to employees, consultants or other third parties except on a ,,need to know" basis in connection with their respective performance of duties to the Company.

(e) Except as disclosed in Section 4.12(e) of the Disclosure Schedule, no claims have been asserted by any Person against the Company claiming ownership of or right to use any of the Intellectual Property required to be disclosed on Section 4.12(a) of the Disclosure Schedule (other than ownership of Intellectual Property licensed to the Company under the software contracts listed on Section 4.12(a) of the Disclosure Schedule) nor, to the best knowledge of the Sellers, is there any basis for any such claim. The use of the Intellectual Property by the Company has not infringed on the rights of any Person and, except as disclosed in Section 4.12(e) of the Disclosure Schedule, no claim of infringement or any misuse or misappropriation of any the Intellectual Property of any other Person has been made or asserted against the Company in respect of the Business, nor is there, to the best knowledge of the Sellers, any basis for any such claim.

(f) Except as provided for in Section 4.12 (f) of the Disclosure Schedule, the Company has confirmed, through appropriate testing or written certifications from publishers, that all computer software used in or material to the Business and which is either (i) owned or licensed by the Company or (ii) owned or licensed by DTM (as defined in Section 4.15 (b)) (the "Software") will record, store, process and present calendar dates falling on or after January 1, 2000 in the same manner and with the same functionality as the Software records, processes and stores calendar dates falling on or before December 31, 1999.

SECTION 4.13. LEASES. Section 4.13 of the Disclosure Schedule contains an accurate and complete list of all leases pursuant to which the Company leases real or personal property. Except as set forth in Section 4.13 of the Disclosure Schedule, all such leases are in full force and effect and are valid, binding and enforceable in accordance with their terms; there are no existing defaults or events which, with the giving of notice or the lapse of time or both, would constitute a default thereunder by the Company or any other parties thereto. Except as set forth in Section 4.13 of the Disclosure Schedule, all leased items of personality are in good operating condition, are in a state of good maintenance and repair and are adequate and suitable for the purpose for which they are presently being used. Each such lease contains terms and conditions obtained from independent third parties and negotiated in good faith at arms-length. None of the rights of the Company under each such lease is subject to termination or modification as a result of the transactions contemplated hereby.

SECTION 4.14. BANK ACCOUNTS; INVESTMENTS; POWERS OF ATTORNEY.

(a) Section 4.14(a) of the Disclosure Schedule sets forth the names and locations of all banks, trust companies, savings and loan associations and other financial institutions at which the Company maintains safe deposit boxes or accounts of any nature and the names (and limits, if any) of all persons authorized to draw thereon, make withdrawals therefrom or have access thereto.

(b) Section 4.14(b) of the Disclosure Schedule sets forth a list and description (including interest rates and other significant terms) of all funds, securities and other instruments in which excess cash of the Company was invested as of the Interim Balance Sheet Date (the "Investments"). All such Investments are investment grade and can be liquidated within one business day without being discounted.

(c) Except as set forth in Section 4.14(c) of the Disclosure Schedule, neither the Company nor any of its Affiliates beneficially or of record owns any shares of Sykes Stock.

(d) The Company has not granted or extended to any Person, nor is the Company otherwise subject to or bound by, any power of attorney which remains in effect, except for the authorizations set forth in Section 4.14(a) of the Disclosure Schedule.

SECTION 4.15. MATERIAL CONTRACTS AND CUSTOMERS.

(a) Section 4.15(a) of the Disclosure Schedule contains a true and correct list of all material contracts, agreements or other understandings or arrangements, written or oral, or commitments therefor, relating to the Company, the Business, or the assets or liabilities of Company (collectively, the "Contracts"). Except as set forth in Section 4.15(a) of the Disclosure Schedule, the Company is not a party to, or otherwise bound by, any written or oral, formal or informal:

(i)purchase orders and other contracts, in each case for the sale of goods or services, in excess of DM40,000 (net of value added taxes) individually or, for any group of related purchase orders and contracts, in the aggregate;

(ii)contracts, agreements or commitments for the purchase of materials or services which are not required by the Company in the current operation of the Business in the ordinary course, or any agreements or commitments for the sale of goods or services which are inadequate to recover current costs of the Company;

(iii)contracts involving the expenditure for the purchase of material, supplies, equipment or services of more than DM40,000 per contract;

(iv)contracts not otherwise referenced involving the expenditure of more than DM40,000 (per contract) which are not cancelable within thirty (30) days without penalty;

(v)contracts relating to the leasing (as lessor or lessee) or the conditional purchase or sale by the Company of any property, whether real, personal or mixed;

(vi)contracts to which the Company is a party or by which any of its assets are bound and that require consent by any other Person in connection with the transaction contemplated hereby, either to prevent a breach or continue the effectiveness thereof;

(vii)contracts or arrangements with any governmental body, agency or authority;

(viii)indentures, mortgages, promissory notes, loan agreements, capital leases, security agreements or other agreements or commitments for the borrowing of money, or the deferred purchase price of assets, or which create a lien or encumbrance on any assets of the Company;

(ix)guarantees of the obligations of third parties or agreements to indemnify third parties (other than indemnification provisions provided in the ordinary course to or for the benefit of the customers of the Company);

(x)agreements which restrict the Company

from doing business in any geographic location;

(xi)policies of insurance in force and effect with respect to the Company, the Business or its assets;

(xii)contracts or agreements not otherwise referenced with any of the Sellers or their Affiliates;

(xiii)license agreements (as licensee or licensor) with third parties;

(xiv)employment or consulting agreements which vary materially from the model employment agreements referenced in Section 4.18(b) or which involve the payment of DM50,000 or more during any twelve month period;

(xv)distributor, dealer, sales, advertising, agency, manufacturer's representative, franchise or similar contracts or any contract relating to the payment of a commission;

(xvi)collective bargaining or other agreements with labor unions;

(xvii)contracts or agreements for charitable contributions by the Company;

(xviii)any contract or agreement which could reasonably be expected to have a Material Adverse Effect on the Company; or

(xix)other contracts outside the ordinary course of the Business which are not otherwise described in this Subsection.

(b) True and complete copies of each of the Contracts have been made available to Buyer and Sykes by the Sellers. Each of the Contracts is in full force and effect and there exists no default or event which, with the giving of notice or lapse of time or both, would constitute a default thereunder by the Company or, to the knowledge of the Sellers, by any other party thereto. Except as referenced in Section 4.6 of the Disclosure Schedule, none of the rights of the Company under any of the Contracts is subject to termination or modification as a result of the transactions contemplated hereby. With respect to the item referenced in Section 4.6 of the Disclosure Schedule, the Sellers have no reason to believe that the relationship of the Company with DeTeMobil Deutsche Telekom MobilNet GmbH ("DTM") will be discontinued as a result of the transactions contemplated hereby. Without limiting the preceding sentence, Mr. Buchholz, the DTM official with whom the Sellers have discussed the pending transaction, is the DTM official responsible for its customer care group and has the authority to make a binding commitment in this regard. No notice of termination or nonrenewal has been given under any Contract. All Contracts contain terms and conditions not less favorable to the Company than those that would be obtained from independent third parties and have been negotiated in good faith at arms-length. None of the Contracts with suppliers of goods or services to the Company requires the payment of any commission, royalty, fee, brokerage fee or other similar charge. For the purposes of Section 4.15(a), "material" contracts means contracts described in Section 4.15(a)(i) through (xix). The amounts set forth in this Section 4.15 with respect to the Contracts shall not be deemed to represent any standard of "materiality" with respect to the Contracts or otherwise for any other purpose and shall have no application to any other Section of this Agreement.

(c) Section 4.15(c) of the Disclosure Schedule contains a list of the name and location of the five (5) largest customers (the "Customers") and the five (5) largest suppliers, in each case measured by revenues generated or amounts paid, of the Business as of the Interim Balance Sheet Date. The relationships of the Company with each of the Customers is good, and no Seller is aware of any intention of any such Customers or suppliers to terminate or modify any of such relationships. The Company is not generally required to provide bonding or any other security arrangements in connection with any transactions with its customers or suppliers.

SECTION 4.16. RELATED TRANSACTIONS.

(a) Except as set forth in Section 4.16 of the Disclosure Schedule, the Company has no contractual relationship with, or any obligation or liability owed to, any of its Affiliates, any Affiliate of the Sellers, or any entity of which one or more Sellers is an Affiliate. All such contractual relationships are on terms that are no less favorable to the Company than would be the case with a non-affiliated party.

(b) Except as set forth in Section 4.16 of the Disclosure Schedule, neither the Sellers nor any director or officer of the Company, nor any Affiliate of any of them has any interest, direct or indirect, in any Person which (i) is a competitor, customer, subcontractor of supplier of the Company, or (ii) has an existing relationship with, or an interest in, the Company including but not limited to lessors of real or personal property and Persons against which rights or options are exercisable by the Company.

SECTION 4.17. INSURANCE. Section 4.17(a) of the Disclosure Schedule contains an accurate and complete list of all policies of insurance presently maintained with respect to the

Company including, without limitation, "key man" insurance with respect to any employee. Such list includes a description of coverage, the amount of coverage and the name of the insurer or an indication that the Company has self-insured any particular aspect of the Business. All such policies are in full force and effect and no notice of cancellation or termination has been received with respect to any such policy and there is, and has been, no default by the Company with respect to its obligations under any such policy. Except as set forth in Section 4.17(b) of the Disclosure Schedule, the Sellers and the Company have not received during the past two (2) years any written notice or other written communication from any insurance company declining to write insurance with respect to the Business, or canceling or amending any of the Company's insurance policies or proposing to do so. Section 4.17(c) of the Disclosure Schedule sets forth a summary of information pertaining to property damage, personal injury and products liability claims filed by the Company during the past five (5) years which exceed DM2,000 in any instance, all of which have been paid or are being defended by the Company's insurance carriers and involve no exposure to the Company. Section 4.17(d) of the Disclosure Schedule sets forth a complete list of any claims that the Company has under any of its insurance policies which have not been fully paid to the Company.

SECTION 4.18. LABOR MATTERS.

(a) Except to the extent set forth in Section 4.18(a) of the Disclosure Schedule, (i) the Company is in compliance with all rulings, laws, ordinances, statutes, rules, regulations, codes, and other requirements of any governmental authority with respect to employment and employment practices, (ii) there is no unfair labor practice charge or complaint against the Company pending before or, to the best knowledge of the Sellers, threatened to be brought before any labor grievance board, authority or tribunal, nor has any such charge or complaint been, to the best knowledge of the Sellers, threatened against the Company; (iii) there is no labor strike, dispute, slowdown, or stoppage pending against or affecting the Company; (iv) the Company is not a party to any collective bargaining agreement or contract with any labor union and no works council exists with respect to employees of the Company; (v) the Company has not experienced any labor difficulty during the last three (3) years; and (vi) there are no other controversies pending between the Company and any of its employees including, without limitation, claims arising under any labor laws. There has not been any adverse change in relations with employees of the Company as a result of any announcement or other disclosure of the transactions contemplated by this Agreement.

(b) Section 4.18(b) of the Disclosure Schedule sets forth a list of the names of all employees, consultants, officers and directors of the Company as of the date hereof, including length of employment and date of birth. Except as indicated on Section 4.18(b) of the Disclosure Schedule, all employees have executed one of the Company's model employment agreements. The Sellers have delivered to Sykes (i) copies of the Company's model employment agreements, (ii) copies of all written employment agreements to which the Company is a party with any of its employees identified in Section 4.18(b) of the Disclosure Schedule as having agreements which vary materially from the model employment agreements, (iii) written summaries of the terms of all oral employment agreements that are other than at-will and which vary materially from the applicable model employment agreements, and (iv) a schedule of compensation for all employees.

SECTION 4.19. EMPLOYEE BENEFIT PLANS.

(a) Set forth in Section 4.19 of the Disclosure Schedule is an accurate and complete list of each Employee Benefit Plan (other than Employee Benefit Plans provided by statute) maintained or contributed to by the Company.

(b) Except as set forth in Section 4.19 of the Disclosure Schedule, all amounts that the Company is required to have contributed to any Employee Benefit Plan have been contributed within the time prescribed by applicable law and all benefits, expenses, and other amounts due and payable and all transfers or payments required to be made with respect to any Employee Benefit Plan have been paid within the time prescribed by the applicable documents and governing law.

(c) Except as set forth in Section 4.19 of the Disclosure Schedule, there are no claims (other than routine claims for benefits) or lawsuits pending with respect to any Employee Benefit Plan.

(d) Except as set forth in Section 4.19 of the Disclosure Schedule, the Sellers have previously delivered or made available to Buyer and Sykes true and complete copies of the plan documents for each Employee Benefit Plan identified in Section 4.19 of the Disclosure Schedule.

SECTION 4.20. LITIGATION. Except as set forth in Section 4.20 of the Disclosure Schedule, there are no claims, actions, suits, or proceedings pending or, to the best knowledge of the Sellers, threatened against the Company relating to this Agreement or the transactions contemplated hereby or to the Business or the properties of the Company at law or in equity or before or by any national, federal, state, provincial, local, or foreign court or other governmental department, commission, board, agency, instrumentality or authority, nor any arbitration proceeding, in each case including, without limitation, any claims relating to environmental matters. The Company is not subject to any adverse judgment, order, writ, injunction or decree of any court or governmental body.

SECTION 4.21. COMPLIANCE WITH LAWS. Except as set forth in
Section 4.21 of the Disclosure Schedule, the Company has conducted the Business so as to comply with in all material respects, and is not in material violation of, nor has it received any written notice claiming it is in material violation of any order, law, ordinance, statute, rule or regulation applicable to it, or to the Business or any of the property or assets of it including, without limitation, any environmental or worker safety and protection laws and regulations. The Company has all

material licenses, permits, certificates of occupancy and authorizations necessary to conduct the Business.

SECTION 4.22. BOOKS AND RECORDS. The books, accounts and records of the Company (a) are located at its headquarters at Windausstrasse 1, 30163 Hannover, Federal Republic of Germany, (b) are correct and complete in all material respects, (c) have been maintained in accordance with law and good business practice, and (d) constitute all the books, accounts and records necessary to carry on the Business in the manner in which it is currently being conducted and has over the preceding twelve (12) months been carried on. The copies of the organizational documents and of the minutes of all Quota holder and director meetings of the Company hereto delivered by the Sellers to Buyer and Sykes are complete and correct.

SECTION 4.23. COPIES OF DOCUMENTS SECTION 4.23. COPIES OF DOCUMENTS. Each of the Sellers and the Company has delivered or specifically made available to Buyer, Sykes and their advisors true, complete and correct copies of all documents referred to in this Agreement or in any Section of the Disclosure Schedule with the understanding and intention that Buyer and Sykes may and will rely upon the completeness and accuracy thereof.

SECTION 4.24. ADEQUACY OF ASSETS. Except as set forth in
Section 4.24 of the Disclosure Schedule, the assets of the Company and the facilities, assets and services to which the Company has a contractual right of use include all rights, properties, assets, facilities and services necessary or appropriate for the carrying on of the Business in the manner in which it is currently being and has over the immediately preceding twelve (12) months been carried on, and the Company does not depend in any respect upon the use of assets owned by, or facilities or services provided by, any of the Sellers or any Affiliate of any of them.

SECTION 4.25. GRANTS. The Company has never received any Grants.

SECTION 4.26. ACCOUNTS RECEIVABLE. Section 4.26 of the Disclosure Schedule sets forth a true and correct list and aging of all unpaid accounts receivable owing to the Company as of the Interim Balance Sheet Date. The accounts receivable of the Company including, without limitation, those reflected in Section 4.26 of the Disclosure Schedule, constitute or will constitute as of the respective dates thereof, legal, valid, binding and enforceable claims arising from bona fide transactions in the ordinary course of the Business and, except to the extent reserved against on the Interim Balance Sheet, are or will be as of the respective dates thereof collectible in the ordinary course of the Business and are not subject to any known counterclaims or set-offs. The reserves for doubtful accounts and allowances with respect to the accounts receivables generated after the Interim Balance Sheet Date and prior to the Closing will be established on the basis of evaluation of specific accounts and age classifications in accordance with GGAAP.

SECTION 4.27. BROKERS AND FINDERS. No agent, broker, investment banker, person or firm acting on behalf of the Company, the Sellers or any Affiliate of any of them is or will be entitled to any brokers' or finders' fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with the transactions contemplated hereby.

SECTION 4.28. INVESTMENT INTENT; INFORMATION DISCLOSURES.

(a) Each of the Sellers acknowledges that the Sykes Stock to be received by such Seller will be acquired for such Seller's own account and without any view to the distribution of any part thereof without registration under applicable federal and state securities laws, or the delivery to Sykes of an opinion of counsel that registration is not required in accordance with Section 4.28(e) hereof. Each Seller represents that such Seller does not have any agreements or arrangements to sell, transfer or grant a participation with respect to the Purchase Price Shares.

(b) Each Seller understands that the shares of Sykes Stock constituting the Purchase Price Shares are not registered under the United States federal or state securities laws in part on the grounds that the transactions contemplated hereby are exempt from registration under the Securities Act of 1933 (the "1933 Act") pursuant to Section 4(2) thereof, and that Buyer's and Sykes' reliance on such exemption is predicated on each Seller's representations set forth herein.

(c) Each Seller represents that such Seller has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Purchase Price Shares, and has the ability to bear the economic risks of such investment. Each Seller further represents that such Seller has had (i) access, prior to the Closing Date, to the Sykes Filings (ii) the opportunity to ask questions of, and receive answers from, Sykes concerning Sykes and the Purchase Price Shares, and
(iii) the opportunity to obtain additional information (to the extent Sykes possessed such information or could acquire it without unreasonable expense) necessary to verify the accuracy of any information received or to which such Seller had access.

(d) Each Seller understands and agrees that the Purchase Price Shares may not be sold, transferred or otherwise disposed of without registration under the 1933 Act and applicable state laws, unless exemptions from registration requirements are available, and that in the absence of an effective registration statement covering the Purchase Price Shares or an available exemption from applicable registration requirements, the Purchase Price Shares must be held indefinitely. In particular, the Purchase Price Shares may not be sold pursuant to Rule 144 promulgated under the 1933 Act unless all of the conditions of such rule are met.

(e) Each Seller agrees that such Seller will not offer, sell, mortgage, pledge or otherwise dispose of any of the Purchase Price Shares (other than pursuant to an effective registration statement under the 1933 Act) unless and until such Seller delivers an opinion of counsel satisfactory to Sykes, or Sykes delivers to the Sellers an opinion of counsel, that registration under applicable federal or state securities laws is not required.

(f) In addition, each Seller agrees that such Seller shall not sell, assign, pledge, encumber or otherwise transfer any of the Purchase Price Shares (or any interest therein) unless:

(i)such transfer occurs after financial results reflecting at least thirty days of post-Closing combined operations of the Company and Sykes have been prepared and published within the meaning of
Section 201.01 of the SEC's Codification of Financial Reporting Policies; and

(ii)either (A) such transfer occurs after the first anniversary of the Closing, or (B) after giving effect to the transfer, such Seller will continue to own at least fifty percent (50%) of the Purchase Price Shares issued to him at the Closing (adjusted to account for any additional shares issued in respect of such shares by way of stock splits, stock dividends or otherwise).

(g) Each Seller agrees that all certificates for Purchase Price Shares shall bear a legend in substantially the following form:

The securities represented by this certificate have not been registered, qualified, recommended, approved or disapproved under United States federal securities law or state securities laws. The shares represented by this certificate may not be sold, transferred or otherwise disposed of by an investor without (i) registration under federal and state securities laws, or (ii) delivery of an opinion of counsel satisfactory to the corporation that neither the sale nor the proposed transfer constitutes a violation of any United States federal or state securities law.

The securities represented by this certificate are subject to certain transfer restrictions set forth in an Acquisition Agreement dated as of November 23, 1998 (a copy of which may be obtained from the Company at its principal executive office), and may not be sold, assigned, pledged, encumbered or otherwise transferred except in compliance with the terms and conditions of such agreement.

SECTION 4.29 POOLING OF INTERESTS. The Sellers acknowledge that Sykes intends to account for the acquisition of the Quotas as a pooling of interests, and that qualifying for such accounting treatment is dependent in part upon actions taken, or not taken, by the Company and the Sellers both before and after the date hereof. In this regard, and with the understanding that Sykes is relying thereon in making its commitment to enter into this transaction, the Sellers warrant that the Sellers, the Company and their respective Affiliates have not, directly or indirectly, taken any of the following actions, which Sellers acknowledge could prevent Sykes from obtaining such pooling accounting treatment:

(a) acquired or sold, assigned, transferred or otherwise disposed of, or reduced any risk relative to, any Quotas or Sykes Stock in contemplation of the transactions provided for herein;

(b) paid or received any dividends or other distributions with respect to the capital interests of the Company, other than distributions in the ordinary course of the Company's Business and not in contemplation of the transactions provided for herein;

(c) altered the relative ownership interests of the Sellers in the Company in contemplation of the transactions provided for herein;

(d) disposed of any part of the assets of the Company within the nine months preceding the date hereof or in contemplation of the transactions provided for herein;

(e) become a party to any contract, document, instrument or any written or oral agreement regarding the sale, assignment or transfer of, or allowed to be created any rights or obligations for the sale, assignment or transfer of, or explicitly or impliedly agreed to sell, assign or transfer any of the Quotas held by any of the Sellers to any other Seller or any Affiliate of any other Seller; or

(f) entered into any agreement to do any of the foregoing, including without limitation, any agreement to distribute or dispose of any part of the assets of the Company upon the consummation of the transactions provided for herein.

SECTION 4.30 RESTRICTIVE COVENANTS. Except as disclosed in Section 4.30 of the Disclosure Schedule, the Company is not subject to, or a party to, any mortgage, lien, lease, license, permit, agreement, contract, instrument, law, rule, ordinance, regulation, order, judgment or decree, or any other restriction of any kind or character, which materially adversely affects its Business practices, operations or condition or any of its assets or properties, which restricts its ability to acquire any property or conduct its Business in any area or which would prevent consummation of the transactions contemplated by this Agreement, compliance by it with the terms, conditions and provisions hereof or the operation of its Business by it after the date hereof on substantially the same basis as heretofore operated by it.

SECTION 4.31 PRODUCT LIABILITIES AND WARRANTIES. There are no express or implied warranties applicable to products or services sold or provided by the Company except as provided by statute or disclosed on Section 4.31 of the Disclosure Schedule. Except as set forth in Section 4.31 of the Disclosure Schedule, there is no action, suit, proceeding or claim pending or, to the best knowledge of the Sellers, threatened against the Company under any warranty, express or implied, and there is no basis upon which any claim could be made.
Section 4.31 of the

Disclosure Schedule also summarizes all product liability claims that have been asserted against the Company during the five (5) years preceding the date of this Agreement.

SECTION 4.32 REAL ESTATE. Section 4.32 of the Disclosure Schedule sets forth a complete and accurate list of all real property owned by the Company (the "Real Property"). Except as set forth in Section 4.32 of the Disclosure Schedule, the Company owns the Real Property in fee simple free and clear of all easements, covenants, mortgages, liens, leases or encumbrances. Except as set forth in Section 4.32 of the Disclosure Schedule, all buildings, structures and appurtenances located on the Real Property are in good operating condition and in a state of good repair, are adequate and suitable for the purposes for which they are presently being used, do not contain any asbestos or asbestos-containing materials, and, with respect to each, the Company has adequate rights of ingress and egress for the operation of the Business in the ordinary course. Except as set forth in Section 4.32 of the Disclosure Schedule, (i) none of such buildings, structures or appurtenances (or any equipment therein), including the operation and maintenance thereof, violates any restrictive covenant or any provision of any national, federal, state, provincial or local law, ordinance, rule or regulation including, without limitation, zoning ordinances but excluding environmental laws regulating Hazardous Materials which are addressed in Section 4.33; and (ii) none of such buildings, structures or improvements encroaches in any respect upon any property owned by others. No condemnation proceeding is pending or threatened which would preclude or impair the use of any of the Real Property, or any building, structure, appurtenances thereon, in connection with the operation of the Business.

SECTION 4.33 ENVIRONMENTAL MATTERS.

(a) Except as set forth in Section 4.33, to the Sellers' knowledge there are no Hazardous Materials in, on or under (including, without limitation, the soil or groundwater thereunder) the Real Property or any real property leased by the Company.

(b) For purposes of this Agreement, "Hazardous Materials" means any hazardous substances, oils, pollutants or contaminants, as those terms are defined under any environmental law to the extent that the presence of any such substance is at a level in excess of that permitted by any environmental law.

SECTION 4.34 DISCLOSURE. None of the representations or warranties by the Sellers herein, no statement contained in any certificate, list or other writing furnished to Buyer or Sykes pursuant hereto and no statement contained in any Section of the Disclosure Schedule, taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading. There is no fact known to the Sellers which materially and adversely affects the Business, the Company, or the prospects or financial condition of the Company, which has not been set forth in this Agreement or in a Section of the Disclosure Schedule.

ARTICLE V

REPRESENTATIONS AND WARRANTIES
OF SYKES AND BUYER (GARANTIEN)

Sykes and Buyer, jointly and severally, hereby represent and warrant to the Sellers as follows:

SECTION 5.1. CORPORATE ORGANIZATION. Each of Buyer and Sykes is a corporation or limited liability company, as the case may be, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the full right, power and authority to own, lease and operate all of its properties and assets and to carry out its business as it is presently conducted.

SECTION 5.2. CAPITALIZATION OF SYKES. All issued and outstanding shares of Sykes Stock have been, and upon issuance the Purchase Price Shares will be, duly authorized and validly issued, fully paid and nonassessable. The issuance of the Purchase Price Shares is not subject to any preemptive right or right of first refusal that has not or will not be satisfied or waived.

SECTION 5.3. AUTHORITY. Each of Buyer and Sykes has all requisite right, power and authority to execute, deliver and perform this Agreement. The execution, delivery and performance of this Agreement and the Related Agreements by Buyer and Sykes have been duly and validly authorized and approved by all necessary corporate action. This Agreement has been duly and validly executed and delivered by Buyer and Sykes and, assuming this Agreement has been duly authorized, executed and delivered by the Sellers, constitutes the legal, valid and binding obligation of Buyer and Sykes, enforceable against each of them in accordance with its terms.

SECTION 5.4. SYKES' CONSENTS AND APPROVALS; NO VIOLATIONS. The execution, delivery and performance of this Agreement by Buyer and Sykes will not (with or without the giving of notice or the passage of time, or both), (a) violate in any material respect any applicable provision of law or any rule or regulation of any administrative agency or governmental authority applicable to Buyer or Sykes, or any order, writ, injunction, judgment or decree of any court, administrative agency or governmental authority applicable to Buyer or Sykes, (b) violate the organizational documents of Buyer or the Articles of Incorporation or Bylaws of Sykes, (c) violate or require any consent, waiver or approval under, result in a breach, modification or termination of any of any provisions of, constitute a default under, affect the rights under or enforceability of, result in the imposition of any pledge, security interest or other encumbrance pursuant to, give any Person the right to terminate, modify or renegotiate any provision of, any material agreement, indenture, mortgage, deed of trust, lease, license, or other instrument to which Buyer or Sykes is a party or by which Buyer or Sykes is bound, or any material license, permit or certificate held by Buyer or Sykes (other than any consents which will have been obtained on or prior to the

Closing Date), or (d) based upon the information provided to the Buyer with respect to the Sellers, require any material consent or approval by, notice to, or registration with any governmental authority.

SECTION 5.5. LITIGATION. There are no claims, actions, suits, or proceedings pending or, to the best knowledge of Buyer and Sykes, threatened, against Buyer or Sykes relating to this Agreement or the transactions contemplated hereby or to the business or property of Buyer or Sykes, at law or in equity or before or by any national, federal, state, provincial, local, or foreign court or other governmental department, commission, board, agency, instrumentality or authority, or any arbitration proceeding, in each case which are likely to have a Material Adverse Effect. Neither Buyer nor Sykes is subject to any judgment, order, writ, injunction or decree of any court or governmental body.

SECTION 5.6. BROKERS AND FINDERS. No agent, broker, investment banker, Person or firm acting on behalf of Buyer, Sykes or any Affiliate of either of them is or will be entitled to any brokers' or finders' fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with the transactions contemplated hereby, other than Joachim Schoss, whose fee will be paid by the Buyer or an Affiliate of the Buyer.

SECTION 5.7. SYKES INFORMATION. Sykes has delivered to the Sellers true and complete copies of the Sykes Filings. At the date hereof, the Sykes Filings, taken as a whole, do not contain any untrue statement of a material fact or omit any material fact necessary to make the statements contained herein, in light of the circumstances in which they were made, not misleading.

SECTION 5.8 NO MATERIAL ADVERSE CHANGE. Since September 30, 1998, Sykes has not suffered any Material Adverse Effect.

SECTION 5.9. UNDISCLOSED LIABILITIES. Sykes has no liabilities (absolute, accrued, contingent or otherwise) required by USGAAP to be reflected or reserved against in the consolidated statement of assets and liabilities of Sykes except (a) liabilities reflected or reserved against in the Form 10-Q Balance Sheet, and (b) liabilities incurred since September 30, 1998 in the ordinary course of business, and which, in the aggregate, do not have a Material Adverse Effect.

SECTION 5.10. COMPLIANCE WITH LAWS. COMPLIANCE WITH LAWS. Each of Buyer and Sykes has conducted its business so as to comply with, and is not in violation of, nor has it received any written notice claiming it is in violation of, any order, law, ordinance, statute, rule or regulation applicable to it, or to its business or any of its property or assets including, without limitation, any environmental or worker safety and protection laws and regulations, except to the extent that such non-compliance would not have a Material Adverse Effect. Each of Buyer and Sykes has all material licenses, permits, certificates of occupancy and authorizations necessary to conduct its business.

ARTICLE VI

FURTHER COVENANTS AND AGREEMENTS

SECTION 6.1. COVENANTS OF THE SELLERS PENDING THE CLOSING. The Sellers covenant and agree that, pending the Closing and prior to the termination of this Agreement, and except as otherwise agreed to in writing by Buyer and Sykes, the Sellers shall or, as appropriate shall cause the Company to:

(a) conduct the Business solely in the ordinary course and consistent with the past practices of the Company;

(b) not take or intentionally omit to take any action which would result in a breach of any of the Sellers' representations and warranties hereunder in any material respect;

(c) continue to maintain and service the physical assets used by the Company in the conduct of the Business consistent with past practices;

(d) use its reasonable efforts to preserve the Business and organization of the Company, to keep available the services of the Company's present employees and agents and to maintain the relations and goodwill with the suppliers, customers (including the Customers), distributors and any others having business relations with the Company in connection with the Business;

(e) use its and their reasonable efforts to cause all of the conditions to the obligations of Buyer and Sykes under this Agreement to be satisfied on or prior to the Closing Date and to obtain, prior to the Closing, all consents of all third parties and governmental authorities necessary for the consummation by the Sellers and the Company of the transactions contemplated hereby. All such consents will be in writing and executed counterparts will be delivered to Buyer and Sykes at or prior to the Closing.

(f) cooperate with Buyer and Sykes in making arrangements to obtain licenses, permits and certificates required to conduct the Business or own the Quotas at Closing;

(g) provide Buyer's and Sykes' officers, employees, counsel, accountants and other representatives with full access to, during normal business hours, all of the books and records of the Company, make available to representatives of Buyer and Sykes, knowledgeable employees of the Company for reasonable periods of time to answer inquiries of such representatives with respect to Buyer's and Sykes' investigation of the Company and permit such representatives of Buyer and Sykes to consult with the officers, employees, accountants and counsel of the Sellers; provided, that no such activities unreasonably interfere with the operation of the Business;

(h) not grant to any Person a power of attorney or similar authority to act for the Company;

(i) not enter into any guarantee of the obligations of any Person to the extent such guarantee shall survive the Closing;

(j) not amend the charter, Articles of Association or other organizational documents of the Company;

(k) make no change in the amount of issued share capital of the Company or issue or create any option, warrant or any other security of the Company;

(l) not increase the compensation payable or to become payable to any officer, employee or agent of the Company other than in the ordinary course of the Business, nor make any bonus payment or arrangement to or with any Seller or any other officer, employee or agent of the Company other than (in the case of such other officers, employees or agents) in the ordinary course of the Business;

(m) not make any dividends or other distributions in respect of the Quotas;

(n) not sell, transfer, lease, abandon or otherwise dispose of (or commit to do so) any fixed assets of the Company; and

(o) not enter into any contract or commitment calling for payment to or by the Company of an aggregate amount of more than DM10,000, which is not terminable by the Company on less than thirty (30) days' notice without penalty.

SECTION 6.2. COVENANTS OF BUYER AND SYKES PENDING THE CLOSING. Buyer and Sykes covenant and agree that, pending the Closing and prior to the termination of this Agreement, and except as otherwise agreed to in writing by the Sellers, each of Buyer and Sykes:

(a) shall not take or intentionally omit to take any action which would result in a breach of any of its representations and warranties hereunder in any material respect.

(b) shall use its reasonable efforts to cause all of the conditions to the obligations of the Sellers under this Agreement to be satisfied on or prior to the Closing Date and to obtain prior to the Closing, all consents of all third parties and governmental authorities necessary for the consummation by it of the transactions contemplated hereby. All such consents will be in writing and executed counterparts thereof will be delivered to the Sellers at or prior to the Closing.

(c) shall promptly disclose to the Sellers any information relating to its representations and warranties hereunder which, because of an event occurring after the date hereof, is incomplete or is no longer correct in any material respect.

SECTION 6.3. FILINGS. Promptly after the execution of this Agreement, each of the parties hereto shall prepare and make or cause to be made any required filings, submissions and notifications under the laws of any domestic or foreign jurisdictions to the extent that such filings are necessary to consummate the transactions contemplated hereby and will use its reasonable efforts to take all other actions necessary to consummate the transactions contemplated hereby in a manner consistent with applicable law. Each of the parties hereto will furnish to the other party such necessary information and reasonable assistance as such other party may reasonably request in connection with the foregoing.

SECTION 6.4. EFFECTIVE TIME OF CLOSING AND TRANSFER. The Closing shall be effective for all purposes as of the close of business on the Closing Date.

SECTION 6.5. ANNOUNCEMENTS. Except as expressly contemplated by this Agreement, the parties will mutually agree as to the time, form and content before issuing any press releases or otherwise making any public statements or statements to third parties with respect to transactions contemplated hereby and shall not issue any press release or, except as necessary to perform their respective obligations hereunder, discuss the transactions contemplated hereby with any third party prior to reaching mutual agreement with respect thereto, except as may be required by law. Notwithstanding the foregoing, in the event prior to the Closing any party hereto is required by law or the rules of any stock exchange on which such party's securities are traded to make a statement with respect to the transactions contemplated herein, such party shall notify in writing the other party hereto as to the time, form and content of such statement.

SECTION 6.6. COSTS AND EXPENSES. Whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall pay its own costs and expenses (including legal fees and expenses) incurred in connection with due diligence reviews, the preparation, negotiation and execution of this Agreement and all other agreements, certificates, instruments and documents delivered hereunder, and all other matters relating to the transactions contemplated hereby. All German transfer and intangible Taxes, if any, arising in connection with the sale and assignment of the Quotas hereunder shall be paid by the Sellers. All transfer and intangible Taxes, if any, in connection with the sale and delivery of the Purchase Price Shares hereunder shall be paid by Sykes. All fees and charges arising from notary requirements applicable to the sale and assignment of the Quotas shall be paid by the Buyer.

SECTION 6.7. FURTHER ASSURANCES.

(a) Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement. If at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, the parties hereto shall take or cause to be taken all necessary action including, without limitation, the execution and delivery of such further instruments and documents as may be reasonably requested by the other party for such purposes or otherwise to consummate and give effect to the transactions contemplated hereby. If any consent or approval required for the consummation of the transactions contemplated hereby is waived by the parties prior to Closing, at the request of the Buyer the Sellers shall cooperate with Sykes, and attempt in good faith, to obtain such consent or approval during the one year period immediately following the Closing.

(b) From and after the Closing Date, the Buyer and/or Sykes agree to promptly inform the Sellers of any Tax audit of the Company by a Tax authority and to give the Sellers the opportunity to participate in such a Tax audit. Furthermore, the Sellers shall be entitled to request the Buyer, Sykes and/or the Company to duly and timely file the appropriate recourse against any Tax assessment resulting in a higher Tax burden for any period prior to the Closing Date. If such request is not honored, the Buyer shall cause the Company, upon request by one or more of the Sellers, to file such recourse nonetheless, provided that in this case the Sellers who have made such request shall be liable to reimburse the Company for all fees and expense incurred in the recourse proceedings to the extent such fees and expenses are not borne by third parties.

SECTION 6.8. CERTAIN AGREEMENTS. On or before the Closing Date, Buyer, Sykes, and the Sellers will execute the Pledge and Escrow Agreement in the form of EXHIBIT A, the Sellers and Sykes will execute the Registration Rights Agreement in the form of EXHIBIT B, and the Sellers will execute, or cause to be executed, an employment agreement between the Company and each of Georg J. Stockmann and Michael Emmert in the form of EXHIBIT C 1 and EXHIBIT C 2, and a commercial lease agreement with terms set forth in EXHIBIT D between the Company and the partnership composed of Messrs. Stockmann, Schoss and Grasserbauer, in each case to be effective upon the Closing Date.

SECTION 6.9. NON-DISCLOSURE; COVENANT NOT TO COMPETE.

(a) The parties hereto acknowledge that (i) the covenants contained in this Section 6.9 are a material inducement to the consummation by Buyer and Sykes of the transactions contemplated by this Agreement and (ii) Buyer and Sykes would not have entered into or performed this Agreement but for the covenants herein contained.

(b) Each of the Sellers agrees that, unless acting with the prior consent of Buyer and Sykes, it will not, either alone or in conjunction with any other Person, or directly or indirectly through any entity that it now or in the future controls, for a period of three years from the Closing Date:
(i) employ or solicit the employment of any Person who within the month preceding the Closing Date had been an employee of the Company;
(ii) directly or indirectly engage or participate, whether as officer, employee, director, agent, consultant, shareholder, partner, or otherwise, in the ownership, management, marketing or operation of any enterprise which is engaged in any part of the Business within Europe (other than solely through the ownership of equity securities or equivalent interests of any entity at a level which does not create the ability to influence or control management of the entity); or
(iii) conduct any part of the Business with any Person that is a Customer of the Company as of the Closing Date.

(c) It is stipulated and agreed that the Sellers have become acquainted with confidential and privileged information of the Company relating to customer files, customer lists, special customer matters, sales methods and techniques, merchandising concepts and plans, new site locations, business plans, sources of supply and vendors, special business relationships with vendors, agents and brokers, promotional materials and information, financial matters, mergers, acquisitions, selective personnel matters and confidential processes, designs, formulas, ideas, plans, devices or materials and other similar matters which are confidential (any and all such information being referred to herein as the "Confidential Information"); and that the use of the Confidential Information against the Company would seriously damage the Business. As a consequence of the above, each of the Sellers agrees that, unless acting with the prior written consent of Buyer, such Seller shall, whether acting alone, in conjunction with any other Person, or directly or indirectly through any entity that such Seller now or in the future controls:
not use, divulge, publish or otherwise reveal or allow to be revealed any aspect of the Confidential Information to any Person; refrain from any action or conduct which might reasonably or foreseeably be expected to compromise the confidentiality or proprietary nature of the Confidential Information; and shall have no right to apply for or to obtain any patent, copyright, or other form of Intellectual Property protection with regard to the Confidential Information.

(d) The parties hereto acknowledge and agree that any remedy at law for any breach of the provisions of this Section 6.9 would be inadequate and the Sellers hereby consent to the granting by any court of competent jurisdiction of an injunction or other suitable relief and without the posting of any bond or the necessity of actual monetary loss being proved, in order that such breach may be effectively restrained.

SECTION 6.10. POOLING OF INTERESTS. The Sellers shall not, and shall not permit the Company, to take, any of the following actions, each of which could result in the transfer of the Quotas not qualifying to be accounted for as a pooling of interests: (a) acquiring or transferring any capital interests of the Company or any Sykes Stock during the thirty (30) days prior to the Closing Date, and (b) selling, assigning or transferring, or agreeing or allowing to be created any rights or obligation for the sale, assignment or transfer of, any of the Purchase Price Shares or any other Sykes Stock in violation of the restrictions set forth in Section 4.28(f)(i).

SECTION 6.11. EXCLUSIVE DEALING. During the period from the date of this Agreement through and including the Closing Date, the Sellers shall not, and shall not permit the Company or any of their respective directors, officers, employees, representatives or agents to, directly or indirectly, solicit, initiate or participate in any negotiations with any Person other than Sykes and the Buyer and their respective representatives, agents and Affiliates, concerning any Alternative Transaction. The Sellers shall immediately notify Sykes and Buyer of any proposal or offer received by, any information requested from, or any discussions or negotiations sought to be initiated or continued with, the Sellers or the Company in respect of an Alternative Transaction and shall, in any such notice to Sykes and Buyer, indicate the terms and conditions of any proposals or offers or the nature of any requests, discussions or negotiations.

SECTION 6.12 REPAYMENT OF SHAREHOLDER LOAN, ETC. On or prior to July 31, 1999, or, if earlier the date of any sale by any Seller of any of the Purchase Price Shares, the Sellers will repay all outstanding loans from the Company to any of the Sellers and will purchase from the Company, and the Company will transfer to the Sellers, the Mercedes-Benz E280T automobile, license plate number H-TH 658, for its current fair market value as reported by the Schwacke-Liste.

SECTION 6.13 PAYMENT OF DIVIDEND. The Buyer acknowledges the shareholders' resolution of the Sellers dated November 20, 1998.

ARTICLE VII

TERMINATION

SECTION 7.1. TERMINATION This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement executed by the Sellers, Buyer and Sykes;

(b) by the Sellers, Buyer or Sykes at any time after November 30, 1998 if, through no fault of the party seeking termination, the Closing shall not have occurred;

(c) by the Sellers, Buyer or Sykes, if any governmental or regulatory authority, agency or commission, including courts of competent jurisdiction, domestic or foreign, shall have issued an order, decree, or ruling or taken other action, restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable;

(d) by Buyer or Sykes, if there has been a material violation or breach by the Sellers of any agreement or any representation or warranty contained in this Agreement which (i) is not curable, (ii) has rendered the satisfaction of any condition to the obligations of Buyer and Sykes impossible, and (iii) has not been waived by Buyer and Sykes; or

(e) by the Sellers, if there has been a material violation or breach by Buyer or Sykes of any agreement, representation or warranty contained in this Agreement which (i) is not curable, (ii) has rendered the satisfaction of any condition to the obligations of the Sellers impossible, and (iii) has not been waived by the Sellers.

SECTION 7.2. PROCEDURE AND EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 7.1 hereof, written notice thereof shall forthwith be given to the other parties hereto and this Agreement (other than Section 6.6 hereof and as provided in paragraph (b) below) shall terminate and the transactions contemplated hereby shall be abandoned without further action by the parties hereto. If this Agreement is terminated as provided herein:

(a) all information with respect to the Business or the Company received by and in the possession of Buyer, Sykes or any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Buyer or Sykes shall be returned to the Sellers or destroyed by Buyer or Sykes;

(b) any termination pursuant to subparagraph (b),
(c), (d), or (e) of Section 7.1 shall not be deemed a waiver of any rights or remedies otherwise available under this Agreement, by operation of law or otherwise; and

(c) all filings, applications and other submissions made pursuant to Section 6.3 hereof or prior to the execution of this Agreement in contemplation thereof shall, to the extent practicable, be withdrawn from the agency or other Person to which made.

ARTICLE VIII

CONDITIONS TO BUYER'S AND SYKES' OBLIGATIONS

Each and every obligation of Buyer and Sykes to consummate the transactions described in this Agreement shall be subject to the fulfillment, or the waiver by Buyer and Sykes on or before the Closing Date, of the following conditions precedent:

SECTION 8.1 THE SELLERS' CLOSING DELIVERIES. The Sellers shall have delivered, or caused to be delivered, to Buyer and Sykes at or prior to the Closing, unless specifically waived by Buyer and Sykes in their sole discretion, each of the following:

(a) the Registration Rights Agreement and the Pledge and Escrow Agreement referenced in Section 6.8, in each case executed by the Sellers and, in the case of the Pledge and Escrow Agreement, by the Escrow Agent;

(b) the employment agreements referenced in Section 6.8 executed by the Company and each of Georg J. Stockmann and Michael Emmert;

(c) valid and binding consents of all Persons whose consent or approval is required to be set forth in Sections 4.5 and 4.6 of the Disclosure Schedule; in particular the DTM consent.

(d) with respect to each Seller, three separate guaranteed stock powers duly endorsed in blank and a Certificate of Foreign Status on Form W-8;

(e) the certificates referenced in Section 8.2 and 8.3;

(f) written modification of the Company's Mortgage loans evidencing the lender's release of restrictions on dividend payments; and

(e) evidence satisfactory to the Buyer that the Silent Partnership has been terminated on a basis that does not involve the incurrence or payment by the Company of any obligation or amount other than payments of the principal amount thereof together with accrued interest thereon until the earlier of termination or November 30, 1998 at the rate of nine percent plus the Prepayment Amount, and that all such payments have been made.

(h) conclusion of a Real Estate Transfer Agreement including a consent to transfer the title ("Auflassung"), between the partnership composed of Messrs. Stockmann, Schoss and Grasserbauer and the Company, the execution and delivery of a lease thereto, all as contemplated by the term sheet attached hereto as Exhibit D, and release of the Company by Stadtsparkasse Hannover of all of the obligations of two loans in the total amount of DM 3 mio..

SECTION 8.2. REPRESENTATIONS AND WARRANTIES TRUE SECTION. The representations and warranties of the Sellers contained in this Agreement, as modified by the Disclosure Schedule, shall have been true on the date hereof in all material respects, and shall be true on the Closing Date in all material respects with the same effect as though such representations and warranties were made on and as of such date and the Sellers shall have delivered to Buyer and Sykes on the Closing Date a certificate, dated as of the Closing Date, to such effect.

SECTION 8.3. PERFORMANCE. The Sellers shall have, in all material respects, performed and complied with all covenants required by this Agreement to be performed or complied with by them prior to or at the Closing and the Sellers shall have delivered to Buyer and Sykes on the Closing Date a certificate, dated as of the Closing Date, to such effect.

SECTION 8.4. GOVERNMENTAL CONSENTS AND APPROVALS. All necessary and appropriate governmental consents, approvals and filings shall have been obtained or made and all applicable waiting periods (including any extensions thereof) relating thereto shall have expired or otherwise terminated.

SECTION 8.5. NO INJUNCTION OR PROCEEDING. No governmental or regulatory authority, agency or commission, including courts of competent jurisdiction, domestic or foreign, shall have issued an order, decree, or ruling or taken other action, restraining, enjoining or otherwise prohibiting the transactions contemplated hereby, which order, decree, ruling or other action remains in effect.

ARTICLE IX

CONDITIONS TO THE SELLERS' OBLIGATIONS

Each and every obligation of the Sellers to consummate the transactions described in this Agreement shall be subject to the fulfillment, or the waiver by the Sellers, on or before the Closing Date, of the following conditions precedent:

SECTION 9.1. DELIVERY OF PURCHASE PRICE SHARES. Buyer and Sykes shall have delivered or caused to be delivered the Purchase Price Shares in accordance with Article III hereof.

SECTION 9.2. BUYER'S AND SYKES' CLOSING DELIVERIES. Buyer and Sykes shall deliver, or cause to be delivered, to the Sellers at the Closing, unless specifically waived by the Sellers in their sole discretion, each of the following:

(a) the Registration Rights Agreement and the Pledge and Escrow Agreement referenced in Section 6.8, executed by Sykes and, in the case of the Pledge and Escrow Agreement, the Buyer and the Escrow Agent;

(b) a certified copy of the resolutions of the Board of Directors of Sykes authorizing the execution, delivery and performance of this Agreement and the Related Agreements and the consummation of transactions contemplated hereby and thereby; and

(c) the certificates referenced in Sections 9.3 and 9.4 hereof.

SECTION 9.3. REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of Buyer and Sykes contained in this Agreement, as modified by the Disclosure Schedule, shall have been true on the date hereof in all material respects and shall be true on the Closing Date in all material respects, with the same effect as though such representations and warranties were made on and as of such date, and Buyer and Sykes shall have delivered to the Sellers on the Closing Date a certificate, dated as of the Closing Date, to such effect.

SECTION 9.4. PERFORMANCE. Buyer and Sykes shall have, in all material respects, performed and complied with all covenants required by this Agreement to be performed or complied with by them prior to or at the Closing and Buyer and Sykes shall have delivered to the Sellers on the Closing Date a certificate, dated as of the Closing Date, to such effect.

SECTION 9.5. GOVERNMENTAL CONSENTS AND APPROVALS. All necessary and appropriate governmental consents, approvals and filings shall have been obtained or made and all applicable waiting periods (including any extensions thereof) relating thereto shall have expired or otherwise terminated.

SECTION 9.6. NO INJUNCTION OR PROCEEDING. No governmental or regulatory authority, agency or commission, including courts of competent jurisdiction, domestic or foreign, shall have issued an order, decree, or ruling or taken other action, restraining, enjoining or otherwise prohibiting the transactions contemplated hereby, which order, decree, ruling or other action remains in effect.

ARTICLE X

INDEMNIFICATION

SECTION 10.1. INDEMNIFICATION BY THE SELLERS.

(a) The Sellers jointly and severally agree (subject to the provisions of Section 10.6), to reimburse, indemnify and hold Sykes, the Buyer, the Company, and their respective officers, directors, shareholders, employees and agents harmless from and against any and all demands, claims, actions, suits, liabilities, damages, losses, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees but excluding any claims for punitive damages or consequential damages) relating to, resulting from or arising out of:

(i) any breach or inaccuracy of the representations or warranties made hereunder by any of the Sellers;

(ii) any breach or violation of any covenant or agreement made hereunder by any of the Sellers, or

(iii) the Silent Partnership, excluding the Prepayment Amount, the principal and accrued interest thereon until the earlier of termination or November 30, 1998, at the rate of 9% per annum.

SECTION 10.2. INDEMNIFICATION BY BUYER AND SYKES.

(a) Buyer and Sykes jointly and severally agree to reimburse, indemnify and hold each of the Sellers harmless from and against any and all demands, claims, actions, suits, liabilities, damages, losses, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees but excluding any claims for punitive damages or consequential damages) relating to, resulting from or arising out of:

(i) any breach or inaccuracy of the representations or warranties made hereunder by Buyer and Sykes; or

(ii) any breach or violation of any covenant or agreement made hereunder by Buyer and Sykes.

SECTION 10.3. SURVIVAL OF REPRESENTATIONS. Except for the representations and warranties contained in Sections 4.1, 4.2, 4.4, 4.9 and 4.25, the representations and warranties made pursuant to this Agreement including, without limitation, all representations and warranties made in any exhibit or schedule or certificate delivered thereunder, shall survive until and through the second anniversary of the Closing Date at which time such representations and warranties shall expire. The representations and warranties set forth in Sections 4.1 and 4.2 of this Agreement shall survive until and through the tenth anniversary of the Closing Date. The representations and warranties set forth in Section 4.4 of this Agreement shall survive indefinitely. The representations and warranties set forth in Sections 4.9 and 4.25 of this Agreement shall survive until and through six months after all amounts for Taxes applicable to the Company, their respective employees and the transactions contemplated by this Agreement, in the case of Section 4.9, and all amounts for Grants from the government in the case of Section 4.25, become final and non-appealable for all periods through or including the Closing Date, at which time such representations and warranties shall expire.

SECTION 10.4. INDEMNIFICATION CLAIMS PROCEDURES. All claims for indemnification by any party seeking indemnification (the "Indemnified Party") from another party (the "Indemnifying Party") under Sections 10.1 and 10.2 shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which the Indemnifying Party would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, the Indemnified Party shall promptly notify the Indemnifying Party (and any known pertinent insurance carrier) in reasonable detail of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand) (the "Claim Notice"). The Indemnifying Party shall have thirty (30) days from the personal delivery or mailing of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not the Indemnifying Party desires to defend the Indemnified Party against such claim or demand.

All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand and except as hereinafter provided, the Indemnifying Party shall have the right to defend the Indemnified Party by counsel of the Indemnifying Party's own choosing, either in the Indemnifying Party's name, or the Indemnified Party's name by appropriate proceedings. If any Indemnified Party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense and, in any event, the Indemnified Party shall cooperate with the Indemnifying Party and such counsel. To the extent the Indemnifying Party shall control or participate in the defense or settlement of any third party claim or demand, the Indemnified Party shall give to the Indemnifying Party and its counsel access to, during normal business hours, the relevant business records and other documents, and shall permit them to consult with the employees and counsel of the Indemnified Party to the extent consistent with the application of relevant evidentiary privileges. The Indemnifying Party shall keep the Indemnified Party reasonably apprised of the course of any negotiations or proceedings and the Indemnifying Party shall not settle any claim or demand without the consent of the affected Indemnified Party, which consent shall not be unreasonably withheld or unduly delayed. As soon as reasonably practicable after the Indemnifying Party has reached a final decision as to whether or not all or any portion of the obligations related to such claim or demand are obligations for which the Indemnifying Party is required to indemnify such Indemnified Party hereunder and, in any event, prior to entering into any such settlement or other final resolution of any claim or demand, the Indemnifying Party shall notify the Indemnified Party in writing of its position as to whether or not all or any portion of the obligations related to such claim or demand are obligations for which the Indemnifying Party is required to indemnify such Indemnified Party in accordance with this Article X.

(b) If the Indemnifying Party elects or is deemed to have elected not to take over the defense of any such claim or demand, the Indemnified Party shall have the right to defend, compromise and settle such claim or demand on such terms as the Indemnified Party in his, her or its discretion may determine, subject to the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld or unduly delayed, and the Indemnifying Party shall continue to be bound to indemnify the Indemnified Party in accordance with and to the extent provided under the terms of this Article X. The Indemnified Party shall or shall direct in writing its counsel to deliver to the Indemnifying Party copies of all correspondence and other matters relating to such claim or demand. Notwithstanding the foregoing, to the extent that the claim or demand involves or could result in claims against, or potential liability of, the Indemnifying Party the extent or nature of which were not known by the Indemnifying Party as of the date the Indemnifying Party elects or is deemed to have elected not to take over the defense of such claim or demand, the Indemnifying Party shall, by written notice to the Indemnified Party, be entitled to take over the defense of such claim or demand.

(c) In the event an Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall promptly send a Claim Notice with respect to such claim to the Indemnifying Party.

(d) The Indemnified Party's failure to give reasonably prompt notice to the Indemnifying Party of any actual, threatened or possible claim or demand which may give rise to a right of indemnification hereunder shall not relieve the Indemnifying Party of any liability which it may have to an Indemnified Party except to the extent the failure to give such notice prejudiced the Indemnifying Party.

SECTION 10.5. RIGHT OF SET-OFF. In addition to any other remedy available in equity or at law, the Indemnified Party shall be entitled to set off the amount of any obligation for which it is entitled to be indemnified under this Article X against any amounts payable to the Indemnifying Party hereunder or under any other agreement contemplated hereby.

SECTION 10.6. LIMITATION OF LIABILITY.

(a) Notwithstanding any other provision of this Agreement, neither the aggregate liability hereunder of the Buyer and Sykes on the one hand, nor the aggregate liability hereunder of the Sellers on the other hand, shall exceed DM19,824,000.

(b) Annette Stockmann's liability for any indemnity claim shall be limited to the sum, determined as of the date of such claim, of
(i) any proceeds from the sale of her Seller's Shares and (ii) the value of Seller's Shares still held by her, based upon the Sykes Stock Closing Price as of the date of determination.

(c) The Sellers` aggregate liability hereunder for any breach of the representation and warranty in Section 4.12 (f) shall be limited to DM 1,982,400.

(d) Georg J. Stockmann's liability for an indemnity claim shall be limited only as provided in Section 10.6(a) and Section 10.6 (c).

(e) The Sellers shall be liable to indemnify the Buyer for claims on account of Taxes only to the extent additional Taxes resulting from field audits are not compensated by lowered Tax burdens in following years resulting from such additional Taxes. To the extent additional capitalization of items originally treated as expenses entail additional depreciations in future years, the liability of the Sellers on account of additional Taxes shall be reduced by the discounted cash value of the additional depreciation, discounted at a rate of 5% per year.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the Federal Republic of Germany. Any disputes arising under this Agreement shall be resolved in accordance with the provisions of the separate Arbitration Agreement which has been executed by the parties as of the date hereof.

SECTION 11.2. ENTIRE UNDERSTANDING, WAIVER, ETC. This Agreement sets forth the entire understanding of the parties and supersedes any and all prior or contemporaneous agreements, arrangements and understandings relating to the subject matter hereof, and the provisions hereof may not be changed, modified, waived or altered except by an agreement in writing signed by the party entitled to the benefit of the provision(s) to be waived hereto. A waiver by any party of any of the terms or conditions of this Agreement, or of any breach thereof, shall not be deemed a waiver of such term or condition for the future, or of any other term or condition hereof, or of any subsequent breach thereof.

SECTION 11.3. SEVERABILITY; GAPS. If any provision of this Agreement or the application of such provision shall be held by a court of competent jurisdiction to be unenforceable, or otherwise be or become invalid or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect. In addition, any gap or omission in the terms of this Agreement shall not prejudice its validity, and the remaining provisions of this Agreement shall remain in full force and effect. Any gap in the terms of this Agreement, whether caused by the invalidity or unenforceability of any provision, or by an omission or otherwise, shall be filled by a provision which legally and economically most closely matches the intent of the parties hereto with respect to the gap. The parties hereto undertake to enter from time to time into such amendments as are necessary or appropriate to document the provisions filling such gaps.

SECTION 11.4. CAPTIONS. The captions herein are for convenience only and shall not be considered a part of this Agreement for any purpose, including, without limitation, the constructions or interpretation of any provision hereof.

SECTION 11.5. NOTICES. All notices, requests, demands and other communications (collectively, "Notices") that are required or may be given under this Agreement shall be in writing. All Notices shall be deemed to have been duly given or made: if by hand, immediately upon delivery; if by telecopier or similar device, immediately upon sending, provided notice is sent on a Business Day during the hours of 9:00 a.m. and 6:00 p.m. at the location of the party receiving the Notice, but if not, then immediately upon the beginning of the first Business Day after being sent; if by FedEx, Express Mail or any other reputable overnight delivery service, three Business Days after being placed in the exclusive custody and control of said courier; and if mailed by certified mail, return receipt requested, ten Business Days after mailing.

Notwithstanding the foregoing, with respect to any Notice given or made by telecopier or similar device, such Notice shall not be effective unless and until (i) the telecopier or similar advice being used prints a written confirmation of the successful completion of such communication by the party sending the Notice, and (ii) a copy of such Notice is deposited in first class mail to the appropriate address for the party to whom the Notice is sent. In addition, notwithstanding the foregoing, a Notice of a change of address by a party hereto shall not be effective until received by the party to whom such Notice of a change of address is sent. All Notices are to be given or made to the parties at the following addresses (or to such other address as either party may designate by Notice in accordance with the provisions of this Section):

(a) If to the Sellers:

Mr. and Mrs. Stockmann Clydesdale 11 30966 Hemmingen Federal Republic of Germany Telephone: 011 49 510 192 8282

(b) If to Sykes:

Sykes Enterprises, Incorporated 100 North Tampa Street Suite 3900 Tampa, Florida 33602 Attention: Scott J. Bendert,

Senior Vice President-Finance Telephone: 001 (813) 274-1000 Facsimile: 001 (813) 273 0148

(c) If to Buyer:

Sykes Enterprises GmbH
c/o Sykes Enterprises, Incorporated
100 North Tampa Street
Suite 3900
Tampa, Florida 33602
Attention: Scott J. Bendert,
Senior Vice Director
Telephone: 001 (813) 274-1000
Facsimile: 001 (813) 273 0148

SECTION 11.6. SUCCESSORS AND ASSIGNS. Neither this Agreement nor any of the rights or obligations arising hereunder shall be assignable by any party without the prior written consent of the other parties hereto; provided, however, that notwithstanding the foregoing Sykes may assign its rights and obligations under this Agreement to any wholly owned subsidiary of Sykes which agrees in writing to be bound by and to perform fully all of Sykes' obligations hereunder and, provided that in the event of any such assignment by Sykes, Sykes shall remain liable hereunder for the performance of Sykes' obligations hereunder notwithstanding such assignment.

SECTION 11.7. PARTIES IN INTEREST. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, shall confer upon any Person, other than the parties hereto, and their successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

SECTION 11.8. COUNTERPARTS. This Agreement may be executed in

two or more counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

SECTION 11.9. CONSTRUCTION OF TERMS. Any reference herein to the masculine or neuter shall include the masculine, the feminine and the neuter, and any reference herein to the singular or plural shall include the opposite thereof. The parties to this Agreement acknowledge that each party and counsel to each party has participated in the drafting of this Agreement and agree that this Agreement shall not be interpreted against one party or the other based upon who drafted it.

SECTION 11.10. SYKES GUARANTEE. Sykes hereby guarantees for the benefit of the Sellers the full and prompt performance by the Buyer of all of its obligations toward the Sellers under this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year first above written.

SELLERS:

Georg J. Stockmann

Annette Stockmann

SYKES:

SYKES ENTERPRISES, INCORPORATED

Scott J. Bendert, Senior Vice President - Finance

BUYER:

SYKES ENTERPRISES GMBH

Scott J. Bendert, Director

Exhibit 3.2

SYKES ENTERPRISES, INCORPORATED

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION

DESIGNATING THE PREFERENCES, RIGHTS AND LIMITATIONS OF ONE (1)

SHARE OF SPECIAL PREFERRED VOTING STOCK

$0.01 PAR VALUE

Pursuant to Sections 607.0602, 607.1002, and 607.1006 of the Florida Business Corporation Act ("FBCA"), Sykes Enterprises, Incorporated, a Florida corporation (the "Corporation"), does hereby certify that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Corporation by Section 3.3(A) of the Articles of Incorporation of the Corporation, as amended (the "Articles") and Section 607.0602 of the FBCA, the Board of Directors of the Corporation, by resolutions duly adopted effective as of December 17, 1998 has classified one share of the authorized but unissued Preferred Stock, par value $.01 per share ("Special Preferred Voting Stock"), as a separate class of Preferred Stock, authorized the issuance of a maximum of one share of Special Preferred Voting Stock, and set the preferences, conversion and other rights, voting powers, restrictions as to dividends, qualifications, terms of redemption and other terms and conditions of the Special Preferred Voting Stock. Shareholder approval was not required under the Articles with respect to such designation.

SECOND: The class of Special Preferred Voting Stock of the Corporation created by the resolutions duly adopted by the Board of Directors of the Corporation shall have the following designation, number of shares, preferences, conversion and other rights, voting powers, restrictions and limitation as to dividends, qualifications, terms of redemption and other terms and conditions:

Section 1. Designation and Number of Shares. A class of Preferred Stock, consisting of one share of such stock, is hereby designated as "Special Preferred Voting Stock." So long as any "Exchangeable Shares" (as defined in the Combination Agreement (the "Combination Agreement") dated December 9, 1998, among the Corporation, Oracle Service Networks Corporation ("Oracle"), and the shareholders of Oracle) shall be outstanding, the number of shares comprising the Special Preferred Voting Stock shall not be increased or decreased and no other term of the Special Preferred Voting Stock shall be amended, except upon the approval of the holder of the outstanding share of Special Preferred Voting Stock.

Section 2. Voting. The outstanding share of Special Preferred Voting Stock shall be entitled at any relevant date to the number of votes (including for purposes of determining the presence of a quorum) determined in accordance with the terms and conditions of the Exchangeable Shares Provisions (as set forth in the Combination Agreement) and the Voting Trust

Agreement dated December 29, 1998, among the Corporation, Oracle, and Firstar Bank Milwaukee, N.A. on all matters presented to the holders of Common Stock of the Corporation, and, except as required by law, the Special Preferred Voting Stock shall be voted together with the Common Stock as a single class. The Special Preferred Voting Stock shall have no other voting rights except as required by law.

Section 3. Record Holder. The Corporation and any transfer agent for the Special Preferred Voting Stock may deem and treat the record holder of the sole share of Special Preferred Voting Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor any transfer agent shall be affected by any notice to the contrary.

Section 4. Sinking Fund. The holder of the share of Special Preferred Voting Stock shall not be entitled to the benefits of any retirement or sinking fund.

Section 5. Dividends and Conversion Rights. The holder of the share of Special Preferred Voting Stock shall not be entitled to any dividends or distributions that may be declared by the corporation. The Special Preferred Voting Stock is not convertible into any other class or series of the capital stock of the Corporation or into cash, property or other rights.

Section 6. Liquidation, Dissolution or Winding-Up. The holder of the share of Special Preferred Voting Stock shall be entitled to receive $20 on liquidation of the Corporation before any amount shall be paid or any assets of the Corporation distributed to the holders of Common Stock of the Corporation, but only after the liquidation preference of any other shares of Preferred Stock of the Corporation, if any, has been paid in full.

Section 7. Redemption. The share of Special Preferred Voting Stock shall automatically be redeemed at such time as no Exchangeable Shares shall be outstanding or upon the termination of the Voting Trust Agreement.

THIRD: The Special Preferred Voting Stock has been classified and designated by the Board of Directors of the Corporation under the authority contained in Section 3.3(A) of the Articles.

FOURTH: These Articles of Amendment have been approved by the Board of Directors of the Corporation in the manner and by the vote required by law.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed in its name and on its behalf by the undersigned officer of the Corporation and attested to by its Secretary effective as of the 29th day of December, 1998.

SYKES ENTERPRISES, INCORPORATED

By: /s/ Scott J. Bendert

Scott J. Bendert
Senior Vice President - Finance, Treasurer and Chief Financial Officer

EXHIBIT 10.19

SYKES ENTERPRISES INCORPORATED
1999 EMPLOYEES' STOCK PURCHASE PLAN

1. Purpose. The Sykes Enterprises Incorporated 1999 Employees' Stock Purchase Plan (the "Plan") has been established by Sykes Enterprises Incorporated, a Delaware corporation (the "Company"), to allow employees of the Company and its subsidiaries to purchase shares of Common Stock of the Company ("Company Shares") and thereby share in the ownership of the Company.

2. Company Shares Available for Purchase. Subject to adjustment in accordance with Paragraph 12, the maximum number of Company Shares which may be purchased pursuant to the Plan shall be 1,000,000 Company Shares.

3. Administration. The Plan shall be administered by a committee of the Board of Directors of the Company consisting of not less than two (2) directors appointed for such purpose (the "Committee"). A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by at least a majority of its members. Any decision or determination reduced to writing and signed by all of the members of the Committee shall be fully as effective as it if had been made by a unanimous vote at a meeting duly called and held. If at any time the Committee shall not be in existence, the Board of Directors of the Company (the "Board") shall administer the Plan and all references to the Committee herein shall include the Board.

In accordance with the provisions of the Plan, the Committee shall establish such terms and conditions for the grants of purchase rights as the Committee may deem necessary or advisable, adopt such rules or regulations which may become necessary or advisable for the operation of the Plan, and make such determinations, and take such other actions, as are expressly authorized or contemplated in the Plan or as may be required for the proper administration of the Plan in accordance with its terms. The Committee, in its discretion, may appoint an individual (the "Plan Administrator") to assist the Committee in corresponding with employees, with record keeping and in performing other administerial type functions in connection with the Plan; provided, however, that the Plan Administrator shall exercise no discretion with respect to the interpretation of the Plan or of the rights to purchase Company Shares pursuant to the Plan. The interpretation of any provision of the Plan by the Committee and any determination on the matters referred to in this paragraph shall be final.

4. Eligibility. Any employee who is employed by the Company or one of its participating subsidiaries on a given Grant Date (as defined below) shall be eligible to participate in the Plan; provided, however, that no director or "executive officer" (as defined below) or five percent (5%) or greater shareholder of the Company or its subsidiaries shall be eligible to participate in the Plan. The term "executive officer" shall mean those persons designated as "officers" of the Company for purposes of reporting pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. The Committee may specify which of the Company's subsidiaries are eligible to participate. The Committee may also exclude from the group of eligible employees those with less than two years of employment at the Grant Date and those whose customary employment is for less than 20 hours per week or 5 months per year, or may apply any lesser service requirement as a condition of eligibility.

5. Grant of Purchase Rights. In the discretion of the Committee, each calendar year, or more frequently if deemed appropriate, beginning on such date as the Committee may specify (the "Grant Date"),

each eligible employee of the Company and its subsidiaries shall automatically be granted the right to purchase up to such maximum number of Company Shares as the Committee, in its discretion, may determine. The maximum number of Company Shares available for purchase shall be the same for all eligible employees and all eligible employees shall have the same rights and privileges with respect to the purchase of Company Shares under the Plan. In no event, however, may an employee be granted an option in any one calendar year to purchase stock with a value of more than $25,000 as of the Grant Date. Further, nothing contained herein shall require the Committee to cause any purchase rights to be granted hereunder during any calendar year and the Committee may, in connection with any grant of rights, specify the maximum number of Company Shares in the aggregate available for purchase by all eligible employees during any Purchase Period (the "Maximum Number of Purchase Period Company Shares").

Each purchase right shall be exercisable during the period following the Grant Date (such period is hereinafter referred to as the "Purchase Period") established by the Committee, subject to the limitations provided in paragraph
2. A purchase period may not exceed two years. In the event the Committee decides to cause any purchase rights to be granted under the Plan, the Company shall send to each eligible employee a written notice specifying the Grant Date and the terms and conditions of the right, including the purchase price per share of Company Shares subject to such right. No Company Shares may be issued pursuant to the exercise of purchase rights after the maximum number of Company Shares provided for in paragraph 2 has been purchased. Each purchase right granted pursuant to this paragraph 5 shall expire at 12:00 p.m., on the last day of the Purchase Period, unless terminated earlier pursuant to paragraph 11.

In no event may the Committee issue purchase rights that may be exercised more than ten years after shareholder approval of this plan.

6. Exercise of Purchase Rights. Subject to the limitations elsewhere in the Plan, employees may exercise their rights to purchase Company Shares granted under the Plan, in whole, or in part, at any time during the Purchase Period. An employee wishing to exercise his or her rights to purchase Company Shares granted under the Plan must complete an application on a form prescribed by the Committee, which form shall be deemed to include the full terms and conditions of the Plan. Each application to purchase Company Shares shall be accompanied by payment in full to the Company, in cash or its equivalent, of the purchase price for such Company Shares. An application on the prescribed form, properly completed and accompanied by the required payment, shall be deemed to be accepted as of the last day of the Purchase Period, subject to adjustment in the number of Company Shares which may be purchased by participants as provided for pursuant to this paragraph 6. Notwithstanding the foregoing, no application shall be accepted unless received by the Plan Administrator or postmarked, if delivered by mail, on or before the last day of the Purchase Period. Any purchase rights that have been granted and which are not exercised or funded on the last day of the Purchase Period shall immediately terminate. The Committee may establish payroll deduction as a method of funding employee stock purchases, but amounts deducted from pay will not be segregated from the Company's general assets and will not be credited with interest.

If applications to purchase a number of Company Shares in excess of the Maximum Number of Purchase Period Company Shares are received by the Plan Administrator, each employee properly exercising purchase rights during such Purchase Period shall be entitled to purchase the number of Company Shares determined by the sum of:

a) the Applicable Minimum Number of Company Shares; and

b) a pro rata portion of the Company Shares available after satisfying each employee's minimum purchase rights based on the number of shares with respect to which such employee has exercised his purchase rights and the aggregate number of shares with respect to which all employees have exercised purchase rights during the Purchase Period.

For purposes of this paragraph 6, the "Applicable Minimum Number of Company Shares" which may be purchased during a Purchase Period shall be such number of Company Shares as the Committee, in its discretion, may determine. Notwithstanding any other provisions in this paragraph 6, the Committee may adjust the number of Company Shares which may be purchased by an employee according to such non-discriminatory rules and regulations as the Committee may establish. Any monies held by the Company on behalf of a participant during the Purchase Period but not used to exercise purchase rights shall be returned to the participant. No interest will accrue on any monies held by the Company on behalf of participants during a Purchase Period.

7. Purchase Price. The purchase price per share of each purchase right granted under the Plan shall be the fair market value, as determined by the Committee, of a Company Share on the date of exercise, less 12.5% of such market value. Notwithstanding the foregoing, the purchase price per share of a Company Share shall in no event be less than the par value of a Company Share.

8. Limitations on Exercise of Purchase Rights. Purchase rights granted under the Plan shall not become exercisable until such time as the Company Shares which may be issued pursuant to the Plan (i) have been registered under the Securities Act of 1933, as amended (the "Act"), and any applicable state and foreign securities laws; or (ii) in the opinion of the Company's counsel, may be issued pursuant to an exemption from registration under the Act and in compliance with any applicable state and foreign securities laws.

9. Stock Certificates. Certificates covering the Company Shares purchased under the Plan shall be issued as soon as reasonably practicable after the last day of the Purchase Period.

10. Nontransferability of Purchase Rights. An employee's right to exercise purchase rights under the Plan shall not be transferable by such employee and may be exercised only by the employee. An employee's right to exercise purchase rights may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated.

11. Termination of Employment. Participation in the Plan terminates immediately when an employee ceases to be employed by the Company or a subsidiary for any reason whatsoever, including by reason of death, discharge or resignation, and such terminated employee's right to exercise purchase rights under the Plan shall thereupon terminate. As soon as administratively feasible after termination of participation, the Company shall pay to such employee or his or her estate any amounts held by the Company on behalf of the employee at the time of termination and not yet used to exercise purchase rights.

12. Adjustments. In order to prevent dilution or enlargement of purchase rights, in the event of reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or other change in Company Shares, the Committee shall make appropriate changes in the number of Company Shares which may be purchased pursuant to the Plan, and the number of Company Shares covered by, and the purchase price under, each outstanding purchase right, and such other changes in the Plan and outstanding purchase rights as the Committee may deem appropriate under the circumstances. No rights to purchase a fractional Company Share shall result from any such change.

13. Restrictions on Stock Transferability. The Committee shall impose such non-discriminatory restrictions on the transfer of any shares of stock acquired pursuant to the exercise of a purchase right under the Plan as it may deem advisable, including, without limitation, restrictions under applicable Federal

securities law, under the requirements of any stock exchange upon which such shares of stock are then listed, if any, and under any state and foreign securities laws applicable to such shares.

14. Amendment/Termination. The Board may amend or terminate the Plan at any time, but any such amendment or termination (other than an adjustment contemplated by paragraph 12) shall not affect purchase rights outstanding at the time thereof.

15. Applicable Law. The Plan shall, to the extent not inconsistent with applicable federal law, be construed under the laws of the State of Florida.

16. Effective Date. The Plan shall become effective as of the date of its adoption by both the Board and the Company's shareholders.

EXHIBIT 13.1

Selected Financial Data

The following selected financial data has been derived from the Company's consolidated financial statements. The information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's Consolidated Financial Statements and related notes.

	YEAR ENDED JULY 31, 1994	FIVE MONTHS ENDED DEC. 31, 1994	YEAR ENDED DEC. 31, 1995	YEAR ENDED DEC. 31, 1996	YEAR ENDED DEC. 31, 1997	YEAR ENDED DEC. 31, 1998
	(in thousands, except per share amounts)					
STATEMENT OF INCOME DATA:						
Revenues	$129,127	$64,800	$197,334	$248,699	$351,593	$469,462
Income from operations(1)(2)	3,280	3,113	9,527	21,611	36,605	58,378
Net income(3)(4)	1,152	1,402	3,531	11,685	23,877	35,824
PER SHARE DATA:						
Basic (1)(2)(3)(4)(5)(6)	$ 0.04	$ 0.03	$ 0.09	$ 0.32	$ 0.58	$ 0.87
Diluted	$ 0.04	$ 0.03	$ 0.09	$ 0.31	$ 0.56	$ 0.85

	JULY 31, 1994	DEC. 31, 1994	DEC. 31, 1995	DEC. 31, 1996	DEC. 31, 1997	DEC. 31, 1998
	(in thousands)					
BALANCE SHEET DATA:						
Working capital	$ 4,946	$ 9,093	$ 8,138	$116,687	$116,661	$ 85,204
Total assets	60,052	69,688	72,108	238,318	268,197	365,134
Long-term debt, less current installments	9,779	13,153	9,584	8,571	35,990	75,448
Shareholders' equity	12,233	13,555	20,436	147,402	152,560	164,937

(1) The balance for 1997 is exclusive of approximately $12.2 million of charges associated with the impairment of long-lived assets pursuant to Statement of Financial Accounting Standards ("SFAS") No. 121 and one-time merger and related charges associated with an acquisition.

(2) The balance for 1998 is exclusive of approximately $0.5 million of expense associated with accrued severance costs, approximately $1.4 million of one-time merger and related charges associated with acquisitions and approximately $14.5 million of acquisition related in-process research and development costs.

(3) The balance for 1997 is exclusive of approximately $2.8 million of expense associated with acquisition related in-process research and development costs incurred by a joint venture entity, approximately $1.2 million of one-time merger and related charges associated with an acquisition and approximately $12.2 million of one-time charges as identified in Item (1) above.

(4) The balance for 1998 is exclusive of approximately $3.9 million of acquisition related in-process research and development costs incurred by a joint venture entity, approximately $7.3 million of charges associated with the write-down of marketable securities, and approximately $16.3 million of one-time charges as identified in Item
(2) above.

(5) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was a S corporation for federal income tax purposes, were subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods.

(6) The earnings per share amounts prior to 1997 have been restated as required to comply with SFAS No. 128, Earnings Per Share.

MARKET SHAREHOLDER DATA

Sykes common stock has been quoted on the Nasdaq National Market under the symbol SYKE since Sykes' initial public offering in April 1996. The following table sets forth, for the periods indicated, certain information as to the high and low sale prices per share of Sykes common stock as quoted on the Nasdaq National Market.

Year ending December 31, 1998	High	Low
First Quarter	$25 1/4	$17
Second Quarter	22 1/2	17 1/8
Third Quarter	20 3/4	12 9/16
Fourth Quarter	30 1/2	13 1/2

Year ending December 31, 1997	High	Low
First Quarter	$30 3/16	$16 5/16
Second Quarter	28 3/4	17
Third Quarter	32	19 3/4
Fourth Quarter	27 5/8	16 7/8

Holders of Sykes common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. Sykes has not declared or paid any cash dividends on its common stock in the past. Sykes currently anticipates that all of its earnings will be retained for development and expansion of the Company's business and does not anticipate paying any cash dividends in the foreseeable future.

As of March 12, 1999, the last sale price of the registrant's common stock was $30 3/4 on the Nasdaq National Market, and there were approximately 240 holders of record of the common stock. The Company believes that there are approximately 10,000 beneficial owners of its common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following should be read in conjunction with the Consolidated Financial Statements, including the notes thereto. The following discussion compares the year ended December 31, 1998 ("1998") to the year ended December 31, 1997 ("1997"), and 1997 to the year ended December 31, 1996 ("1996"). The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Future events and the Company's actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis.

OVERVIEW

The Company derives its revenue from providing information technology ("IT") support services, information technology development services and solutions, on-line clinical managed care services, medical protocol products, employee benefit administration and support services, and customer product support solutions. Revenue from technical support services provided through the IT call centers are recognized as services are rendered. These services are billed on a fee per call, rate per minute or time and material basis. Information technology development services and solutions usually are billed on a time and material basis, generally by the hour, and revenues generally are recognized as the services are provided. Revenues from on-line clinical managed care services are generated on a per participant, per month rate basis. Revenues from medical protocol products are generated from licensing the Company's software products and from support and consulting services. Revenues from employee benefit administration and support services are primarily derived from (i) a recurring monthly fee per eligible employee or participant; (ii) a one-time implementation fee to cover programming costs; (iii) a COBRA administration fee of 2% of the participant's premium, as allowed under COBRA regulations; and (iv) fees for interactive voice response services, optical character recognition services, distribution services and other ancillary services on a per job or per item basis. Software licenses are sold on a per unit or site basis and revenue on such sales is recognized when the related software is delivered. Customer product support services are generally billed on a per unit basis. Revenues from fixed price contracts, generally with terms of less than one year, are recognized using the percentage-of-completion method. Most of the Company's revenue is derived from non-fixed price contracts. The Company has not experienced material losses due to fixed price contracts and does not anticipate a significant increase in revenue derived from such contracts in the future.

Direct salaries and related costs include direct personnel compensation, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers. General and administrative expenses include administrative, sales and marketing, occupancy and other indirect costs. General and administrative costs incurred in opening new IT call centers are expensed when incurred.

Interest and other income (expense) consist primarily of interest expense or income and foreign currency transaction gains and losses. Foreign currency transaction gains and losses generally result from exchange rate fluctuations on intercompany transactions. During 1997, the Company entered into a joint venture and the results of this entity are included in the other income (expense) section of the Consolidated Statements of Income for the time period the entity operated as a 50% joint venture. Effective September 1, 1998, the Company acquired the remaining portion of this joint venture.

Grants from local or state governments for the acquisition of property and equipment are deferred and recognized as income over the corresponding useful lives of the related property and equipment. Deferred grants, net of amortization, totaled $14.1 million and $15.4 million at December 31, 1997 and 1998, respectively.

The Company's effective tax rate for the periods presented reflects the effects of foreign taxes, net of foreign income not taxed in the United States, nondeductible expenses for income tax purposes and a provision for potential additional income tax liability resulting from an Internal Revenue Service examination currently being conducted. The Company believes its reserves for any liability that may result from this examination are adequate.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of revenues represented by certain items reflected in the Company's statements of income:

	YEARS ENDED DECEMBER 31,		
PERCENTAGE OF REVENUES	1996	1997	1998
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	61.2	62.5	61.7
General and administrative (1)(2)	30.1	30.6	26.2
Acquired in-process research and development (3)	--	--	3.1
Income from operations	8.7	6.9	9.0
Other income (expense)(4)(5)	0.0	(1.0)	(2.6)
Income before income taxes	8.7	5.9	6.4
Provision for income taxes(6)	4.0	3.7	4.6
Net income(1)(2)(3)(4)(5)(6)	4.7%	2.2%	1.8%

(1) Includes charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges of 3.5% related to an acquisition completed in 1997.
(2) Includes charges associated with accrued severance pay and one-time merger and related charges of 0.4% related to the acquisitions completed in 1998.
(3) Includes expense associated with the write-off of acquisition related in-process research and development costs of 3.1% related to the Company's original ownership and subsequent acquisition of the remaining outstanding shares of SHPS, Incorporated ("SHPS").
(4) Includes expense associated with the write-off of acquisition related, in-process research and development costs of 0.8% and 0.8% related to acquisitions completed by SHPS in 1997 and 1998, respectively.
(5) Includes expense associated with the write-down of marketable securities of 1.6% in 1998.
(6) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was an S corporation for federal income tax purposes, was subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods. See Note 19 of Notes to Consolidated Financial Statements.

1998 COMPARED TO 1997

Revenues. Revenues increased $117.9 million, or 33.5%, to $469.5 million in 1998 from $351.6 million in 1997. These results reflect an increase in revenues of $106.2 million from technical support services provided through IT call centers, an increase in revenues of $7.9 million from information technology services and solutions, and an increase in revenues of $3.8 million from customer product services. At the completion of 1998, information technology support services, information technology services and solutions, and customer product services accounted for 61.2%, 19.8%, and 19.0%, respectively, of the Company's consolidated revenues, as compared to 51.5%, 24.2% and 24.3%, respectively, in 1997.

The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period and the resultant increase in call volumes from clients, and the inclusion of SHPS' revenue generated since the date of acquisition. During 1997, the Company opened three new IT call centers which were fully operational throughout 1998 and opened two additional centers in 1998. The increase in revenues for information technology services and solutions was primarily attributable to an increase in the average bill rate and to an increase in hours billed to customers for professional services when compared to 1997. The increase in customer product support services revenue is primarily associated with an acquisition completed in 1997 by a company subsequently acquired by Sykes which was accounted for under the purchase method of accounting. Sykes acquired this entity in the fourth quarter of 1997 through a transaction accounted for as a pooling-of-interests.

Direct Salaries and Related Costs. Direct salaries and related costs increased $70.2 million, or 32.0%, to $289.8 million in 1998 from $219.6 million in 1997. As a percentage of revenues, direct salaries and related costs decreased to 61.7% in 1998 from 62.5% in the comparable 1997 year. The increase in the amount of direct salaries and related costs was primarily attributable to the addition of personnel to support revenue growth. The decrease as a percentage of revenue resulted from economies of scale associated with spreading costs over a larger revenue base and the continued change in the Company's mix of business reflecting the growth of technical support services as a percentage of consolidated results.

General and Administrative. General and administrative expenses increased $25.9 million, or 26.7%, to $123.2 million in 1998, inclusive of special one-time charges, from $97.2 million in 1997. As a percentage of revenues, and inclusive of special one-time charges, general and administrative expenses decreased to 26.2% in 1998 from 27.7% in the comparable 1997 year. The increase in the amount of general and administrative expenses was attributable to the addition of personnel to support the revenue growth. General and administrative expenses exclusive of $1.9 million of charges associated with accrued severance costs and one-time merger and related charges associated with the Company's acquisitions, increased $24.1 million, or 24.8%, to $121.3 million, or 25.8% of revenue. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

As part of the original ownership and subsequent acquisition of the remaining outstanding shares of SHPS, the Company determined that the technical feasibility of SHPS' in-process technology had not been established and a portion of the technology had no alternative use. Therefore, the Company recorded a charge of approximately $14.5 million related to the write-off of the acquired in-process research and development during 1998.

Other Income (Expense). Other expense increased to $12.3 million during 1998 from $3.6 million during 1997. As a percentage of revenues, other expense was 2.6% in 1998 compared to 1.0% in 1997. The increase in other expense was primarily attributable to approximately $7.3 million of charges associated with the write-down of marketable securities and an increase in the Company's debt position as a result of the acquisition of SHPS completed during 1998.

Income Taxes. The provision for income taxes increased $8.3 million, or 63.0%, to $21.5 million during 1998 from $13.2 million during 1997, and increased as a percentage of revenues to 4.6% from 3.7%, respectively. This increase was attributable to the increase of income before income taxes and to an increase in income before income taxes as a percentage of revenues. However, the Company's marginal tax rate increased to 72.2% during 1998 versus 63.3% for 1997, primarily as a result of nondeductible expenses which consisted primarily of goodwill amortization and the write-off of in-process research and development costs.

Net Income. As a result of the foregoing, net income inclusive of special one-time charges increased to $8.3 million in 1998 from $7.6 million in 1997. Net income for 1998 exclusive of the $1.9 million of one-time merger and related charges, exclusive of $7.3 million of charges associated with the write-down of marketable securities, exclusive of the $14.5 million associated with the acquisition and subsequent write-off of in-process research and development and exclusive of the $3.8 million of acquired in-process research and development charges incurred by the joint venture entity would have been $35.8 million.

1997 COMPARED TO 1996

Revenues. Revenues increased $102.9 million, or 41.4%, to $351.6 million in 1997 from $248.7 million in 1996. These results reflect an increase in revenues of $44.5 million from customer product support services, an increase in revenues of $49.5 million from information technology support services provided through IT call centers and an increase in revenues of $8.9 million from information technology services and solutions. At the completion of 1997, information technology support services, information technology services and solutions, and customer product services accounted for 51.5%, 24.2% and 24.3%, respectively, of the Company's consolidated revenues, as compared to 53.0%, 30.0% and 17.0%, respectively in 1996.

The increase in customer product support services revenue is primarily associated with an acquisition completed in 1997 by a company subsequently acquired by Sykes which was accounted for under the purchase method of accounting. Sykes acquired this entity in the fourth quarter of 1997 in a transaction accounted for as a pooling-of-interests. The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period, the addition of several significant customers since 1995 and the resultant increase in call volumes from clients. During 1996, the Company opened three new IT call centers which were fully operational throughout 1997, and opened three additional centers in 1997. The increase in revenues for information technology services and solutions was primarily attributable to the increase in hours billed to customers for professional services when compared to the prior period.

Direct Salaries and Related Costs. Direct salaries and related costs increased $67.4 million, or 44.3%, to $219.6 million in 1997 from $152.2 million in 1996. As a percentage of revenues, direct salaries and related costs increased to 62.5% in 1997 from 61.2% in the comparable 1996 year. The increase in the amount of direct salaries and related costs was primarily attributable to the change in the Company's mix of business associated with a 1997 acquisition referenced above and the addition of personnel to support revenue growth.

General and Administrative. General and administrative expenses increased $22.3 million, or 29.8%, to $97.2 million in 1997, inclusive of special one-time charges, from

$74.9 million in 1996. As a percentage of revenues, and inclusive of special one-time charges, general and administrative expenses decreased to 27.7% in 1997 from 30.1% in 1996. The increase in the amount of general and administrative expenses was attributable to the addition of personnel to support the revenue growth. General and administrative expenses exclusive of $1.8 million of one-time merger and related charges associated with the Company's acquisition in late 1997, increased $20.5 million, or 27.4%, to $95.4 million, or 27.1% of revenue. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

Interest and Other Expense. Interest and other expense increased to $3.6 million during 1997 from interest and other income of less than $0.1 million during 1996. As a percentage of revenues, interest and other expense was 1.0% in 1997 compared to less than 0.1% in 1996. The increase in interest and other expense was primarily attributable the occurrence of approximately $2.8 million of acquisition related in-process research and development costs incurred by the joint venture entity and hence its recording below income from operations, and an increase in the Company's debt position as a result of an acquisition completed during 1997, partially offset by interest income earned on available funds realized from the Company's public offerings.

Income Taxes. Income taxes increased $3.3 million, or 33.3%, to $13.2 million during 1997 from $9.9 million during 1996, but decreased as a percentage of revenues to 3.7% from 4.0%, respectively. This dollar increase was attributable to the significant increase in the amount of income before income taxes. However, the Company's marginal tax rate increased to 63.3% during 1997 from 45.7% during 1996 primarily as a result of nondeductible expenses which consisted primarily of goodwill amortization and the write-off of in-process research and development costs.

Net Income. As a result of the foregoing, net income inclusive of special one-time charges decreased to $7.6 million in 1997 from $11.8 million in 1996. Net income for 1997 exclusive of the $12.2 million of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges, and exclusive of the $2.8 million associated with acquisition related in-process research and development would have been $23.9 million for 1997.

QUARTERLY RESULTS

The following information presents unaudited quarterly operating results for the Company for 1997 and 1998. The data has been prepared by the Company on a basis consistent with the Consolidated Financial Statements included elsewhere in this Form 10-K, and include all adjustments, consisting of normal recurring accruals, that the Company considers necessary for a fair presentation thereof. The quarterly operating results for 1997 and for the first three quarters of 1998 have been restated to reflect the results of two acquisitions that were completed during the fourth quarter of 1998 utilizing the pooling-of-interests method of accounting. These operating results are not necessarily indicative of the Company's future performance.

	QUARTER ENDED							
	3/30/97	6/29/97	9/28/97	12/31/97	3/31/98	6/30/98	9/30/98	12/31/98
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Revenues	$ 76,983	$ 88,773	$ 89,443	$ 96,394	$ 98,088	$110,667	$ 118,316	$ 142,391
Direct salaries and related costs	45,867	55,662	57,005	61,051	61,160	68,768	72,806	87,068
General and administrative(1)(2)(5)(6)	21,639	34,856	24,316	26,806	26,319	28,789	31,316	36,736
Acquired in-process research and development (5)	--	--	--	--	--	--	14,469	--
Income (loss) from operations(1)(2)(5)(6)	9,477	(1,745)	8,122	8,537	10,609	13,110	(275)	18,587
Other income (expense)(3)(4)(7)	198	167	(247)	(3,697)	(3,839)	188	(504)	(8,115)
Income (loss) before income taxes(1)(2)(5)(6)	9,675	(1,578)	7,875	4,840	6,770	13,298	(779)	10,472
Provision for income taxes(8)	4,091	3,322	2,767	3,001	3,867	4,997	5,333	7,286
Net income (loss) (1)(2)(3)(4)(5)(6)(7)(8)	$ 5,584	$ (4,900)	$ 5,108	$ 1,839	$ 2,903	$ 8,301	$ (6,112)	$ 3,186
Net income (loss) per share(1)(2)(3)(4)(5)(6)(7)(8)	$ 0.13	$ (0.12)	$ 0.12	$ 0.04	$ 0.07	$ 0.20	$ (0.15)	$ 0.07
Total diluted shares	42,227	41,022	42,388	42,284	42,219	42,220	41,337	42,497

(1) The quarter ended June 29, 1997 includes a $10.4 million charge associated with the impairment of long-lived assets pursuant to SFAS No. 121. Exclusive of such charge, income from operations, income before income taxes, net income, and net income per diluted share would have been approximately $8.7 million, $8.8 million, $5.5 million and $0.13, respectively.
(2) The quarter ended December 31, 1997 includes approximately $1.8 million of one-time merger and related charges associated with an acquisition. Exclusive of such charges and the expense referenced in
(3) below, income from operations, income before income taxes, net income and net income per diluted share would have been approximately $10.3 million, $10.7 million, $7.7 million and $0.18, respectively.

(3) The quarter ended December 31, 1997 includes approximately $2.8 million of expense associated with acquisition related in-process research and development cost and $1.2 million of one-time merger and related charges.
(4) The quarter ended March 31, 1998, includes approximately $3.8 million of expense associated with the write-off of acquisition related in-process research and development by the joint venture entity. Exclusive of such charge, income before income taxes, net income, and net income per diluted share would have been approximately $10.6 million, $6.8 million and $0.16, respectively. The Company adjusted the amount originally allocated to loss from joint venture to reflect the new methodology set forth in the September 15, 1998 letter from the SEC Staff to the American Institute of Certified Public Accountants ("AICPA") regarding acquired in-process research and development.
(5) The quarter ended September 30, 1998, includes approximately $0.5 million of expense associated with accrued severance costs and approximately $14.5 million of expense associated with the write-off of acquisition related in-process research and development cost. Exclusive of such charges, income from operations, income before income taxes, net income, and net income per diluted share would have been approximately $14.6 million, $14.1 million, $8.8 million and $0.21, respectively. The Company adjusted the amounts originally allocated to acquired in-process research and development to reflect the new methodology set forth in the September 15, 1998 letter from the SEC Staff to the AICPA.
(6) The quarter ended December 31, 1998, includes approximately $1.4 million of one-time merger and related charges associated with acquisitions. Exclusive of such charge and the expense referenced in
(7) below, income from operations, income before income taxes, net income, and net income per diluted share would have been approximately $20.0 million, $19.2 million, $11.9 million and $0.28, respectively.
(7) The quarter ended December 31, 1998, includes approximately $7.3 million of charges associated with the write-down of marketable securities.
(8) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was an S corporation for federal income tax purposes, was subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods. See Note 19 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are equity offerings, cash flows from operations and available borrowings under its credit facility. The Company has completed two equity offerings since April 1996 and has utilized these proceeds to make capital expenditures associated primarily with its technical support services as identified above, to repay debt primarily associated with entities it has acquired subsequent to the public offerings, to acquire interest in and provide capitalization to its entry into the healthcare service industry, invest in technology applications to further the Company's service offerings and for working capital and general corporate purposes. In addition, the Company intends similar uses of any such funds, including possible additional acquisitions. Pending such use, the Company will invest the balance of its available funds in short-term, investment grade securities or money market instruments.

During February 1998, the Company entered into a $150.0 million syndicated credit facility which provides for multi-currency lending. This new facility accrues borrowings at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement. The facility which matures in February 2001, contains certain financial covenants associated with debt ratios, leverage, coverage and capital expenditures and acquisitions as defined by the agreement.

During 1998, the Company generated approximately $41.1 million in cash, net from operating activities. The combination of these funds with the $1.1 million received from issuance of common stock, $2.6 million received from grants associated with the construction of a domestic IT call center and available cash and cash equivalents, were used in 1998 to fund $37.3 million of capital expenditures, $89.7 million in repayment of debt, $10.7 million of investments in a joint venture and $28.1 million to make an acquisition. The capital equipment expenditures were predominantly the result of the Company's continued expansion, both domestically and internationally, in providing technical product support services. During 1998, the Company constructed its ninth self-directed domestic IT call center, outfitted another and funded the expansion and enhancing of the technology base from which services are provided. Internationally, the Company opened two new IT call centers, expanded four other call centers and also enhanced its technology base. As a result of the Company's expansion and continued integration of its acquisitions, it is anticipated that 1999 capital expenditures will approximate $32.0 million. The debt repayments were associated with assumed debt levels resulting primarily from acquisitions the Company completed during 1997.

During 1998, the Company completed two business combinations for the aggregate purchase price of 2,062,000 shares of the Company's common stock. These business combinations were accounted for using the pooling-of-interests method of accounting. In addition, the Company also acquired the stock of SHPS, Incorporated ("SHPS") and related assets for approximately $30.6 million in cash and accounted for the acquisition utilizing the purchase method of accounting. In the aggregate, these acquisitions expanded the Company's geographical presence in Europe, established operations in Canada and expanded the vertical market service offerings that the Company provides. Pursuant to the SHPS acquisition, the Company had approximately $79.4 million of debt outstanding at December 31, 1998.

The Company believes that its current cash levels, accessible funds under its credit facilities and cash flows from future operations, will be adequate to meet its debt repayment requirements, continued expansion objectives and anticipated levels of capital expenditures, including those that may be required pursuant to the integration of its acquisitions, for the foreseeable future.

QUANTITATIVE AND QUALITATIVE DISCLOSURE

The Company's earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates. Movements in foreign currency exchange rates may affect the Company's competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-United States based competitors. Under its current policy, the Company does not use foreign exchange derivative instruments to manage its exposure to changes in foreign currency exchange rates.

The Company is also exposed to changes in interest rates primarily from its long-term debt arrangements. Under its current policy, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

YEAR 2000

The Year 2000 issue is the result of computer software programs being written using two digits rather than four to define the applicable year. To the extent the Company's software applications contain source codes that are unable to appropriately interpret the calendar year 2000, some level of modification or even possibly replacement of such applications may be necessary. During late 1997, the Company initiated the process of reviewing its existing software programs to determine the potential exposure and amount of resources that may be needed to become Year 2000 compliant. Based on this review, the Company has experienced very few problems related to Year 2000 testing and those identified have been resolved in the Company's day-to-day operations.

The Company has and will continue to utilize both internal and external resources to reprogram, or replace, and test its internal use software for Year 2000 modifications. The Company anticipates completing its Year 2000 testing and modifications no later than August 1999, which is prior to any anticipated impact on its operating systems. The total cost of the Year 2000 project is estimated at approximately $1.2 million and is being funded through operating cash flows. To date, the Company has incurred approximately $0.4 million related to this project. Such cost is not expected to have a material effect on the Company's results of operations.

The remaining costs to become Year 2000 compliant and the date on which the Company believes it will complete all Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, availability of corrective software provided by external suppliers, the ability to locate and correct all relevant computer codes and similar uncertainties.

The Company has initiated formal communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. In the event any third parties cannot timely provide the Company with contents, products, services or systems that meet Year 2000 requirements, the Company's services could be materially adversely affected.

In a recent Securities and Exchange Commission release regarding Year 2000 disclosure, the Securities and Exchange Commission stated that public companies must disclose the most reasonable likely worst case Year 2000 scenario. Although it is not possible to assess the likelihood of any of the following events, each must be included in a consideration of worst case scenarios: widespread failure of electrical and similar supplies serving the Company; widespread disruption of the services provided by common communications' carriers; similar disruption to the means and modes of transportation for the Company and its employees, suppliers, and customers; significant disruption to the Company's ability to gain access to, and remain working in, office buildings and other facilities; the failure of substantial numbers of the Company's, its customers' and its suppliers' critical computer hardware and software systems, and the failure of outside entities' systems, including systems related to banking and finance.

Although the Company expects its systems to be Year 2000 compliant on or before December 31, 1999, it cannot predict the outcome or the success of its efforts to become Year 2000 compliant, or that third party systems are or will be Year 2000 compliant, or that the costs required to address the Year 2000 issue, or that the impact of a failure to achieve substantial Year 2000 compliance, will not have a material adverse effect on the Company's business, financial condition or results of operations. The Company is in the process of developing contingency plans to ensure continued operation to its systems.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Sykes Enterprises, Incorporated

We have audited the accompanying consolidated balance sheet of Sykes Enterprises, Incorporated as of December 31, 1998, and the related consolidated statement of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated as of December 31, 1998, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

Tampa, Florida
March 5, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Sykes Enterprises, Incorporated

We have audited the consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 1996 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997, and the consolidated results of their operations and their cash flows for the year ended December 31, 1996 and 1997, in conformity with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Tampa, Florida
March 6, 1998

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 75,308,505	$ 36,348,863
Restricted cash	--	11,090,890
Receivables	79,187,795	113,840,262
Prepaid expenses and other current assets	12,098,418	15,861,742
Total current assets	166,594,718	177,141,757
Property and equipment, net	79,466,290	99,176,512
Marketable securities	7,800,002	199,875
Investment in joint venture	2,285,142	--
Intangible assets, net	11,079,334	75,132,011
Deferred charges and other assets	971,254	13,484,146
	$ 268,196,740	$ 365,134,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt	$ 4,497,393	$ 3,983,239
Accounts payable	20,495,791	30,086,549
Income taxes payable	3,351,996	10,549,623
Accrued employee compensation and benefits	10,678,561	19,144,242
Customer deposits	--	10,978,868
Other accrued expenses and current liabilities	10,910,405	17,194,752
Total current liabilities	49,934,146	91,937,273
Long-term debt	35,989,735	75,448,202
Deferred income taxes	4,374,963	--
Deferred grants	14,083,691	15,434,676
Deferred revenue	11,253,985	14,707,773
Other long-term liabilities	--	2,668,895
Total liabilities	115,636,520	200,196,819
Commitments and contingencies (Notes 9 and 13)		
Shareholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 41,119,626 and 41,451,905 issued and outstanding	411,196	414,519
Additional paid-in capital	133,592,337	136,199,748
Retained earnings	22,151,352	29,730,975
Accumulated other comprehensive income	(3,594,665)	(1,407,760)
Total shareholders' equity	152,560,220	164,937,482
	$ 268,196,740	$ 365,134,301

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
Revenues	$ 248,699,429	$ 351,593,110	$ 469,461,520
Operating expenses			
Direct salaries and related costs	152,212,558	219,584,550	289,801,769
General and administrative	74,875,628	97,216,636	123,159,492
Impairment of long-lived assets	--	10,400,000	--
Acquired in-process research and development	--	--	14,468,907
Total operating expenses	227,088,186	327,201,186	427,430,168
Income from operations	21,611,243	24,391,924	42,031,352
Other income (expense)			
Interest, net	(430,717)	518,968	(959,152)
Loss from joint venture	--	(2,828,000)	(3,947,380)
Write-down of marketable securities	--	--	(7,334,645)
Other	458,708	(1,270,450)	(29,176)
Total other income (expense)	27,991	(3,579,482)	(12,270,353)
Income before income taxes	21,639,234	20,812,442	29,760,999
Provision for income taxes			
Current	10,283,057	13,492,156	25,592,000
Deferred	(395,730)	(311,160)	(4,109,000)
Total provision for income taxes	9,887,327	13,180,996	21,483,000
Net income	11,751,907	7,631,446	8,277,999
Preferred stock dividends	(47,343)	--	--
Net income applicable to common shareholders	$ 11,704,564	$ 7,631,446	$ 8,277,999
Pro forma income data (unaudited)			
Income before income taxes	$ 21,639,234		
Pro forma provision for income taxes relating to S corporation	67,000		
Actual provision for income taxes	9,887,327		
Total provision and pro forma provision for income taxes	9,954,327		
Pro forma net income	11,684,907		
Preferred stock dividends	(47,343)		
Pro forma net income applicable to common shareholders	$ 11,637,564		
Basic net income per share (pro forma for 1996)	$ 0.32	$ 0.19	$ 0.20
Diluted net income per share (pro forma for 1996)	$ 0.31	$ 0.18	$ 0.20
Shares outstanding			
Basic	36,473,266	41,044,002	41,257,623
Diluted	38,016,323	42,315,046	42,288,425

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock		Additional		
	Shares	Amount	Paid-In Capital	Retained Earnings	Unearned Compensation
Balance at January 1, 1996	29,262,276	$292,623	$ 9,437,554	$ 11,576,587	$(1,338,041)
Merger with Sykes Realty, Inc.	2,745,000	27,450	238,116	(827,554)	--
Conversion of redeemable preferred stock	448,029	4,480	5,371,872	(5,376,352)	--
Issuance of common stock	6,427,632	64,277	112,276,067	--	--
Three-for-two stock split	2,037,337	20,373	(20,373)	--	--
Repurchase of common stock	--	--	(142,702)		--
Distributions	--	--	--	(986,015)	--
Tax effect of non-qualified exercise of stock options	--	--	3,866,486	--	--
Unearned employee compensation from Employee Stock Ownership Plan Trust	--	--	--	--	1,338,041
Net income	--	--	--	11,751,907	--
Foreign currency translation adjustment	--	--	--	--	--
Comprehensive income					
Preferred stock dividends	--	--	--	(47,343)	--
Balance at December 31, 1996	40,920,274	409,203	131,027,020	16,091,230	--
Issuance of common stock	199,352	1,993	3,037,968	--	--
Capital contribution	--	--	1,237,000	--	--
Repurchase of common stock	--	--	(2,623,651)	--	--
Tax effect of non-qualified exercise of stock options	--	--	914,000	--	--
Distributions	--	--	--	(496,972)	--
Net income	--	--	--	7,631,446	--
Unrealized loss on securities, net of income taxes	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--
Comprehensive income					
Adjustments to conform fiscal year of McQueen International Limited (Note 2)	--	--	--	(1,074,352)	--
Balance at December 31, 1997	41,119,626	411,196	133,592,337	22,151,352	--
Issuance of stock	332,279	3,323	1,073,411	--	--
Tax effect of non-qualified exercise of stock options	--	--	1,534,000	--	--
Distributions	--	--	--	(698,376)	--
Net income	--	--	--	8,277,999	--
Recognition of write-down on marketable securities	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	--
Comprehensive income					
Balance at December 31, 1998	41,451,905	$414,519	$ 136,199,748	$ 29,730,975	--

	Accumulated Other Comprehensive Income	Total
Balance at January 1, 1996	$ 467,706	$ 20,436,429
Merger with Sykes Realty, Inc.	--	(561,988)
Conversion of redeemable preferred stock	--	--
Issuance of common stock	--	112,340,344
Three-for-two stock split	--	--

Repurchase of common stock	--	(142,702)
Distributions	--	(986,015)
Tax effect of non-qualified exercise of stock options	--	3,866,486
Unearned employee compensation from Employee Stock Ownership Plan Trust	--	1,338,041
Net income	--	11,751,907
Foreign currency translation adjustment	(592,713)	(592,713)
Comprehensive income		11,159,194
Preferred stock dividends	--	(47,343)
Balance at December 31, 1996	(125,007)	147,402,446
Issuance of common stock	--	3,039,961
Capital contribution	--	1,237,000
Repurchase of common stock	--	(2,623,651)
Tax effect of non-qualified exercise of stock options	--	914,000
Distributions	--	(496,972)
Net income	--	7,631,446
Unrealized loss on securities, net of income taxes	(734,518)	(734,518)
Foreign currency translation adjustment	(2,735,140)	(2,735,140)
Comprehensive income		4,161,788
Adjustments to conform fiscal year of McQueen International Limited (Note 2)	--	(1,074,352)
Balance at December 31, 1997	(3,594,665)	152,560,220
Issuance of stock	--	1,076,734
Tax effect of non-qualified exercise of stock options	--	1,534,000
Distributions	--	(698,376)
Net income	--	8,277,999
Recognition of write-down on marketable securities	734,518	734,518
Foreign currency translation adjustment	1,452,387	1,452,387
Comprehensive income		10,464,904
Balance at December 31, 1998	$ (1,407,760)	$164,937,482

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 11,751,907	$ 7,631,446	$ 8,277,999
Depreciation and amortization	8,871,944	15,245,917	21,831,091
Impairment of long-lived assets	--	10,400,000	--
Acquired in-process research and development costs	--	2,795,000	14,468,907
Write-down of marketable securities	--	--	7,334,645
Deferred income taxes	(395,730)	(311,160)	(4,109,000)
ESOP allocation (unearned compensation)	1,338,041	--	--
Gain on disposal of property and equipment	(119,072)	(105,416)	(524,762)
Changes in assets and liabilities - net of effects of acquisitions			
Receivables	(22,066,629)	(6,073,933)	(27,948,284)
Prepaid expenses and other current assets	(3,446,020)	(783,295)	(2,911,635)
Intangible assets	--	--	(737,708)
Deferred charges and other assets	(936,923)	(1,035,841)	(5,532,766)
Accounts payable	(1,853,691)	(714,315)	2,840,802
Income taxes payable	673,302	1,056,946	11,373,150
Accrued employee compensation and benefits	2,617,197	(355,586)	7,270,284
Other accrued expenses and current liabilities	6,395,250	(4,286,603)	6,090,194
Deferred revenue	--	--	3,453,788
Other long-term liabilities	--	--	(48,169)
Net cash provided by operating activities	2,829,576	23,463,160	41,128,536
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(23,836,838)	(25,654,336)	(37,292,551)
Investment in marketable securities	--	(8,000,000)	--
Investment in joint venture	--	(5,080,142)	(10,723,040)
Acquisition of business	--	(1,800,000)	(28,131,282)
Proceeds from sale of marketable securities	--	--	1,000,000
Proceeds from sale of property and equipment	201,425	208,351	3,462,149
Net cash used for investing activities	(23,635,413)	(40,326,127)	(71,684,724)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paydowns under revolving line of credit agreements	(20,771,718)	(72,441,000)	(16,932,339)
Borrowings under revolving line of credit agreements	19,916,835	72,441,000	93,809,851
Proceeds from issuance of stock	112,340,344	3,039,961	1,076,734
Proceeds from grants	5,642,335	2,000,000	2,575,000
Proceeds from issuance of long-term debt	6,668,403	350,467	--
Proceeds from issuance of convertible debenture	--	1,399,000	--
Capital contributions	--	1,237,000	--
Subsidiary stock redemption	(142,702)	(2,623,651)	--
Payment of long-term debt	(12,367,144)	(6,238,862)	(89,686,711)
Distributions	(1,033,358)	(496,972)	(698,376)
Net cash provided by (used for) financing activities	110,252,995	(1,333,057)	(9,855,841)
Adjustment for foreign currency translation	(592,713)	(2,735,140)	1,452,387
Net increase (decrease) in cash and cash equivalents	88,854,445	(20,931,164)	(38,959,642)
CASH AND CASH EQUIVALENTS - BEGINNING	7,385,224	96,239,669	75,308,505
CASH AND CASH EQUIVALENTS - ENDING	$ 96,239,669	$ 75,308,505	$ 36,348,863
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 1,745,556	$ 2,883,827	$ 1,553,386
Income taxes	$ 8,798,919	$ 8,562,981	$ 13,401,881

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sykes Enterprises, Incorporated and consolidated subsidiaries (the "Company" or "Sykes") provides integrated information technology outsourcing services including information technology support services, information technology development services and solutions, on-line clinical managed care services, medical protocol products, employee benefit administration and support services, and customer product services. The Company's services are provided to a wide variety of industries.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Sykes Enterprises, Incorporated and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Recognition of Revenue - The Company primarily recognizes its revenue as services are performed. Royalty revenue is recognized at the time royalties are earned and the remaining revenue is recognized on fixed price contracts using the percentage-of-completion method of accounting. Adjustments to fixed price contracts and estimated losses, if any, are recorded in the period when such adjustments or losses are known. Software and product sales are recognized upon shipment.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid short-term investments classified as available for sale as defined under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At December 31, 1998, cash in the amount of approximately $8.1 million was held in taxable interest bearing investments, which are classified as available for sale and have an average maturity of approximately 30 days.

Restricted Cash - The financial statements include restricted cash which is held in conjunction with deposits by customers at December 31, 1998. Included in current liabilities at December 31, 1998 is the related payable.

Property and Equipment - Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Improvements to leased premises are amortized over the shorter of the related lease term or the useful lives of the improvements. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any gains or losses resulting therefrom are credited or charged to income. Depreciation expense was approximately $9.9 million, $14.8 million, and $21.0 million for the years ended December 31, 1996, 1997 and 1998, respectively. Property and equipment includes approximately $1.3 million and $0.9 million of additions included in accounts payable at December 31, 1997 and 1998, respectively. Accordingly, these non-cash transactions have been excluded from the accompanying consolidated statements of cash flows for the years ended December 31, 1997 and 1998, respectively.

During 1998, the Company capitalized certain costs incurred to internally develop software upon the establishment of technological feasibility. Costs incurred prior to the establishment of technological feasibility were expensed as incurred. Capitalized internally developed software costs were approximately $2.2 million at December 31, 1998.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, continued

Land received from various governmental agencies under grants is recorded at fair value at date of grant. During the years ended December 31, 1996, 1997 and 1998 the Company recorded approximately $317,000, $430,000, and $280,000 respectively, in land acquisitions as a result of such grants. Accordingly, these non-cash transactions have been excluded from the accompanying consolidated statements of cash flows for the years ended December 31, 1996, 1997 and 1998.

Investment in Joint Venture - The Company had a 50% interest in a joint venture that was accounted for using the equity method of accounting. Accordingly, the Company recorded its proportionate share of the gains and losses of the joint venture in the consolidated statements of income for 1997 and the first eight months of 1998. Effective September 1, 1998, the Company acquired the remaining 50% equity interest in this joint venture (See Note 2).

Intangible Assets - Intangible assets consist of the excess of costs over fair market value of the net assets of the acquired business of $14.3 million and $67.1 million at December 31, 1997 and 1998, respectively, net of accumulated amortization of $3.2 million and $6.2 million, respectively. Also included in intangible assets are existing technologies and covenants not to compete arising from business acquisitions of $0.7 million and $15.7 million at December 31, 1997 and 1998, respectively, net of accumulated amortization of $0.6 million and $1.5 million, respectively. The intangible assets are stated at cost and are being amortized on a straight-line basis over periods ranging from 10 to 20 years for the excess of costs over fair value of the net assets of the acquired business, and two to five years for the existing technologies and covenants not to compete. Amortization expense was approximately $0.6 million, $0.9 million and $1.7 million for the years ended December 31, 1996, 1997 and 1998, respectively.

Deferred Charges and Other Assets - Deferred charges and other assets consist primarily of an investment in preferred stock and long-term deposits.

Impairment of Long-Lived Assets - The Company reviews long-lived assets and certain identifiable intangibles for impairment. Such assets are written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable. During 1997, the Company recorded an impairment loss of $10.4 million related to an acquisition made during that year.

Income Taxes - Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

One of the Company's affiliates was taxed as an S corporation prior to the Company's initial public offering (See Note 19), and terminated its S corporation election during 1996 and accordingly became subject to federal and state income taxes.

Deferred Grants - Grants for land and the acquisition of buildings, property and equipment are deferred and recognized in income over the corresponding useful lives of the related assets. There are no significant contingencies associated with the grants that would impact the Company's ability to utilize assets received in association with the grants.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, continued

Deferred Revenue - The Company invoices certain contracts in advance. The deferred revenue is earned over the life of the respective contract, which range from six months to two years.

Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- Cash, accounts receivable and accounts payable. The carrying amount reported in the balance sheet for cash, accounts receivable and accounts payable approximates their fair value.
- Long-Term Debt. The fair value of the Company's long-term debt, including the current portion thereof, is estimated based on the quoted market price for the same or similar types of borrowing arrangements. The carrying value of the Company's long-term debt approximates fair value because the debt bears variable interest rates.

Segment Reporting - In June 1997, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 uses a management approach to report financial and descriptive information about a Company's operating segments. Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. Under this definition, the Company operated, for all periods presented, as a single segment.

Non-monetary Transaction - During 1998, the Company sold a software license in exchange for convertible preferred stock in a privately held corporation. The convertible preferred stock has a fair market value of $10.0 million which represents the sales price recorded by the Company. This amount is included in the consolidated balance sheet under the caption "Deferred charges and other assets" at December 31, 1998.

Foreign Currency Translation - The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. Dollar are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is accumulated as a separate component of shareholders' equity. Foreign currency transactional gains and losses are included in determining net income. Such gains and losses are not material for any period presented.

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, management does not believe these differences would have a material effect on operating results.

NOTE 2 - ACQUISITIONS AND MERGERS

Effective September 1, 1998 the Company acquired the remaining 50% of outstanding common stock of SHPS, Incorporated ("SHPS") (formerly known as Sykes HealthPlan Services, Inc.) for approximately $28.1 million plus the assumption of SHPS' debt. This purchase price

NOTE 2 - ACQUISITIONS AND MERGERS, continued

was primarily financed through borrowings under the Company's credit facility.

This acquisition was accounted for using the purchase method of accounting and accordingly, the results of operations for the period September 1, 1998, to December 31, 1998, have been included in the accompanying financial statements. The purchase price has been allocated to the assets and liabilities of SHPS based upon fair values at the date of acquisition. The allocations were based on appraisals, evaluations, estimations and other studies.

The Company adjusted the amounts originally allocated to acquired in-process research and development to reflect the new methodology set forth in the September 15, 1998 letter from the SEC Staff to the American Institute of Certified Public Accountants. The revised allocation resulted in goodwill recognized of approximately $11.9 million, representing the excess of the purchase price over the fair value of net assets acquired, as follows:

Goodwill...	$ 11,923,929
Fair value of assets acquired (inclusive of $38,588,462 of goodwill).	83,587,143
Acquired in-process research and development........................	14,468,907
Liabilities assumed..	(81,848,697)
Cash paid, net of cash acquired....................................	$ 28,131,282

Pursuant to acquisitions completed by SHPS, acquired in-process technology was initially reviewed utilizing methodologies consistent with those stated below. The Company determined that this analysis provided no establishment of technological feasibility. As of the date of Sykes' acquisition of SHPS, technological feasibility of the in-process technology was reviewed again and had not been established. Further analysis by the Company has indicated the technology has no alternative future use; therefore, the Company has recorded a charge for the amount of the purchase price allocated to acquired in-process research and development of approximately $14.5 million. This charge is reflected in the accompanying consolidated statement of income for the year ended December 31, 1998.

The amount of purchase price allocated to acquired in-process research and development was determined by estimating the stage of development of each in-process research and development project at the date of acquisition, estimating cash flows resulting from the expected revenues generated from such projects, and discounting the net cash flows back to their present value using a discount rate of 15% for existing technology and 25% for in-process technology, which represents a premium to the Company's cost of capital. The spread over the existing technology discount rate reflects the inherently greater risk of the research and development efforts. These projections were based on management's estimates of market share and growth, expected trends in technology and the expected timing of new product introductions. As a part of the transaction, the Company recorded approximately $7.3 million in capitalized software costs and rights, which are being amortized over five years, and approximately $50.5 million of goodwill, which is being amortized over 20 years.

The unaudited pro forma combined historical results, as if SHPS had been acquired on January 1, 1997 are estimated to be revenues of $351.6 million, net income of $6.6 million, and basic and diluted net income per share of $0.16 for the year ended December 31, 1997, and revenues of $501.2 million, net loss of $5.6 million, and basic and diluted loss per share of $0.14 for the year ended December 31, 1998. The pro forma results include amortization of the intangibles noted above and interest expense on the debt assumed to finance the purchase. The pro forma results are not necessarily indicative of

NOTE 2 - ACQUISITIONS AND MERGERS, continued

what actually would have occurred if the acquisition had been completed as of the beginning of 1997, nor are they indicative of future consolidated results.

On November 27, 1998, the Company acquired all of the stock of TAS GmbH Nord Telemarketing und Vertriebsberatung ("TAS III") of Hannover, Germany in exchange for 587,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS III provides technical call center support and customer care services, database development and consulting services to customers in Germany.

On December 29, 1998, the Company acquired all of the stock of Oracle Service Networks Corporation ("Oracle") in exchange for 1,475,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Oracle provides call center support and customer care services to various customers in North America, as well as demand management services for the Canadian provincial health care system.

The above transactions, excluding SHPS, have been accounted for as pooling-of-interests and, accordingly, the consolidated financial statements for the periods presented have been restated to include the accounts of TAS III and Oracle.

Separate results of operations for the periods prior to the mergers with TAS III and Oracle are outlined below:

	December 31,	
	1996	1997
Revenue:		
Sykes	$218,995,751	$313,184,554
TAS III	7,061,658	8,336,380
Oracle	22,642,020	30,072,176
Combined	$248,699,429	$351,593,110
Net income:		
Sykes	$ 10,371,543	$ 5,747,206
TAS III	1,668,908	325,311
Oracle	(288,544)	1,558,929
Combined	$ 11,751,907	$ 7,631,446
Other changes in shareholders' equity:		
Sykes	$115,574,037	$ (2,103,123)
TAS III	(341,456)	(252,420)
Oracle	(18,471)	(118,129)
Combined	$115,214,110	$ (2,473,672)

During 1997, the Company acquired all of the stock of McQueen International, Limited ("McQueen") of Galashiels, Scotland. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. McQueen had a February 28 fiscal year end

NOTE 2 - ACQUISITIONS AND MERGERS, continued

and, accordingly, the McQueen statement of income for the year ended February 28, 1997, has been combined with the Sykes' statement of income for the year ended December 31, 1996. In order to conform McQueen's fiscal year end to Sykes' calendar year end, the Consolidated Statement of Income for 1997 includes two months (January and February 1997) for McQueen which are also included in the Consolidated Statements of Income for the year ended December 31, 1996. Accordingly, an adjustment has been made during 1997 to retained earnings for the duplication of net income of approximately $1.1 million for such two-month period. McQueen's revenue for the two months (January and February 1997) was approximately $12.3 million.

On April 7, 1997, McQueen acquired the Media Services divisions of Rand McNally & Company, comprising the US Division, Rand McNally Media Services Inc. and Rand McNally International Business Services BV, a Netherlands division with an operational branch in Ireland, for approximately $30.0 million, including acquisition costs. This purchase price was entirely financed through the issuance of notes to the seller. Accordingly, this non-cash transaction has been excluded from the accompanying financial statements. The excess of the total acquisition cost over the fair value of net assets acquired in the amount of $6.9 million after an impairment of $10.4 million is being amortized on a straight line basis over 15 years. The unaudited pro forma combined historical results, as if the Media Services division of Rand McNally & Company had been acquired on January 1, 1996, are estimated to be revenues of $315.0 million, net income of $12.1 million and basic and diluted earnings per share of $0.33 and $0.32, respectively, for 1996; and revenues of $368.2 million, income of $7.8 million, and basic and diluted earnings per share of $0.19 and $0.18, respectively, for 1997. The pro forma results include amortization of the intangibles noted above and interest expense on the debt assumed to finance the purchase. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of 1996, nor are they necessarily indicative of future consolidated results.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. With the exception of $10.0 million of convertible preferred stock held, the Company's credit concentrations are limited due to the wide variety of customers and markets in which the Company's services are sold.

NOTE 4 - RECEIVABLES

Receivables consist of the following:

	December 31,	
	1997	1998
Trade accounts receivable	$61,913,218	$100,966,473
Unbilled accounts receivable	6,446,597	5,326,607
Notes from officers	418,958	470,122
Other	10,946,417	7,873,231
	79,725,190	114,636,433
Less allowance for doubtful accounts	537,395	796,171
	$79,187,795	$113,840,262

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 1997	December 31, 1998
Land	$ 3,784,516	$ 4,014,119
Buildings and leasehold improvements	30,633,764	30,661,019
Equipment, furniture and fixtures	86,992,441	130,956,959
Capitalized software development costs	--	2,217,529
Transportation equipment	447,028	259,700
Construction in progress	6,344,495	3,381,020
	128,202,244	171,490,346
Less accumulated depreciation	48,735,954	72,313,834
	$ 79,466,290	$ 99,176,512

NOTE 6 - MARKETABLE SECURITIES

On May 8, 1997, the Company purchased approximately 1.066 million shares of SystemSoft Corp. common stock in conjunction with a strategic technology exchange agreement between the parties. The Company's original cost basis in this investment was $8.0 million. In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the investment was classified as available-for-sale securities. During the fourth quarter of 1998, the Company wrote down its investment in SystemSoft Corp. by approximately $7.3 million due to a significant reduction in its market value which was determined to be other than temporary. As such, the investment was carried at an aggregate market value of approximately $0.2 million as of December 31, 1998.

NOTE 7 - ACCRUED EMPLOYEE COMPENSATION AND BENEFITS

Accrued employee compensation and benefits consist of the following:

	December 31, 1997	December 31, 1998
Accrued compensation	$ 3,449,281	$10,907,243
Accrued vacation	1,866,545	2,224,829
Other	5,362,735	6,012,170
	$10,678,561	$19,144,242

NOTE 8 - OTHER ACCRUED EXPENSES AND CURRENT LIABILITIES

Other accrued expenses and current liabilities consist of the following:

	December 31, 1997	December 31, 1998
Deferred revenue	$ 927,340	$ 5,961,591
Accrued telephone charges	2,231,644	2,349,844
Accrued interest	--	1,329,586
Other	7,751,421	7,553,731
	$10,910,405	$17,194,752

NOTE 9 - LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 1997	December 31, 1998
Syndicated credit facility, $150.0 million maximum, due February 2001, interest payable quarterly at tiered levels between 75 and 175 basis points above listed LIBOR, the facility is unsecured	$ --	$75,000,000
Syndicated credit facility, $15.0 million maximum, due February 2001, interest payable monthly at tiered levels between 75 and 175 basis points above listed LIBOR, the facility is unsecured	--	2,659,850
Secured loan note, principal and interest payable in annual installments through November 1999, interest at 8 percent, collateralized by certain assets, repaid during 1998	855,675	--
Secured loan notes, interest payable in quarterly installments through December 1999, interest at varying rates up to 9.6 percent, principal due in three installments during 1999, collateralized by certain assets, repaid during 1998	26,950,400	--
Notes payable and capital leases, principal and interest payable in monthly installments through December 2003, interest at varying rates up to prime plus 1 percent, collateralized by certain receivables and equipment	12,681,053	1,771,591
	40,487,128	79,431,441
Less current portion	4,497,393	3,983,239
	$35,989,735	$75,448,202

Principal maturities subsequent to December 31, 1999 are as follows:

2000	$ 292,751
2001	75,076,626
2002	70,284
2003	8,541
	$75,448,202

NOTE 9 - LONG-TERM DEBT, continued

Effective February 1998, the Company entered into a $150.0 million syndicated credit facility and a $15.0 million swingline facility which provides for multi-currency lending. These facilities accrue interest at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement, and accrues an unused commitment fee at tiered levels between 15 and 37.5 basis points above listed LIBOR. The Company was also contingently liable for letters of credit in the amount of approximately $5.0 million at December 31, 1998 (none at December 31, 1997). The $150.0 million facility contains certain financial covenants associated with debt ratios, leverage, coverage and capital expenditures and acquisitions as defined by the agreement. At December 31, 1998, the Company was in compliance with all loan covenants.

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" which requires all items that are required to be recognized under accounting standards as components of other comprehensive income be reported in the financial statements. The components of other comprehensive income are as follows:

	Unrealized Loss on Securities	Foreign Currency Translation	Accumulated Other Comprehensive Income
Balance at January 1, 1996	$ --	$ 467,706	$ 467,706
Foreign currency translation adjustment	--	(592,713)	(592,713)
Balance at December 31, 1996	--	(125,007)	(125,007)
Foreign currency translation adjustment	--	(2,735,140)	(2,735,140)
Unrealized loss on securities, net of income taxes	(734,518)	--	(734,518)
Balance at December 31, 1997	(734,518)	(2,860,147)	(3,594,665)
Foreign currency translation adjustment	--	1,452,387	1,452,387
Unrealized loss on securities	(6,600,127)	--	(6,600,127)
Less: reclassification adjustment for loss realized in net income	7,334,645	--	7,334,645
Balance at December 31, 1998	$ --	$(1,407,760)	$(1,407,760)

Earnings associated with the Company's investment in its foreign subsidiaries are considered to be permanently invested and no provision for United States federal and state income taxes on those earnings or translation adjustments has been provided.

NOTE 11 - INCOME TAXES

The components of income before income taxes are as follows:

	Years ended December 31,		
	1996	1997	1998
Domestic	$10,823,955	$ 8,551,740	$13,368,121
Foreign	10,815,279	12,260,702	16,392,878
Total income before income taxes	$21,639,234	$20,812,442	$29,760,999

Provision for income taxes consists of the following:

	Years ended December 31,		
	1996	1997	1998
Current:			
Federal	$ 3,573,533	$ 6,906,000	$14,365,000
State	610,632	1,229,000	2,338,000
Foreign	6,098,892	5,357,156	8,889,000
Total current provision for income taxes	10,283,057	13,492,156	25,592,000
Deferred:			
Federal	(2,000)	(99,000)	(2,112,000)
State	56,250	(25,000)	(340,000)
Foreign	(449,980)	(187,160)	(1,657,000)
Total deferred provision for income taxes	(395,730)	(311,160)	(4,109,000)
Total provision for income taxes	$ 9,887,327	$13,180,996	$21,483,000

NOTE 11 - INCOME TAXES, continued

The components of the net deferred tax asset (liability) are as follows:

	December 31,	
	1997	1997
Domestic current:		
Deferred tax asset:		
Accrued expenses	$ 800,000	$ 889,000
Deferred compensation	246,000	244,000
Bad debt reserve	119,000	346,000
Other	7,000	6,000
Total current deferred tax asset	$ 1,172,000	$ 1,485,000
Deferred tax liability:		
Prepaid expenses	$ --	$ (462,000)
Cash to accrual-Section 481 adjustment	(488,000)	(5,000)
Other	--	(798,904)
Total current deferred tax liability	(488,000)	(1,265,904)
Net domestic current deferred tax asset	$ 684,000	$ 219,096
Foreign current:		
Deferred tax asset:		
Deferred commissions	$ --	$ 232,000
Net operating loss carry-forward	135,000	--
Valuation allowance	(135,000)	--
Total foreign current deferred tax asset	$ --	$ 232,000
Deferred tax liability:		
Deferred commissions	$ (72,291)	$ --
Total foreign current deferred tax liability	(72,291)	--
Net foreign current deferred tax asset (liability)	$ (72,291)	$ 232,000
Net current deferred asset	$ 611,709	$ 451,096
Domestic non-current:		
Deferred tax asset:		
Unrealized loss on security	$ 466,000	$ 3,009,000
Intangible assets	40,000	3,457,000
Net operating loss carry forward	--	454,000
Valuation allowance	--	(3,000,000)
Other	3,000	--
Total non-current deferred tax asset	$ 509,000	$ 3,920,000
Deferred tax liability:		
Property and equipment	$ (504,000)	$ (710,000)
Intangible assets	--	(2,155,000)
Cash to accrual-Section 481 adjustment	(2,437,000)	--
Accrued liabilities	(258,000)	--
Other	(526,963)	--
Total non-current deferred tax liability	(3,725,963)	(2,865,000)
Net domestic non-current deferred tax asset(liability)	$(3,216,963)	$ 1,055,000

NOTE 11 - INCOME TAXES, continued

	December 31, 1997	December 31, 1998
Foreign non-current:		
Deferred tax asset:		
Intangible assets	--	$ 1,571,470
Net operating loss carry-forward	--	704,000
Valuation allowance	--	(704,000)
Total non-current deferred tax asset	--	$ 1,571,470
Deferred tax liability:		
Property and equipment	$(1,158,000	$(1,377,000)
Total non-current deferred tax liability	(1,158,000)	(1,377,000)
Net foreign non-current deferred tax asset (liability)	$(1,158,000)	$ 194,470
Net non-current deferred tax asset(liability)	$(4,374,963)	$ 1,249,470

The Company has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $15.0 million at December 31, 1998, excluding amounts which, if remitted, generally would result in minimal additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $2.0 million would have been required.

In conjunction with the Company's initial public offering, the Company changed its method of accounting for income taxes from the cash basis to the accrual method. The corresponding adjustment has been included in taxable income over a period not to exceed four years.

The following summarizes the principal differences between income taxes at the federal statutory rate and the effective income tax amounts reflected in the financial statements:

	Years ended December 31, 1996	1997	1998
Statutory tax	$7,405,664	$ 7,284,233	$10,416,000
State income taxes, net of federal tax benefit	316,000	759,000	1,015,000
Effect of income not subject to federal and state income tax	(284,000)	(1,015,000)	(162,000)
In-process research and development	--	--	5,064,000
Valuation on non-deductible write-off	--	--	3,000,000
Valuation on net operating loss carry-forward	--	--	704,000
Non-deductible amortization	--	3,640,000	63,000
Loss from joint venture	--	990,000	1,382,000
Foreign taxes, net of foreign income not taxed in the United States	2,045,663	971,763	(565,000)
Permanent differences	153,000	582,000	359,000
Other	251,000	(31,000)	207,000
Total provision for income taxes	$9,887,327	$13,180,996	$21,483,000

NOTE 11 - INCOME TAXES, continued

The Company is currently under examination by the Internal Revenue Service for the six tax years ended July 31, 1996. The Company has reviewed various matters that are under consideration and believes that it has adequately provided for any liability that may result from this examination. In the opinion of management, any liability that may arise from prior periods as a result of the examination will not have a material effect on the Company's financial condition, results of operations, or cash flows.

NOTE 12 - EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the periods and further assumes that for the year ended December 31, 1996, (i) that the redeemable preferred stock was converted at the beginning of each period, or date of issuance, if later, and (ii) that earnings were increased for preferred dividends that would not have been incurred had conversion taken place. Diluted earnings per share includes dilutive stock options using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows:

	Years ended December 31,		
	1996	1997	1998
Basic:			
Weighted average common shares outstanding	36,473,266	41,044,002	41,257,623
Total basic shares outstanding	36,473,266	41,044,002	41,257,623
Diluted:			
Effect of conversion of preferred stock	227,151	--	--
Dilution of stock options	1,315,906	1,271,044	1,030,802
Total diluted shares outstanding	38,016,323	42,315,046	42,288,425

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment and buildings under operating leases having terms ranging from one to twenty-two years. The building leases contain up to two five-year renewal options. Rental expense under operating leases for the years ended December 31, 1996, 1997 and 1998 was approximately $6.4 million, $6.1 million, and $11.2 million, respectively.

The Company has a ten-year operating lease agreement, signed in 1995, with the Company's majority shareholder for its corporate aircraft. The lease expense for the years ended December 31, 1996, 1997 and 1998 was approximately $615,000, $618,000, and $618,000, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES, continued

The following is a schedule of future minimum rental payments under operating leases having a remaining noncancelable term in excess of one year subsequent to December 31, 1998:

Year	Related Party	Non-Related Party	Total Amount
1999	$ 618,000	$ 8,432,000	$ 9,050,000
2000	618,000	8,435,000	9,053,000
2001	618,000	6,828,000	7,446,000
2002	618,000	5,637,000	6,255,000
2003	618,000	5,010,000	5,628,000
Thereafter	1,186,000	15,643,000	16,829,000
Total minimum payments required	$ 4,276,000	$49,985,000	$54,261,000

The Company from time to time is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that it has adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on the Company's future financial position.

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the original plan provisions, the Company matched 25% of participant contributions to a maximum matching amount of 1% of participant compensation. During 1997, the Company increased the 401(k) matching provision to 50% of participating contributions to a maximum matching amount of 2% of participant compensation. The Company contribution was approximately $170,000, $352,000, and $601,000 for the years ended December 31, 1996, 1997 and 1998, respectively. In addition, two of the Company's subsidiaries maintained separate defined contribution plans, one of which was merged into the Company's 401(k) plan effective January 1, 1998. The combined contributions made to these plans were approximately $198,000, $244,000 and $149,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

NOTE 15 - PUBLIC OFFERINGS

In April 1996, the Company completed its initial public offering for the sale of 4,500,000 shares of common stock. Coincident with such offering, the underwriters of the offering exercised their 15% over-allotment and accordingly an additional 939,978 shares of the Company's common stock were sold by the Company. The Company received approximately $39.7 million from the sale of the shares, net of underwriting discounts and expenses associated with such offering. The proceeds were used to repay all outstanding indebtedness and make capital expenditures, with the remaining balance held for general corporate and working capital purposes.

In November 1996, the Company completed an offering for the sale of 2,419,890 shares of common stock, inclusive of the underwriters over-allotment option. The Company received approximately $71.5 million from the offering, net of underwriting discounts and expenses. The net proceeds were held for general corporate and working capital purposes.

NOTE 16 - STOCK OPTIONS

In 1995, the Company granted options to an executive officer to purchase 1,143,000 shares of common stock. The options became exercisable three years from the date of grant, except that one-third were exercisable to the extent that the underlying shares were permitted to be included by the underwriters in an underwritten public offering. In November 1996 the Company completed a public offering and 381,000 of the options granted to the executive officer were exercised and sold in the offering. The remaining 762,000 options expire if not exercised by the tenth anniversary of their grant date.

Another executive officer was granted options under the Company's 1996 Employee Stock Option Plan to purchase 209,841 shares of the Company's common stock with an exercisable price of (i) 33 1/3% of such shares at $8.00 per share, (ii) 33 1/3% at $7.55 per share, and (iii) 33 1/3% at $6.67 per share. Compensation expense of approximately $28,000, $42,000 and $42,000 is recognized in the general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 1996, 1997 and 1998, respectively.

NOTE 16 - STOCK OPTIONS, continued

1996 Employee Stock Option Plan - The Company's 1996 Employee Stock Option Plan (the "Employee Plan") permits the granting of incentive or nonqualified stock options to purchase up to approximately 2,324,000 shares of the Company's common stock at not less than the fair value at the time the options are granted. Certain other officers and employees hold options to purchase additional shares of common stock at a range of $0.03 to $31.27 per share that vest ratably over the three-year period following the date of grant, except for approximately 360,000 options associated with the outstanding options from the acquisition of McQueen which are immediately exercisable. All options granted under the Employee Plan expire if not exercised by the tenth anniversary of their grant date with the exception of outstanding options converted pursuant to the acquisition of McQueen consistent with pooling-of-interests rules and expire five years from grant date. Transactions related to the 1996 Employee Stock Option Plan are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995 .	--	
Granted	973,605	$10.00
Exercised	--	--
Expired or terminated	(71,813)	$ 8.00
Outstanding at December 31, 1996 .	901,792	$15.22
(Exercisable: 180,000 at $27.67)		
Granted	893,816	$19.86
Exercised	(190,322)	$ 8.00
Expired or terminated	(231,300)	$19.38
Outstanding at December 31, 1997 .	1,373,986	$16.67
(Exercisable: 390,966 at $11.02)		
Granted	681,750	$21.46
Exercised	(329,478)	$ 3.14
Expired or terminated	(312,656)	$23.91
Outstanding at December 31, 1998 .	1,413,602	$20.05
(Exercisable: 344,053 at $19.49)		
Options available for future grant	149,860	

The following table further summarizes information about the 1996 Employee Stock Option Plan at December 1998:

Range of Exercise Prices	Number Outstanding at Dec. 31, 1998	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at Dec. 31, 1998	Weighted Average Exercise Price
$ 0.03 to $ 1.24	20,436	4.0	$ 0.93	20,436	$ 0.93
$ 6.67 to $ 8.00	207,998	7.3	$ 7.55	53,151	$ 8.00
$13.91 to $31.27	1,185,168	9.1	$22.57	270,466	$23.15
Total	1,413,602	8.7	$20.05	344,053	$19.49

NOTE 16 - STOCK OPTIONS, continued

1996 Non-Employee Director Stock Option Plan - The Company's 1996 Non-Employee Director Stock Option Plan (the "Non-Employee Plan") permits the granting of nonqualified stock options to purchase up to 431,000 shares of the Company's common stock to members of the Board of Directors who are not employees of the Company. Each outside director will receive options to purchase 5,000 shares of common stock on the day following each annual meeting of shareholders. Also, on the date on which a new outside director is first elected or appointed, he or she automatically will be granted options to purchase 5,000 shares of common stock. All options granted will have an exercise price equal to the then fair market value of the common stock. All options granted under the Non-Employee Plan expire if not exercised by the tenth anniversary of their grant date.

Transactions related to the 1996 Non-Employee Director Stock Option Plan are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995 .	--	
Granted	56,250	$ 8.00
Exercised	--	
Expired or terminated	--	
Outstanding at December 31, 1996 .	56,250	$ 8.00
(Exercisable: none)		
Granted	42,500	$22.61
Exercised	(26,250)	$ 8.00
Expired or terminated	--	
Outstanding at December 31, 1997 .	72,500	$16.56
(Exercisable: none)		
Granted	40,000	$20.44
Exercised	(6,250)	$ 8.00
Expired or terminated	--	
Outstanding at December 31, 1998 .	106,250	$18.53
(Exercisable: 38,750 at $16.67)		
Options available for future grant	301,250	

The following table further summarizes information about the 1996 Non-Employee Director Stock Option Plan at December 1998:

Range of Exercise Prices	Number Outstanding at Dec. 31, 1998	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at Dec. 31, 1998	Weighted Average Exercise Price
$ 8.00	23,750	7.3	$ 8.00	16,250	$ 8.00
$18.39	5,000	9.2	$18.39	--	--
$20.74	35,000	9.3	$20.74	--	--
$22.23	37,500	8.4	$22.23	17,500	$22.23
$25.42	5,000	8.4	$25.42	5,000	$25.42
Total	106,250	8.5	$18.53	38,750	$16.67

NOTE 16 - STOCK OPTIONS, continued

1997 Management Incentive Stock Option Plan - The Company's 1997 Management Incentive Stock Option Plan (the "Management Incentive Plan") permits the granting of nonqualified stock options to purchase up to approximately 4,000,000 shares of the Company's common stock at not less than the fair value at the time the options are granted. At December 31, 1998, no options granted were exercisable. All options granted under the Management Incentive Plan expire if not exercised by the tenth anniversary of their grant date.

Transactions related to the 1997 Management Incentive Stock Option Plan are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1997 .	--	
Granted	770,000	$21.19
Exercised	--	
Expired or terminated	--	
Outstanding at December 31, 1998 .	770,000	$21.19
Options available for future grant	3,230,000	

The following table further summarizes information about the 1997 Management Incentive Stock Option Plan at December 1998:

Range of Exercise Prices	Number Outstanding at Dec. 31, 1998	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at Dec. 31, 1998	Weighted Average Exercise Price
$18.93	20,000	9.7	$18.93	--	--
$20.00	625,000	9.3	$20.00	--	--
$27.49	125,000	10.0	$27.49	--	--
Total	770,000	9.4	$21.19	--	--

NOTE 16 - STOCK OPTIONS, continued

The Company has adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", but applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Therefore, no compensation expense has been recognized for stock options granted at fair market value under its plans. If the Company had elected to recognize compensation expense for stock options based on the fair value at grant date, consistent with the method prescribed by SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts as follows:

	Years ended December 31,		
	1996	1997	1998
	($ in thousands, except per share amounts)		
Net income as reported (pro forma for 1996)	$11,685	$7,631	$8,278
Pro forma net income as prescribed by SFAS 123	$ 9,350	$1,584	$2,497
Net income per diluted share as reported (pro forma for 1996)	$ 0.31	$ 0.18	$ 0.20
Pro forma net income per diluted share as prescribed by SFAS 123	$ 0.25	$ 0.04	$ 0.06

The pro forma amounts were determined using the Black-Scholes valuation model with the following key assumptions: (i) a discount rate of 6.0 percent for 1996, a discount rate of 6.05 percent for 1997, and a discount rate of 6.0 percent for 1998; (ii) a volatility factor of 65.1% based upon the average trading price of the Company's common stock since it began trading on the Nasdaq National Market;
(iii) no dividend yield; and (iv) an average expected option life of approximately four years, for each year presented.

NOTE 17 - GEOGRAPHIC INFORMATION

Information about the Company's operations by geographic location are as follows:

	Years ended December 31,		
	1996	1997	1998
Revenue:			
North America	$153,295,686	$223,970,601	$304,588,695
International	95,403,743	127,622,509	164,872,825
	$248,699,429	$351,593,110	$469,461,520
Income before income taxes:			
North America	$ 13,309,571	$ 11,496,208	$ 15,365,353
International	8,329,663	9,316,234	14,395,646
	$ 21,639,234	$ 20,812,442	$ 29,760,999
Total assets:			
North America	$182,270,263	$198,328,992	$262,378,945
International	56,047,254	69,867,748	102,755,356
	$238,317,517	$268,196,740	$365,134,301

NOTE 18 - SIGNIFICANT CUSTOMER

Revenue from one customer amounted to 12% and 10% of revenues for the years ended December 31, 1996 and 1997, respectively. No single customer accounted for 10% of revenues for the year ended December 31, 1998.

NOTE 19 - PRO FORMA DISCLOSURES

Preferred Stock - In connection with an agreement entered into in February 1996, the Company's majority shareholder transferred all the newly issued shares of the Company's outstanding preferred stock and all of the Company's outstanding non-voting common stock to a related party. Effective immediately prior to the Company's initial public offering, the preferred stock and non-voting common stock was automatically converted into shares of common stock. These shares were sold in connection with such offering.

Pro Forma Income Taxes - An affiliate of the Company had elected to be treated as an S corporation for federal and state income tax purposes. As such, the affiliate's taxable income was reported to and subject to tax to the affiliate's shareholder. Prior to the Company's initial public offering, the Company's affiliate terminated its S corporation election and accordingly became subject to federal and state income taxes. The pro forma provision for income taxes reported on the consolidated statements of income presents federal and state income taxes that would have been incurred if the affiliate had been subject to tax as a C corporation. In addition, the Company changed its method of accounting for income taxes from the cash basis to the accrual method in connection with the offering. The corresponding adjustment will be included in taxable income over a period not to exceed four years.

Pro Forma Net Income Per Share - In March 1996, the Company was a North Carolina corporation and amended its Articles of Incorporation to authorize the issuance of up to 10,000 shares of $1,000 par value per share preferred stock. At that time, the Company approved a 95-to-1 stock split of all outstanding common stock, and subsequent to the amendment and stock split, the Company changed its state of incorporation from North Carolina to Florida and changed the authorized number of shares of common stock from 100,000 to 50,000,000 (subsequently further amended to 200,000,000). As part of the change of state of incorporation, each share of common stock of the North Carolina corporation was exchanged for 88 shares (198 shares as adjusted for the three-for-two stock splits) of common stock of the Company. All applicable share and per share amounts in the accompanying financial statements have been retroactively adjusted to reflect these events.

Weighted average common shares outstanding includes the common share equivalents discussed in Note 12, consistent with FAS Statement No. 128. In addition, the calculation includes certain preferred stock issued during 1996 that was converted to common stock immediately prior to the closing of and sold in the Company's initial public offering.

In addition, the Company issued 2,745,000 shares of common stock as a result of the merger involving Sykes Realty, Inc. immediately prior to the offering.

Exhibit Number--21.1

Sykes Enterprises, Incorporated
List of Subsidiaries

Sykes Enterprises Incorporated of Canada	Canada
Sykes Enterprises Incorporated Holdings B.V	Netherlands
Sykes Enterprises Incorporated, B.V	Netherlands
Sykes Realty, Inc.	Florida
Sykes Financial Services, Inc.	Florida
Sykes Enterprises-South Africa, Inc.	Florida
Sykes Datasvar Support AB	Sweden
Sykes Holdings of Belgium B.V.B.A	Belgium
Translation, Fulfillment & Communication, N.V. (""Traffic'')	Belgium
Sykes Enterprises GmbH	Germany
Telcare Gesellschaft faur Telekommunikations-Mehrwertdieste mbH (""Telcare'')	Germany
TAS Telemarketing Gesellschaft faur Kommunikations und Dialog mbH (""TAS I'')	Germany
Sykes Verwaltungrgesellschaft mbH, f/k/a TAS Hedi Fabinyi GmbH (""TAS II'')	Germany
TAS GmbH Nord Telemarketing und Vertriebsberatung (""TAS III'')	Germany
McQueen Limited	Scotland
McQueen International Limited	Scotland
McQueen Integrated Manufacturing Services Ltd.	Scotland
McQueen Graphics Ltd.	Scotland
McQueen Europe Ltd.	Scotland
Link Network Ltd.	Scotland
McQueen Benelux BV	Netherlands
McQueen France SA	France
McQueen Inc.	United States
McQueen Skandinavian AB	Sweden
Oracle Service Networks Corporation	Canada
NAL Path Inc.	Canada
248 Pall Mall Inc.	Canada
Clinidata Corporate	Canada

EXHIBIT NUMBER - 23.1

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Sykes Enterprises, Incorporated

We consent to the incorporation by reference in this Form 10-K of Sykes Enterprises, Incorporated of our report dated March 5, 1999, included in the 1998 Annual Report to Shareholders of Sykes Enterprises, Incorporated.

Our audit also included the financial statement schedule of Sykes Enterprises, Incorporated listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-23681) pertaining to the Sykes Enterprises, Incorporated, 1996 Employee Stock Option Plan of our report dated March 5, 1999, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Form 10-K of Sykes Enterprises, Incorporated.

Ernst & Young LLP

Tampa, Florida
March 25, 1999

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SYKES ENTERPRISES, INCORPORATED FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

CURRENCY: U.S. DOLLARS

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
EXCHANGE RATE	1
CASH	36,348,863
SECURITIES	0
RECEIVABLES	114,636,433
ALLOWANCES	796,171
INVENTORY	0
CURRENT ASSETS	177,141,757
PP&E	171,490,346
DEPRECIATION	72,313,834
TOTAL ASSETS	365,134,301
CURRENT LIABILITIES	91,937,273
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	414,519
OTHER SE	164,522,963
TOTAL LIABILITY AND EQUITY	365,134,301
SALES	469,461,520
TOTAL REVENUES	469,461,520
CGS	0
TOTAL COSTS	289,801,769
OTHER EXPENSES	137,628,399
LOSS PROVISION	(11,311,201)
INTEREST EXPENSE	959,152
INCOME PRETAX	29,760,999
INCOME TAX	21,483,000
INCOME CONTINUING	8,277,999
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	8,277,999
EPS PRIMARY	.20
EPS DILUTED	.20

End of Filing