SYKES ENTERPRISES INC

FORM 10-K/A
(Amended Annual Report)

Filed 11/20/00 for the Period Ending 12/31/99

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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
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CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to _________

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 offices)	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:

<u>Title of Each Class</u>
Voting Common Stock $.01 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/A or any amendment to this Form 10-K/A. [x]

As of March 21, 2000, there were 42,074,008 shares of Common Stock outstanding. 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 21, 2000 was $410,939,912.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents

Portions of the Proxy Statement

dated April 1, 2000............................ Part III Items 10-13

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Exhibit Index is on Page 61.

EXPLANATORY NOTE

On October 30, 2000, Sykes Enterprises, Incorporated ("Sykes") announced the completion of a comprehensive review of its software revenue recognition accounting practices for all significant software licensing arrangements and service contracts with respect to the years ended December 31, 1998 and 1999, and for the nine months ended September 30, 2000. As a result of that review, Sykes determined that the accounting for eight clients' contracts required revision. Sykes determined that revenue that had been recognized should have been recognized either as payments came due, upon completion of all services required under the arrangements or upon the satisfaction of any contingency. These revisions to revenue reduced recorded revenues by $9.4 million in 1998 and $2.3 million in 1999. Sykes also revised 1999 operating expenses by reducing $2.1 million in related contract costs that it had previously expensed.

Accordingly, Sykes has restated its financial statements for the years ended December 31, 1998 and 1999 as follows (in thousands expect for per share amounts):

	1998		1999	
	As Reported	As Restated	As Reported	As Restated
Total assets	$ 365,134	$ 361,798	$ 427,586	$ 419,396
Deferred revenue, less current portion	$ 14,708	$ 17,207	$ 24,862	$ 26,593
Retained earnings	$ 29,731	$ 23,895	$ 51,762	$ 45,797
Shareholders' equity	$ 164,937	$ 159,101	$ 201,352	$ 195,387
Revenues	$ 469,462	$ 460,102	$ 575,040	$ 572,742
Operating income	$ 42,031	$ 32,672	$ 39,484	$ 39,270
Net income	$ 8,278	$ 2,442	$ 22,031	$ 21,902
Net income per share - basic	$ 0.20	$ 0.06	$ 0.52	$ 0.52
Net income per share - diluted	$ 0.20	$ 0.06	$ 0.51	$ 0.51

This Form 10-K/A includes such restated financial statements and related notes thereto for the years ended December 31, 1998 and 1999, and other information related to such restated financial statements, including revisions to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Except for items 6, 7 and 8 of Part II, Item 14 of Part IV, and Exhibit 27.1, no other information included in the original report on Form 10-K is amended by this Form 10-K/A.

Sykes Enterprises, Incorporated

Form 10-K/A 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. Words such as "may," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. The Company's actual results may differ materially from what is expressed or forecasted in such forward-looking statements.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to, the marketplace's continued receptivity to the Company's bundled service offering; the Company's ability to continue the growth of its support service revenues through additional technical support centers; the Company's ability to further penetrate into vertically integrated markets; the Company's ability to expand its e-commerce service platform revenues; the Company's ability to continue to establish a competitive advantage through sophisticated technological capabilities; the outcome of pending litigation against the Company; the Company's ability to continue growth through acquisitions or expansion of its existing operations; the Company's ability to manage growth; the Company's ability to complete any recommended alternatives with respect to SHPS; the loss of a significant customer; technological change; the Company's ability to integrate the operations of acquisitions; risks associated with the Company's international operations and expansion; the Company's ability to attract and retain experienced personnel; the continuance of the industry trend toward outsourcing of information technology services; the emergency interruption of technical support center operations; the loss of any senior management or key personnel; risks associated with of SHPS' care management contracts; potential legal liability for SHPS' care management services; potential legal liability of SHPS as a benefits administrator under ERISA and COBRA; risks on SHPS relating to laws governing the corporate practice of medicine; risks on SHPS relating to telemedicine; possible adverse effect on SHPS of national and state healthcare reform proposals, 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

GENERAL

Sykes Enterprises, Incorporated ("Sykes" or the "Company") is a global leader in providing vertically integrated technology-based solutions through an integrated strategy combining its information technology services with an emerging e-commerce platform. Sykes' continues to leverage its position as a leading provider of information technology services by assisting its clients in capitalizing on the growth of e-commerce over the Internet. Sykes' e-commerce service platform enables it to comprehensively continue to expand by serving as a single-source provider of Internet-based technology solutions throughout the life cycle of a customer's e-commerce needs. Through its 38 technical call centers and other offices and e-commerce distribution centers located in the United States, Canada, Latin America, Europe, Africa, China, and The Philippines, Sykes' provides services to leading computer hardware and software companies by providing technical support to end users of their products and to major companies by providing corporate help desk and additional business services. Through SHPS, Incorporated ("SHPS"), a wholly-owned subsidiary, Sykes' can also provide on-line clinical managed care services, medical protocol products, and employee benefit administration and support services. The integration of its existing technology services with its emerging global e-commerce platform enables Sykes' customers to take full advantage of increasing customer loyalty, business expansion and effectiveness, all while lowering their total costs.

Through its state-of-the-art technical support centers, Sykes provides traditional and web-enabled 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 SHPS. 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 web-site and software design, development, integration and implementation; systems support and maintenance; and documentation, foreign language translation and software localization. Sykes also provides e-commerce distribution 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.

The Company believes that outsourcing by information technology companies, internet "virtual" 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 or infrastructure. 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.

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. Sykes headquarters are located at 100 North Tampa Street, Suite 3900, Tampa, Florida 33602, and its telephone number is
(813) 274-1000.

RECENT DEVELOPMENTS

On January 25, 2000, Sykes announced that it had lowered its expected earnings per share for the fourth quarter of 1999. On January 31, 2000, Sykes announced that the release of its fourth quarter and year end results for 1999 would be delayed for approximately seven days. On February 7, 2000, Sykes announced that it had lowered its expected revenues and earnings per share for the year 2000. Sykes also announced on February 7, 2000, that it would restate its previously reported financial results for the second and third quarters of 1999. The restatement stemmed from the application of revenue recognition accounting rules and delaying the recognition of revenues in connection with fees associated with Sykes' AnswerTeam(TM), a diagnostic desktop tool.

Since February 1, 2000, 12 lawsuits that purport to be class actions based on one or more of these announcements and other announcements relating to Sykes' financial condition and future prospects have been filed against Sykes and certain of its officers. These lawsuits assert, among other things, various claims under the federal securities laws including claims under sections 10(b) and 20(a) under the Securities Exchange Act of 1934. See "Item 3. Legal Proceedings."

On February 29, 2000, Sykes announced that it had engaged Donaldson, Lufkin & Jenrette Securities Corporation as Sykes' financial advisor to assist Sykes in identifying and exploring alternatives to enhancing shareholder value with respect to SHPS. SHPS was formed through the establishment of a joint venture in December, 1997, to focus integrated services in the healthcare market. Sykes acquired the remaining interest in SHPS in September, 1998.

On March 3, 2000, Sykes announced a series of senior management appointments. James E. Lamar was appointed Group Executive and Senior Vice President - International. Mr. Lamar had been Sykes Vice President and Managing Director of Europe, Middle East, Africa (EMEA). Mr. Lamar is headquartered in Amsterdam, the Netherlands at Sykes International Headquarters Facility. In this Group Executive position, Mr. Lamar will be responsible for all international operations and the strategy and tactics necessary to expand Sykes' relationships as well as its global e-services platform.

Scott J. Bendert was appointed Group Executive and Senior Vice President - Operations Performance and Administration. Mr. Bendert's knowledge and financial expertise will be utilized to focus and enhance operations in the areas of localization, distribution, fulfillment, technical support, and professional services in conjunction with the Americas and International groups. Mr. Bendert joined Sykes in 1993 as Chief Financial Officer, was named Treasurer in 1994, and was named Senior Vice President in 1995.

Gerry L. Rogers was appointed Group Executive and Senior Vice President - The Americas. Mr. Rogers joined Sykes in January 1999 as the Group Vice President - The Americas. As the Group Executive for the Americas, he will have total responsibility of operations, service support, professional services and distribution and fulfillment delivery for Canada, Latin America and the United States.

W. Michael Kipphut joined Sykes as its Vice President and Chief Financial Officer on March 6, 2000. Mr. Kipphut joined Sykes from USA Floral Products, Inc., a publicly held worldwide perishable products distributor, where he was Chief Financial Officer. Prior to USA Floral Products, Inc., Mr. Kipphut held the position of Vice President and Treasurer for Spalding & Evenflo Companies, Inc., a global manufacturer of consumer products.

Chad Carlson was appointed Vice President and General Manager for Operations - the Americas. Mr. Carlson had been the Vice President for Customer Service and Support for the Americas. Mr. Carlson will be responsible for e-commerce distribution and fulfillment in addition to customer service and support for the Americas.

Dale W. Saville was appointed Senior Vice President and Chief Technology Officer. Mr. Saville had been Sykes' Vice President Technology Development. Mr. Saville will be responsible for the evaluation and development of new product and service offerings as well as establishing a consistent deployment schedule to enhance our value added services platform to our clients worldwide.

Charles E. Sykes was appointed Senior Vice President Marketing and Global Alliances. Mr. Sykes had been the Vice President Sales - Americas for the past two years. Prior to his sales assignment, Mr. Sykes held several positions in operations, accounting, professional services and recruitment. In this newly created position, Mr. Sykes will assist in the development of branding, internal and external communications, web consultation, marketing strategy as well as continuing to manage our global strategic accounts.

ACQUISITION AND DIVESTITURE ACTIVITY IN 1999

Effective April 1, 1999, the Company sold its manufacturing solutions unit to CIStech, Inc. for approximately $2.5 million. The manufacturing solutions unit provided software development, systems integration and equipment sales primarily for the manufacturing industry. The decision to sell this unit was based on a determination that the unit did not meet Sykes' business focus towards technical support and e-commerce services.

On August 20, 1999, the Company acquired all of the common stock of CompuHelpline, Inc., (doing business as PC Answer) for approximately $340,000 consisting of $40,000 of cash and 11,594 shares of the Company's common stock. PC Answer was engaged in developing, marketing and selling prepaid technical computer support cards and services under the trademark names of PC Answer and MAC Answer. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life.

Effective August 31, 1999, the company acquired all of the common stock of Acer Servicios de Informacion Sociedad Anonima ("AIS") of Heredia, Costa Rica for $6.0 million in cash. AIS operated an information technology call center that provided technical support and services to customers in North America and Central America. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life.

Effective October 12, 1999, the Company acquired the AnswerExpress Support Suite for $2.5 million in cash. The AnswerExpress Support Suite expanded the Company's diagnostic capabilities by providing its customers with access to both technical support and a set of support tools. The AnswerExpress product includes virus protection, Internet data storage and retrieval, and access to a technical support agent. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life.

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, e-commerce solutions, software development and information systems integration and management. 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.

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 and e-commerce 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:

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

o Rapid technological changes requiring personnel with specialized technical expertise;

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

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

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

o 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 be competitive in this environment.

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:

Continue The Significant Growth of the Company's Support Service Revenue Through Additional Technical Support Centers on a Global Basis. Sykes has grown utilizing a strategy of both internal growth and external acquisitions. This plan has resulted in an increase from three technical support centers in 1994 to 38 technical support centers as of February 15, 2000, with three additional facilities under construction. The Company's technical support centers currently have the capacity to handle up to approximately 85 million calls per year. Sykes has systematized the establishment and ongoing operation of its domestic technical support 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 technical support 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.

Continue to Expand the Company's E-Commerce Service Platform by Serving as a Single-Source Provider of Solutions Throughout The Lifecyle of a Customer's E-Commerce Needs. Sykes' has created a E-commerce service platform that provides for a single-source provider of services for its customers. The basis for this platform is a sophisticated infrastructure that facilitiates integrated "front-end" e-services such as web design, sales order processing, financial transaction management and customer support. In addition, Sykes' offers to its clients "back-end" processes that include material integration and packaging, pre-press and print production, and comprehensive fulfillment services.

Market the Company's Array of Services to Existing Customers to 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.

Establish a Competitive Advantage Through Sophisticated Technology. The Company seeks to establish a competitive advantage by continuing to capitalize on its sophisticated and specialized technological capabilities, including its current private ATM network that provides the Company the ability to redirect inquiries and to also carry voice and data over the same network. Additional technological capabilities include automatic call distributors, call tracking software and computer-telephone integration that allow Sykes''s technical support 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' technical support 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.

Further Growth Through Vertically Integrated Markets. The Company believes that numerous industries such as retail, telecommunications, financial services, healthcare and education will expand their usage of outsourcing vendors from the significant usage of emerging technologies. 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 by forming strategic alliances with other information technology service providers, particularly those who do not provide labor intensive technical support. Sykes' has entered into two such strategic alliances during 1999. The first of these alliances was with Support.Com, a provider of internet support services and solutions. The second of the alliances announced by the Company was with Perot Systems Corporation, a global information technology services and business solutions company. The Company continues to actively seek support and e-commerce contracts with such strategic partners.

Growth Through Selective Acquisitions and Mergers. Subject to market conditions, 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 when such transactions can be effected on favorable terms. Through December 31, 1999 the Company has completed 14 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 technical support 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 e-mail, web-based bulletin boards and telephone (24 hours a day, 7 days a week) to end users of the products of hardware and software companies through its 17 stand-alone technical support centers in the United States, three centers in Canada, two centers in Costa Rica, and 16 international technical support centers located in Europe, South Africa, China 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 a Sykes' technical support technician who is specially trained in the applicable product and acts as a transparent extension of the client hardware or software company in diagnosing problems and answering technical questions. The centers also provide technical product support by electronic mail and electronic bulletin boards. The technical support centers in Europe and Asia provide support in 16 languages to 20 European and Asian countries.

Technical product support services provided through technical support centers generally are billed to the client based on a fee per e-mail or call, rate per minute or time and material basis. As a result of the significant infrastructure costs required for each technical support 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.

The Company provides a technical support proprietary diagnostic service tool (AnswerTeam(TM)), 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(TM) loaded on their computer, to connect to a technical support technician located in a Sykes 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 technical support 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.

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 30 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).

E-Commerce Distribution Services. The Company provides e-commerce distribution services to computer hardware and software organizations as well as other technology companies. These services 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. Information technology development services and solutions engagements generally are billed on a time and material basis.

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 unnecessary 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.

OPERATIONS

Technical support centers. The Company's strategy in the United States is to locate its technical support 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 technical support 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 technical support centers will be established in the United States and Europe and potentially in Asia, the Pacific Rim region and South America.

A typical domestic technical support center is approximately 42,000 square feet, has 425 work stations and can handle in excess of 12,000 user transactions per day. The technical support 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 technical support center or are overflow calls routed from the client's place of business.

Technical support 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 technical support 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 technical support 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.

E-commerce Distribution Centers. Sykes has expanded its e-commerce distribution 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 24 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.

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 technical support 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.

A technical support center manager supervises project leaders, team leaders and technicians dedicated to individual customer accounts. Each team leader at the technical support 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 professional staff. 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 technical support 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 technical support center after ISO 9002 procedures to achieve consistency and quality. In addition, the Company received the STAR Award for the years 1995 through 1999 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 95 people in its direct sales force.

As part of its marketing efforts, the Company invites potential and existing customers to visit the technical support 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 technical support centers.

The Company 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.

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, Latin America, 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 a business combination during 1997, accounted for 10% of the Company's consolidated revenues for the year ended December 31, 1997. Although Adobe continued to expand its business relationship and revenues with Sykes, neither it nor any other single customer accounted for 10% of revenues for the years ended December 31, 1998 and 1999, respectively. 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 45% of the consolidated revenues in 1999. 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 1,500 customers during 1999.

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.

INTELLECTUAL PROPERTY

The Company relies upon a combination of contract provisions and trade secret laws to protect the proprietary technology it uses at its technical support 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), REAL PEOPLE, REAL SOLUTIONS(R), and SHPS(R) are registered servicemarks of the Company. Sykes holds a number of registered trademarks, including DIAGSOFT(R), QAPLUS/WIN(R), PC Builder(R), ETSC(R), FS PRO(R) and FS PRO MARKETPLACE(R), Sykes AnswerTeam(R), Sykes AnswerExpress(R), and OPTIMED(R). In addition, the Company owns all copyrights to HI CARES.

EMPLOYEES

As of February 18, 2000, the Company had 14,004 full-time employees, consisting of 95 in sales and marketing, 10,803 customer support technicians at the technical support centers, 1,217 technical professionals, 900 in e-commerce and distribution services and 989 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 three employees in Scotland, are not represented by any labor union.

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.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on current expectations, estimates, forecasts, and projections about the Company, management's beliefs, and assumptions made by management. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by or on behalf of Sykes. Words such as "may," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. The Company's actual results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: the marketplace's continued receptivity to Sykes bundled service offering; Sykes' ability to continue the growth of its support service revenues through additional technical support centers; Sykes' ability to further penetrate into vertically integrated markets; Sykes' ability to expand its e-commerce service platform revenues; Sykes' ability to continue to establish a competitive advantage through sophisticated technological capabilities, and the following risk factors:

RISKS ASSOCIATED WITH SYKES

The Company Faces Uncertainties Relating To Pending Litigation

Sykes' faces uncertainties relating to the pending litigation described in "Item 1. Business - Recent Developments" and "Item 3. Pending Litigation." Sykes cannot predict the outcome of these lawsuits or the impact that they may have on the Company. Sykes also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

The Company Faces Potential Difficulties In Continuing To Expand And Manage Growth

Sykes has grown rapidly and its future growth may depend to some extent on its ability to successfully complete strategic acquisitions to expand or complement its existing operations. The Company cannot guarantee that it will be able to continue to expand or successfully manage its growth. The Company also cannot guarantee that acquired entities will achieve levels of revenue and profitability or otherwise perform as expected, or be consummated on acceptable terms to enhance shareholder value. This growth has placed, and is expected to continue to place, significant demands on Sykes' management.

The Company's Strategy of Growing through Selective Acquisitions and Strategic Alliances Involves Potential Risks

The Company pursues opportunities to expand through acquisitions and strategic alliances. The Company may be unable to identify companies that complement its strategy, and even if it identifies a company that complements its strategy, Sykes may be unable to acquire or enter into a strategic alliance with the company. In addition, the recent decrease in the price of the Company's common stock could hinder Sykes' growth strategy, including growth through acquisitions.

The Company's acquisition strategy involves other potential risks. These risks include:

o the inability to obtain the capital required to finance potential acquisitions on satisfactory terms; and

o the diversion of management's attention to the integration of the businesses to be acquired;

o the risk that the acquired businesses will fail to maintain the quality of services that Sykes has historically provided;

o the need to implement financial and other systems and add management resources;

o the risk that key employees of the acquired business will leave after the acquisition;

o potential liabilities of the acquired business;

o unforeseen difficulties in the acquired operations;

o adverse short-term effects on Sykes' operating results;

o lack of success in assimilating or integrating the operations of acquired businesses with those of Sykes;

o the dilutive effect of the issuance of additional equity securities;

o the incurrence of additional debt or issuing additional equity securities as a result of future acquisitions;

o the amortization of goodwill and other intangible assets involved in any acquisitions that are accounted for using the purchase method of accounting;

o the businesses we acquire not proving profitable; and incurring additional indebtedness.

The Company may Encounter Difficulties in Implementing its Proposed Strategic Initiative

The Company engaged Donaldson, Lufkin & Jenrette Securities Corporation as its financial advisor to assist Sykes in identifying and exploring alternatives to enhancing shareholder value with respect to SHPS. The Company may not be able to complete any recommended alternatives with respect to SHPS on terms the Company finds acceptable.

Rapid Technological Change

The market for information technology services is characterized by rapid technological advances, frequent new product introductions and enhancements, and changes in customer requirements. Sykes' future success will depend in large part on its ability to service new products, platforms, and rapidly changing technology. These factors will require Sykes to provide adequately trained personnel to address the increasingly sophisticated, complex and evolving needs of its customers. In addition, Sykes' ability to capitalize on its acquisitions will depend on its ability to continually enhance software and services and adapt such software to new hardware and operating system requirements. Any failure by Sykes to anticipate or respond rapidly to technological advances, new products and enhancements, or changes in customer requirements could have a material adverse effect on Sykes' business, financial condition and results of operations.

Dependence on Key Customers

Sykes derives a substantial portion of its revenues from a few clients. Sykes' largest ten customers accounted for approximately 40%, 41%, and 45% of its consolidated revenue for the years ended December 31, 1997, 1998, and 1999, respectively. Revenue from a single customer comprised 10% of Sykes' consolidated revenues for the year ended December 31, 1997. No single customer accounted for 10% of revenues for the years ended December 31, 1998 and 1999, respectively. Sykes' loss of, or the failure to retain a significant amount of business with, any of its key customers could have a material adverse effect on Sykes' business, financial condition and results of operations. Generally, Sykes' contracts with its customers are cancelable by the customer at any time or on short-term notice, and customers may unilaterally reduce their use of Sykes' services under such contracts without penalty. Thus, Sykes' contracts with its customers do not ensure that Sykes will generate a minimum level of revenues.

Inability to Attract and Retain Experienced Personnel May Adversely Impact Sykes' Business

Sykes' business is labor intensive and places significant importance on its ability to recruit, train, and retain qualified technical and professional personnel. Sykes generally experiences high turnover of its personnel and is continuously required to recruit and train replacement personnel as a result of a changing and expanding work force. Additionally, demand for qualified professionals conversant with certain technologies is intense and may outstrip supply, as new and additional skills are required to keep pace with evolving computer technology. Sykes' ability to locate and train employees is critical to Sykes' achieving its growth objective. Sykes' inability to attract and retain qualified personnel or an increase in wages or other costs of attracting, training, or retaining qualified personnel could have a material adverse effect on Sykes' business, financial condition and results of operations.

Reliance on Technology and Computer Systems

Sykes has invested significantly in sophisticated and specialized telecommunications and computer technology and has focused on the application of this technology to meet its clients' needs. Sykes anticipates that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain its competitiveness. Significant capital expenditures may be required to keep Sykes' technology up-to-date. There can be no assurance that any of Sykes' information systems will be adequate to meet its future needs or that Sykes will be able to incorporate new technology to enhance and develop its existing services. Moreover, investments in technology, including future investments in upgrades and enhancements to software, may not necessarily maintain Sykes' competitiveness. Sykes' future success will also depend in part on its ability to anticipate and develop information technology solutions that keep pace with evolving industry standards and changing client demands.

Dependence on Trend Toward Outsourcing

Sykes' business and growth depend in large part on the industry trend toward outsourcing information technology services. Outsourcing means that an entity contracts with a third party, such as Sykes, to provide support services rather than perform such services in house. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on Sykes' business, financial condition and results of operations. Additionally, there can be no assurance that Sykes' cross-selling efforts will cause its customers to purchase additional services from Sykes or adopt a single-source outsourcing approach.

Risk of Emergency Interruption of Technical Support Center Operations

Sykes' operations are dependent upon its ability to protect its technical support centers and its information databases against damages that may be caused by fire and other disasters, power failure, telecommunications failures, unauthorized intrusion, computer viruses and other emergencies. The temporary or permanent loss of such systems could have a material adverse effect on Sykes' business, financial condition, and results of operations. Notwithstanding precautions taken by the Company to protect itself and its customers from events that could interrupt delivery of its services, there can be no assurance that a fire, natural disaster, human error, equipment malfunction or inadequacy, or other event would not result in a prolonged interruption in Sykes' ability to provide support services to its customers. Such an event could have a material adverse effect on Sykes' business, financial condition and results of operations.

Risks Associated with International Operations and Expansion

The Company intends to continue to pursue growth opportunities in markets outside the United States. At December 31, 1999, Sykes' international operations were conducted from 18 technical support centers located in Sweden, The Netherlands, France, Germany, South Africa, Scotland, Ireland, Hungary, Turkey, China, Costa Rica and The Philippines. Revenues from foreign operations for the years ended December 31, 1997, 1998, and 1999, were 36.3%, 35.6% and 32.0% of consolidated revenues, respectively. International operations are subject to certain risks common to international activities, such as changes in foreign governmental regulations, tariffs and taxes, import/export license requirements, the imposition of trade barriers, difficulties in staffing and managing foreign operations, political uncertainties, longer payment cycles, foreign exchange restrictions that could limit the repatriation of earnings, possible greater difficulties in accounts receivable collection, potentially adverse tax consequences, and economic instability.

Sykes conducts business in various foreign currencies and is therefore exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact its results of operations and financial condition. Sykes is also subject to certain exposures arising from the translation and consolidation of the financial results of its foreign subsidiaries. Sykes has from time to time taken limited actions to attempt to mitigate Sykes' foreign transaction exposure. However, there can be no assurance that the Company will take any actions to mitigate such exposure in the future, and if taken that such actions taken will be successful or that future changes in currency exchange rates will not have a material impact on Sykes' future operating results. A significant change in the value of the dollar against the currency of one or more countries where Sykes operates may materially adversely affect Sykes' results. Sykes has historically not entered into a hedge contract for either its translation risk or its economic risk.

Existence of Substantial Competition

The markets for Sykes' services are highly competitive, subject to rapid change, and highly fragmented. While many companies provide information technology services, Sykes believes no one company is dominant. There are numerous and varied providers of such services, including firms specializing in call center operations, temporary staffing and personnel placement companies, general management consulting firms, divisions of large hardware and software companies and niche providers of information technology services, many of whom compete in only certain markets. Sykes' competitors include many companies who may possess substantially greater resources, greater name recognition and a more established customer base than it does. In addition to Sykes' competitors, the services offered by Sykes are often provided by in-house personnel. Increased competition, the failure of Sykes to compete successfully, pricing pressures, loss of market share and loss of clients could have a material adverse effect on Sykes' business, financial condition, and results of operation.

Many of Sykes' large customers purchase information technology services primarily from a limited number of preferred vendors. Sykes has experienced and continues to anticipate significant 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. Although Sykes believes it can effectively meet its customers' demands, there can be no assurance that it will be able to compete effectively with other information technology services companies. Sykes believes that the most significant competitive factors in the sale of its services include quality, reliability of services, flexibility in tailoring services to client needs, experience, reputation, comprehensive services, integrated services and price.

Dependence on Senior Management

The success of Sykes is largely dependent upon the efforts, direction and guidance of its senior management. Sykes' continued growth and success also depend in part on its ability to attract and retain skilled employees and managers and on the ability of its executive officers and key employees to manage its operations successfully. Sykes has entered into employment and non-competition agreements with its executive officers. The loss of any of Sykes' senior management or key personnel, or its inability to attract, retain or replace key management personnel in the future, could have a material adverse effect on Sykes' business, financial condition and results of operations.

Control by Principal Shareholder and Anti-Takeover Considerations

As of the date of this report, John H. Sykes, Sykes' Chairman of the Board and Chief Executive Officer, beneficially owned more than 40% of Sykes' outstanding common stock. As a result, Mr. Sykes will have substantial influence in the election of the Company's directors and in determining the outcome of other matters requiring shareholder approval.

Sykes' Board of Directors is divided into three classes serving staggered three-year terms. The staggered Board of Directors and the anti-takeover effects of certain provisions contained in the Florida Business Corporation Act and in Sykes' Articles of Incorporation and Bylaws, including the ability of the Board of Directors of Sykes to issue shares of preferred stock and to fix the rights and preferences of those shares without shareholder approval, may have the effect of delaying, deferring or preventing an unsolicited change in the control of Sykes. This may adversely affect the market price of Sykes' common stock or the ability of shareholders to participate in a transaction in which they might otherwise receive a premium for their shares.

Volatility of Stock Price May Result in Loss of Investment

The trading price of Sykes' common stock has been and may continue to be subject to wide fluctuations over short and long periods of time. Sykes believes that market prices of information technology stocks in general have experienced volatility, which could affect the market price of Sykes' common stock regardless of Sykes' financial results or performance. Sykes further believes that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the information technology industry, quarterly variations in Sykes' financial results, the announcement of acquisitions, strategic partnerships, or new product offerings, and changes in financial estimates and recommendations by securities analysts could cause the market price of Sykes' common stock to fluctuate substantially in the future.

RISKS ASSOCIATED WITH SHPS' CARE MANAGEMENT SERVICES AND EMPLOYEE BENEFITS SERVICES

SHPS, a wholly owned subsidiary of Sykes, is a provider of care management services and products and employee benefits administration and support services. In addition to the risks described above, SHPS is subject to the following specific risks:

Potential Risks of Care Management Contracts

Some of SHPS' care management contracts contain "shared risk" provisions under which SHPS may be required to bear a portion of any loss in connection with such provisions. To the extent healthcare participants covered by such contracts require more frequent or extensive care than anticipated, SHPS would incur unexpected costs not offset by additional revenue, which would reduce operating margins. In the worst case, the revenue derived from such contracts may be insufficient to cover the cost of the services provided. Any such reduction or elimination of earnings could have a material adverse effect on SHPS' business, financial condition and results of operations.

Potential Legal Liability for Care Management

Participants in the healthcare industry have become subject to an increasing number of lawsuits alleging malpractice, product liability, bad faith, ERISA liability and other legal theories, including negligence in credentialing and utilization management, many of which involve large claims and significant legal costs. SHPS, through its utilization review services, makes recommendations concerning the appropriateness of providers' proposed medical treatment of patients and, as a result, it could be subject to liability arising from any adverse medical consequences. SHPS does not grant or deny claims for payment of benefits, and SHPS does not believe that it engages in the practice of medicine or the delivery of medical services. There can be no assurance, however, that SHPS will not be subject to claims or litigation related to granting or denying claims for payment of benefits or allegations that SHPS engages in the practice of medicine or the delivery of medical services.

When a patient requires guidance in retaining physician services in their area, SHPS assists them in identifying appropriate providers. To the extent that those providers are deemed to be agents of SHPS, SHPS could be subject to liability regarding adverse medical consequences or inappropriate provider selection. Additionally, due to the nature of its business, SHPS could become involved in litigation regarding the information provided telephonically by its clinical service staff, particularly in light of the emerging laws relating to telemedicine, which is the practice of performing medical diagnoses and treatment via telecommunications devices. See "Risks Relating to Telemedicine."

Additionally, to the extent that SHPS' clinical service staff could be deemed a provider of medical or clinical services, SHPS could be subject to claims of licensure violations, which could result in fines, suspension or loss of the right to do business in a particular state. The physicians and nurses employed by SHPS do not make final decisions regarding the authorization or denial of medical treatment. However, the physicians and nurses employed by SHPS could be deemed to be engaged in the corporate practice of medicine and subject to discipline by the state boards of medicine and nursing through which they are licensed, which could result in substantial penalties to SHPS, including administrative penalties such as fines, reprimands, criminal penalties, or an order to cease doing business, any of which could have a material adverse effect on SHPS.

SHPS also could incur liability as a fiduciary in respect of certain of the disability management services it provides. To reduce its exposure, SHPS maintains general liability insurance coverage, product liability insurance coverage, umbrella liability insurance coverage, primary occurrence errors and omissions insurance coverage, and excess occurrence errors and omissions insurance coverage. There can be no assurance, however, that such insurance will be sufficient or available at a reasonable cost to protect SHPS from liability. To the extent that such insurance is insufficient or unavailable to cover the costs associated with these potential liabilities, SHPS' business or results of operations could be materially adversely affected.

Potential Legal Liability as a Benefits Administrator

As an administrator of benefits, SHPS provides services to employers that are subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which may prevent the imposition of liability in state law claims such as malpractice or bad faith. The possibility exists that SHPS could be subject to state law claims for services provided to plans not covered by ERISA and liability for these claims could be substantial. Additionally, there can be no assurance that ERISA will not be further eroded by legal precedent or amended to modify or repeal the current limitations on liability.

As a provider of COBRA compliance and administration services, SHPS is subject to excise taxes for noncompliance with certain provisions of COBRA. In addition to the excise tax liability that may be imposed on SHPS, substantial excise taxes may be imposed on SHPS' customers under COBRA. Under many of SHPS' service agreements, SHPS assumes financial responsibility for the payment of such taxes or penalties assessed against a customer arising out of SHPS' failure to comply with COBRA, unless such taxes or penalties are attributable to the customer's failure to comply with the terms of its agreement with SHPS. In addition to liability for excise taxes for noncompliance with COBRA, SHPS accepts financial responsibility for certain civil and other liabilities incurred by its customers that are attributable to SHPS' failure to fulfill its obligations to its customers under its agreements. These liabilities could, in certain cases, be substantial. There can be no assurance that SHPS will not incur material liability for noncompliance with COBRA or for its failure to comply with its agreement with any customer in the future.

Governmental Regulation

The healthcare and employee benefit industries are subject to extensive and evolving regulation, both at the federal and state levels. The benefit plans administered by SHPS and its Care Management programs are subject to a variety of laws and regulations, including ERISA, COBRA, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), federal and state confidentiality laws, Medicare as secondary payor laws and regulations, telemedicine laws, the Public Health Service Act, a number of state third party administrative laws, and state laws involving the provision of healthcare services. These laws and regulations are administered by numerous agencies, including the Department of Labor, the Department of Commerce, the Department of Health and Human Services, the Internal Revenue Service (the "IRS") and state insurance and health regulation departments.

Where a patient requires a second opinion, one of SHPS' physician medical directors provides the patient with the names of physicians in the patient's area. The patient selects a physician and SHPS makes an appointment for the patient with the physician, and this physician evaluates the appropriateness of the care being recommended by the patient's attending physician. In doing so, the physician may order designated healthcare services which in turn must be a covered service approved by SHPS for payment. Whether such services are covered benefits is determined by the terms of the customer's benefit plan, not by SHPS. SHPS reviews the terms of its customers' benefit plans, each of which includes a process to determine which healthcare services are covered. If the ordered designated healthcare services are covered under the Medicare or Medicaid programs, the provision of the list of names of physicians or the making of a patient appointment by the medical director could be deemed a referral subject to the prohibitions against referrals to entities performing designated healthcare services in which the referring physician has a financial interest as defined in the Stark I and Stark II statutes, resulting in fines or criminal penalties, which could have a material adverse effect on SHPS.

SHPS' customers, and not SHPS, generally pay the physicians who perform the second opinion and related services, including designated healthcare services. SHPS does not believe that under these circumstances it has a financial relationship in any entity that provides designated healthcare services which are reimbursed under the Medicare or Medicaid programs. Therefore, SHPS does not believe that the Stark II statute impacts referrals made by SHPS' medical directors in these instances.

Occasionally, SHPS may advance payments to physicians, laboratories and x-ray facilities, which may include payment for designated healthcare services, on behalf of SHPS' customers. SHPS' customers reimburse SHPS in total for these advances. These advances may constitute a financial interest as that term is defined in Stark I and in the proposed regulations to the Stark II laws. However, SHPS believes that the advance payments to physicians do not violate the Stark I and Stark II prohibition against referrals, as the advance payments meet the proposed exception for physician services under the proposed Stark II regulations. SHPS also believes that these payments, which are authorized by SHPS' medical director, to laboratories and x-ray facilities do not violate Stark I and the Stark II proposed regulations as these advance payments meet the proposed exception for payments by physicians for items and services under the proposed Stark II regulations. However, there are, to date, no final regulations promulgated under the Stark II statute. To the extent that these actions by the medical directors could later be found to be subject to and in violation of the Stark II statute, the medical directors and SHPS could be subject to fines or criminal penalties, which could have a material adverse effect on SHPS.

Many of these statutes and regulations impact the development of healthcare information services and interstate transmission of medical information and services. Some of the statutes and regulations governing the provision of healthcare services as well as laws relating to telemedicine and corporate practice of medicine doctrines could be construed by regulatory authorities to apply to certain of SHPS' activities. See "Risks Relating to Laws Governing Corporate Practice of Medicine." To the extent these statutes and regulations could be deemed applicable to SHPS, SHPS and its employees could be required to obtain additional licenses or registrations or to modify or curtail SHPS' activities, or SHPS could be subject to revocation or suspension of existing licenses or registrations or civil or criminal penalties or fines, any of which could have a material adverse effect on SHPS.

The majority of states require licensure or registration of entities deemed to be private utilization review agents. Frequently, these states exempt entities providing services to ERISA plans. SHPS' current clients for these services are primarily but not exclusively ERISA plans. To the extent that SHPS provides services only to ERISA plans in any given state, SHPS may be exempt from these licensure requirements. Although SHPS has voluntarily achieved licensure in the states in which SHPS has determined licensure is required, penalties for failure to achieve licensure in additional states could result in the loss of SHPS' licenses or substantial penalties to SHPS, which could have a material adverse effect on SHPS.

Risks Relating to Laws Governing Corporate Practice of Medicine

The laws of certain states in which SHPS operates or may operate in the future do not permit business corporations to practice medicine or exercise control over physicians who practice medicine. Although SHPS does not believe that the services it provides constitute the corporate practice of medicine, a finding that SHPS is engaged in the corporate practice of medicine in any of the foregoing states could result in loss of licensing, the need to develop relationships with physicians licensed in the states having corporate practice of medicine statutes, and civil and criminal fines, any of which could require SHPS to modify its techniques of doing business, withdraw from certain states or otherwise curtail its activities, and could have a material adverse effect on SHPS.

Risks Relating to Telemedicine

Telemedicine is the practice of performing medial diagnosis and treatment via telecommunications devices. These technologies range from providing clinical advice over the telephone, the transmission of high resolution images (e.g., x-rays, sonograms) and the remote performance of clinical evaluations using interactive teleconferencing. As advanced telecommunications technology has become more widely available, the legal issues associated with telemedicine have become the subject of new legislation. In various states, legislation has been introduced to amend licensure laws related to the out of state practice of medicine and consultation. Various states have introduced or passed bills related to telemedicine, primarily regarding the licensure of out-of-state physicians and the coverage of telemedicine procedures by third party payer plans.

Although SHPS does not believe that these laws currently impact SHPS' operations because it does not believe it engages in medical diagnosis or treatment via telecommunication devices, to the extent SHPS' services could be deemed to be telemedicine, SHPS could be subject to liability for licensure violations, violations of third party payer requirements or violations of the laws relating to the confidentiality of patient medical records, any of which could have a material adverse effect on SHPS.

Possible Adverse Effect of National and State Healthcare Reform Proposals

The extent and type of government support for and oversight of the delivery of healthcare services, as well as the extent and type of health insurance benefits that employers are required to provide employees, have been the subject of close scrutiny and debate in recent years, both at the national and state levels, resulting in such legislation as HIPAA. Additional changes in the government programs and regulations, including requirements governing the manner by which services are delivered, and the premiums for services, the reimbursement of fees, benefits packages, parity for particular health conditions, access to particular types of healthcare providers, or the development of a modified healthcare purchasing system could have a material adverse effect on SHPS.

Reliance on Information Processing Systems and Proprietary Technology

SHPS' business is dependent on its ability to store, retrieve, process and manage significant databases, and to periodically expand and upgrade its information processing capabilities. SHPS intends to develop additional proprietary applications software and databases and to use commercially available database management software and computer hardware that are not currently being used by SHPS. SHPS is currently in the process of migrating its information systems from a mainframe platform to a proprietary, client server platform. Any delay in such migration or the failure of the new systems to adequately support SHPS' operations, could materially adversely affect SHPS' business and financial results. In addition, there can be no assurance that SHPS will be able to incorporate new technology to enhance and develop its existing services.

Interruption or loss of SHPS' information processing capabilities through loss of stored data, breakdown or malfunction of computer equipment and software systems, telecommunications failure or damage to SHPS' systems caused by fire, hurricane, tornado, flood, lightning, electrical power outage or other disruption could have a material adverse effect on SHPS.

SHPS' business is dependent on its continued use of proprietary software, databases and processing techniques. SHPS attempts to protect its trade secrets and other proprietary information through agreements with customers, employees and consultants. There can be no assurance that these precautions will be adequate to deter misappropriation of SHPS' proprietary software and healthcare information processing techniques.

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	63	Chairman and Chief Executive Officer
David L. Grimes	52	President and Chief Operating Officer
Scott J. Bendert	43	Group Executive and Senior Vice President - Operations
James E. Lamar	52	Group Executive and Senior Vice President - International
Gerry L. Rogers	54	Group Executive and Senior Vice President - The Americas
Dale W. Saville	55	Senior Vice President and Chief Technology Officer
Charles E. Sykes	37	Senior Vice President - Marketing and Global Alliances
W. Michael Kipphut	46	Vice President and Chief Financial Officer

John H. Sykes has held 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 Group Executive and Senior Vice President - Operations during March 2000. In October 1997, Mr. Bendert was appointed Senior Vice President-Finance and Chief Financial Officer, and held the title of Vice President - Finance and Chief Financial Officer from 1995 until 1997. In addition, from 1994 to 1999, Mr. Bendert held the title of Treasurer.

Gerry L. Rogers joined the Company in February 1999 as Group Vice President, North America and was named Group Executive and Senior Vice President - The Americas, during March 2000. 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.

James E. Lamar joined the Company in May 1999 as Vice President and Managing Director of EMEA and was named Group Executive and Senior Vice President - International during March 2000. From 1994 to 1999, Mr. Lamar held various management positions with Lucent Technologies, a publicly-held telecommunications firm, most recently as managing Director of Licensing.

Dale W. Saville joined the Company in January 1995 and was named Senior Vice President and Chief Technology Officer during March 2000. In August 1998, Mr. Saville was appointed Vice President Product Development and from July 1997 until August 1998, held the title of Vice President Customer Service and Support - EMEA.

Charles E. Sykes joined the Company in 1986 and was named Senior Vice President - Marketing and Global Alliances during March 2000. In December 1996, Mr. Sykes was appointed Vice President Sales and held the position of Regional Manager of the Midwest Region for Professional Services from 1992 until 1996. Mr. Charles E. Sykes is the son of Mr. John H. Sykes.

W. Michael Kipphut joined the Company as Vice President and Chief Financial Officer in March 2000. From September 1998 to February 2000, Mr. Kipphut held the position of Chief Financial Officer for USA Floral Products, Inc., a publicly held worldwide perishable products distributor. From September 1994 until September 1998, Mr. Kipphut held the position of Vice President and Treasurer for Spalding & Evenflo Companies, Inc., a global manufacturer of consumer products.

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	Technical support center/office	56,900	June 2002
Ada, Oklahoma	Technical support center	42,000	Company owned
Bismarck, North Dakota	Technical support centers	84,000	Company owned
Charlotte, North Carolina	Technical support center	56,800	October 2000
Greeley, Colorado	Technical support center	42,000	Company owned
Hays, Kansas	Technical support center	42,000	Company owned
Klamath Falls, Oregon	Technical support center	42,000	Company owned
Louisville, Kentucky	Technical support center/office	60,700	July 2005
Manhattan, Kansas	Technical support center	42,000	Company owned
Milton-Freewater, Oregon	Technical support center	42,000	Company owned
Minot, North Dakota	Technical support center	42,000	Company owned
Pikesville, Kentucky	Technical support center	42,000	Company owned
Ponca City, Oklahoma	Technical support center	42,000	Company owned
Scottsbluff, Nebraska	Technical support center	42,000	Company owned
Scottsdale, Arizona	Technical support center	39,100	June 2002
Sterling, Colorado	Technical support center	34,000	Company owned
Fremont, California	Distribution center	55,000	October 2002
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 2001
Boston, Massachusetts	Office	26,000	September 2000
Boulder, Colorado	Office	13,000	March 2000
Cary, North Carolina	Office	3,700	March 2003
Charlotte, North Carolina	Office	2,900	June 2000
Charlotte, North Carolina	Office	37,800	October 2003
Dallas, Texas	Office	3,000	June 2003
Denver, Colorado	Office	2,000	January 2001
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 2001
St. Louis, Missouri	Office	5,700	September 2001

Properties	General Usage	Square Feet	Lease Expiration
INTERNATIONAL LOCATIONS			
Amsterdam, The Netherlands	Technical support center/ International headquarters	70,500	July 2004
Budapest, Hungary	Technical support center	15,700	June 2002
Edinburgh, Scotland	Technical support center/office	36,000	September 2019
Heredia, Costa Rica	Technical support centers	23,800	February 2001
London, Ontario, Canada	Technical support center	40,000	Company owned
Toronto, Ontario, Canada	Technical support center	8,200	December 2001
Moncton, New Brunswick	Technical support center	1,700	June 2000
Les Ulis, France	Technical support center	36,200	January 2007
Bochum, Germany	Technical support center	29,100	October 2000
Hannover, Germany	Technical support center	12,500	November 2008
Hamburg, Germany	Technical support center	6,400	June 2001
Esslingen, Germany	Technical support center	9,200	December 2005
Wilhelmshaven, Germany	Technical support center	36,800	March 2003
Manila, The Philippines	Technical support center	26,100	June 2000
Sunninghill, South Africa	Technical support center	12,500	June 2001
Ed, Sweden	Technical support center	44,000	November 2002
Sveg, Sweden	Technical support center	35,100	June 2001
Shannon, Ireland	Technical support and distribution center	66,000	April 2013
Hoofddorp, The Netherlands	Distribution center	14,200	July 2001
Sevran, France	Distribution center	19,400	August 2002
Galashiels, Scotland	Distribution center	126,700	Company owned
Upplands Vasby, Sweden	Distribution center	21,300	December 2001
Brentford, England	Sales office	1600	December 2005
Stockholm, Sweden	Sales office	5,000	December 2001
London, Ontario	Sales office	2,800	May 2002
Ottawa, Ontario	Sales office	500	June 2000
Singapore	Sales office	500	December 2000
Vancouver, British Columbia	Sales office	1,000	June 2000
Leuven, Belgium	Office and distribution center	21,000	January 2001

The Company owns each of its domestic technical support centers as identified and anticipates that additional technical support centers will be required due to growth and expansion. In addition to the above list, the Company has established technical support centers at its customers production facilities in Beijing, China and Istsanbul, Turkey.

The Company currently has three technical call centers under construction and may operate from time-to-time in temporary facilities to accommodate growth before new centers are available. The Company is currently utilizing two such temporary facilities totaling 20,000 square feet.

ITEM 3 LEGAL PROCEEDINGS

A. Class Action Litigation

As of March 17, 2000, the Company is aware of 12 purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions were filed in the United States District Court for the Middle District of Florida, and the Company expects that all of the actions will be consolidated into one action. The plaintiffs of these lawsuits purport to assert claims on behalf of a class of purchasers of Sykes common stock during 1999 and through February 4, 2000. The actions claim violations of Sections 10 (b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the actions allege that during 1999 and 2000, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The complaints also claim that the certain of the Company's financial statements during 1999 were not prepared in accordance with generally accepted accounting principles. The actions seek compensatory and other damages, and costs and expenses associated with the litigation.

The Company intends to defend the actions vigorously. However, the Company cannot predict the outcome of these lawsuits or the impact that they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

B. Other Litigation

From time to time, the Company is involved in other 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

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, 1999:	High	Low
First Quarter	$32.875	$24.250
Second Quarter	34.750	20.438
Third Quarter	33.750	21.625
Fourth Quarter	51.500	22.750

Year ending December 31, 1998:	High	Low
First Quarter	$25.250	$17.000
Second Quarter	22.500	17.125
Third Quarter	20.750	12.563
Fourth Quarter	30.500	13.500

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 9, 2000, the last sale price of the registrant's common stock was $20.75 on the NASDAQ National Market, and there were approximately 245 holders of record of the common stock. The Company believes that there are approximately 10,000 beneficial owners of its common stock.

ITEM 6 SELECTED FINANCIAL DATA

Selected Financial Data

The following selected financial data has been derived from the Company's consolidated financial statements, as restated (see Note 1 to the consolidated financial statements), of Sykes. 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.

(In thousands, except per share data)	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Year Ended December 31, 1998 (Restated)	Year Ended December 31, 1999 (Restated)
INCOME STATEMENT DATA:					
Revenues	$197,334	$248,699	$351,593	$460,102	$572,742
Income from operations	9,527	21,611	24.392	32,672	39,270
Net income	3,531	11,685	7,631	2,442	21,902
PER SHARE DATA:					
Basic	$0.09	$0.32	$0.19	$0.06	$0.52
Diluted	$0.09	$0.31	$0.18	$0.06	$0.51
PRO FORMA INCOME STATEMENT DATA:					
Revenues	$197,334	$248,699	$351,593	$460,102	$572,742
Income from operations (1)(2)(3)	9,527	21,611	36,605	49,019	45,249
Net income (3)(4)(5)	3,531	11,685	23,877	29,988	25,567
PRO FORMA PER SHARE DATA: (1)(2)(3)(4)(5)(6)					
Basic	$0.09	$0.32	$0.58	$0.73	$0.61
Diluted	$0.09	$0.31	$0.56	$0.71	$0.59

(In thousands)	December 31, 1995	December 31, 1996	December 31, 1997	December 31, 1998 (Restated)	December 31, 1999 (Restated)
BALANCE SHEET DATA:					
Working capital	$ 8,138	$116,687	$116,661	$ 84,632	$ 93,075
Total assets	72,108	238,318	268,197	361,798	419,396
Long-term debt, less current installments	9,584	8,571	35,990	75,448	80,053
Shareholders' equity	20,436	147,402	152,560	159,101	195,387

(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 1999 is exclusive of approximately $6.0 million of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121.

(4) 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.

(5) 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 $16.4 million of one-time charges as identified in Item
(2) above.

(6) 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.

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

The following should be read in conjunction with the Consolidated Financial Statements, as restated, including the notes thereto. As discussed in the explanatory note at the front of this report, and also in Note 1 to the financial statements included herein, Sykes has restated its financial results for the years ended December 31, 1998 and 1999. The following discussion has been revised to reflect the results of such restatement.

The following discussion compares the year ended December 31, 1999 ("1999") to the year ended December 31, 1998 ("1998"), and 1998 to the year ended December 31, 1997 ("1997"). The following discussion and analysis and other sections of this report contain forward-looking statements that involve risks and uncertainties. Words such as "may," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. 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 and in the Company's Form 10-K for the year ended December 31, 1999 in Item 1 in the section entitled "Factors Influencing Future Results And Accuracy Of Forward-Looking Statements."

OVERVIEW

The Company derives its revenue from providing 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 e-commerce services. Revenue from technical support services provided through the technical support centers are recognized as services are rendered. These services are billed on an amount per e-mail, a fee per call, a rate per minute or on a time and material basis. Information technology development services and solutions, including e-commerce consulting, web-design and maintenance, 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 the use of such 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. Revenue is recognized from licenses of the Company's software products and contractually provided rights when the agreement has been executed, the product or right has been delivered or provided, collectibility is probable and the software license fees or rights are fixed and determinable. E-commerce distribution 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. A significant majority 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, depreciation and amortization, and other indirect costs.

Other expense consists primarily of interest expense, net of interest 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 property and equipment grants, net of amortization, totaled $15.4 million and $21.2 million at December 31, 1998 and 1999, respectively. Grants received in excess of property and equipment costs are recognized in the year executed, and that amount approximated $1.3 million and $2.5 million for the years ended December 31, 1998 and 1999, respectively (none for 1997).

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:

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1999
PERCENTAGES OF REVENUES:			
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	62.5	63.0	64.6
General and administrative (1)(2)(3)	30.6	26.8	28.5
Acquired in-process research and development (4)	--	3.1	--
Income from operations	6.9	7.1	6.9
Other expense (5)(6)	1.0	2.7	0.6
Income before provision for income taxes	5.9	4.4	6.3
Provision for income taxes	3.7	3.9	2.5
Net income (1)(2)(3)(4)(5)(6)	2.2%	0.5%	3.8%

(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 charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 of 1.0% in 1999.

(4) 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").

(5) Includes expense associated with the write-off of acquisition related, in-process research and development costs of 0.8% related to acquisitions completed by SHPS in 1997 and 1998.

(6) Includes expense associated with the write-down of marketable securities of 1.6% in 1998.

1999 COMPARED TO 1998

Revenues. Revenues increased $112.6 million, or 24.5%, to $572.7 million in 1999 from $460.1 million in 1998. These results reflect an increase in revenues of $136.6 million from information technology support services provided through technical support centers, an increase in revenues of $3.9 million from e-commerce distribution services, and a decrease in revenues of $27.9 million from information technology services and solutions. At the completion of 1999, information technology support services, information technology services and solutions, and e-commerce distribution services accounted for 73.4%, 10.0% and 16.6%, respectively, of the Company's consolidated revenues, as compared to 61.7%, 18.5% and 19.8%, respectively in 1998.

The increase in information technology support services revenues was primarily attributable to an increase in the number of technical support centers providing services throughout the period and the resultant increase in e-mail requests and call volumes from clients, and the inclusion of SHPS' revenue generated for the entire year. The new technical support centers were required as a result of continued growth of technical support services from both e-commerce and traditional telephone support services. During 1999, the Company opened three domestic and four international technical support centers, significantly expanded an additional four international centers and announced the construction of an additional five domestic centers. The increase in e-commerce distribution services revenue was also attributable to the Company's e-commerce initiatives. The decrease in revenues for information technology services and solutions was attributable to a decline in hours billed to customers for consulting services, partially offset by an increase in the average bill rate, the sale of the Company's Manufacturing and Distribution operation, and to a decline in language translation and localization services due to a delay in the commencement of certain projects when compared to the prior period.

Direct Salaries and Related Costs. Direct salaries and related costs increased $80.0 million, or 27.6%, to $369.8 million in 1999 from $289.8 million in 1998. As a percentage of revenues, direct salaries and related costs increased to 64.6% in 1999 from 63.0% in the comparable 1998 year. The increase in both the dollar amount and percentage of direct salaries and related costs as a percentage of revenue was primarily attributable to the addition of personnel to support revenue growth and associated employee benefit and training costs.

General and Administrative. General and administrative expenses increased $40.5 million, or 32.9%, to $163.6 million in 1999, inclusive of a $6.0 million one-time charge associated with the impairment of long-lived assets pursuant to SFAS No. 121. As a percentage of revenues and inclusive of the one-time charge, general and administrative expenses increased to 28.5% in 1999 from 26.8% in 1998. The increase in the amount of general and administrative expenses was primarily attributable to a $17.7 million increase in salaries and benefits, a $9.6 million increase in depreciation expenses associated with facility and capital equipment expenditures incurred in connection with the integration and expansion of the Company's technical support and e-commerce services, the $6.0 million one-time charge associated with the impairment of long-lived assets pursuant to SFAS No. 121, and to a $4.3 million increase in amortization expense, primarily associated with goodwill incurred as part of the SHPS acquisition. General and administrative expenses, exclusive of the $6.0 million charge associated with the impairment of long-lived assets pursuant to SFAS No. 121, increased $34.5 million, or 28.0%, to $157.6 million in 1999, or 27.5% of revenue.

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 Expense. Other expense was $3.5 million during 1999 compared to $12.3 million during 1998. The other expense balance for 1998 is inclusive of a $3.9 million loss from joint venture and a $7.3 million write-down of a marketable security. The net loss from the joint venture was attributable to acquisition-related in-process research and development costs associated with acquisitions completed by the joint venture, which were recorded as other expense. The increase in other expense for 1999 exclusive of the loss from joint venture and the write-down of a marketable security was primarily attributable to 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 decreased $4.1 million, or 22.9%, to $13.9 million during 1999 from $18.0 million during 1998. As a percentage of revenues, the provision for income taxes decreased to 2.5% from 3.9% for the comparable period in 1998. The dollar decrease was attributable to a lower amount of income before income taxes, exclusive of one-time charges. Sykes' effective tax rate decreased to 38.7% during 1999, versus 88.0% for 1998. The effective tax rate for 1998 was effected by approximately $14.5 million of non-deductible charges associated with the write-off of in-process research and development costs.

Net Income. As a result of the foregoing, net income inclusive of the one-time charge identified above increased to $21.9 million in 1999 from $2.4 million in 1998. Net income for 1999, exclusive of the $6.0 million charge associated with the impairment of long-lived assets pursuant to SFAS No. 121 would have been $25.6 million.

1998 COMPARED TO 1997

Revenues. Revenues increased $108.5 million, or 30.9%, to $460.1 million in 1998 from $351.6 million in 1997. These results reflect an increase in revenues of $103.7 million from technical support services provided through technical support centers, an increase in revenues of $1.0 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 61.7%, 18.5%, and 19.8%, 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 technical support 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 technical support 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 e-commerce distribution 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 increased to 63.0% in 1998 from 62.5% in the comparable 1997 year. The increase in the dollar amount and percentage of direct salaries and related costs as a percentage of revenue was primarily attributable to the addition of personnel to support revenue growth and associated employee benefit and training costs.

General and Administrative. General and administrative expenses increased $26.0 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 26.8% in 1998 from 30.6% in the comparable 1997 year. The increase in the amount of general and administrative expenses was attributable to an increase in depreciation expenses associated with facility and capital equipment expenditures incurred in connection with the expansion of the Company's technical support services and to a lesser extent, the addition of sales and administrative 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 26.4% 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 2.7% 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 $4.8 million, or 36.3%, to $18.0 million during 1998 from $13.2 million during 1997. The Company's effective tax rate increased to 88.0% 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 decreased to $2.4 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 $29.9 million.

QUARTERLY RESULTS

The following information presents unaudited quarterly operating results for the Company for 1998 and 1999. The data has been prepared by the Company on a basis consistent with the Consolidated Financial Statements included elsewhere in this Form 10-K/A, and include all adjustments, consisting of normal recurring accruals, that the Company considers necessary for a fair presentation thereof. The quarterly operating results for the quarter ended June 30, 1999 and the quarter ended September 30, 1999 have been previously restated to reflect the adjustment of revenue recognized related to the licensing of software under two arrangements to periods subsequent to 1999. In addition, the quarterly operating results for the three months ended June 30, 1998, September 30, 1998, December 31, 1998, June 30, 1999 and December 31, 1999 have been restated to reflect adjustments to revenue recognized based on the Company's review of its significant contracts. These operating results are not necessarily indicative of the Company's future performance.

(In thousands, except per share data)

As Restated	3/31/98	6/30/98	9/30/98	12/31/98	3/31/99	6/30/99	9/30/99	12/31/99
Revenues	$98,088	$100,667	$121,266	$140,082	$136,378	$135,964	$140,967	$159,433
Direct salaries and related costs	61,160	68,768	72,806	87,068	83,247	88,938	92,523	105,142
General and administrative (2)(3)(4)	26,319	28,789	31,316	36,736	36,277	37,767	40,350	49,229
Acquired in-process research and development (2)	--	--	14,469	--	--	--	--	--
Income from operations	10,609	3,110	2,675	16,278	16,854	9,259	8,094	5,062
Other expense (1)(5)	(3,839)	188	(504)	(8,115)	(575)	(863)	(987)	(1,092)
Income before income taxes (1)(2)(3)	6,770	3,298	2,171	8,163	16,279	8,396	7,107	3,970
Provision for income taxes	3,867	1,237	6,445	6,411	6,300	3,249	2,761	1,541
Net income (loss) (1)(2)(3)(4)(5)	$2,903	$ 2,061	$ (4,274)	$ 1,752	$ 9,979	$ 5,147	$ 4,346	$ 2,429
Net income (loss) per diluted share (1)(2)(3)(4)(5)	$ 0.07	$ 0.05	$ (0.10)	$ 0.04	$ 0.23	$ 0.12	$ 0.10	$ 0.06
Total diluted shares	42,219	42,220	41,337	42,497	42,824	43,097	43,032	43,063

(In thousands, except per share data)

As Originally Reported	3/31/98	6/30/98	9/30/98	12/31/98	3/31/99	6/30/99	9/30/99	12/31/99
Revenues	$98,088	$110,667	$118,316	$142,391	$136,378	$134,108	$140,967	$163,588
Direct salaries and related costs	61,160	68,768	72,806	87,068	83,247	88,938	92,523	107,227
General and administrative (2)(3)(4)	26,319	28,789	31,316	36,736	36,277	37,767	40,350	49,229
Acquired in-process research and development (2)	--	--	14,469	--	--	--	--	--
Income from operations	10,609	13,110	(275)	18,587	16,854	7,403	8,094	7,132
Other expense (1)(5)	(3,839)	188	(504)	(8,115)	(575)	(863)	(987)	(1,092)
Income before income taxes (1)(2)(3)	6,770	13,298	(779)	10,472	16,279	6,540	7,107	6,040
Provision for income taxes	3,867	4,997	5,333	7,286	6,300	2,531	2,761	2,344
Net income (loss) (1)(2)(3)(4)(5)	$2,903	$ 8,301	$ (6,112)	$ 3,186	$ 9,979	$ 4,009	$ 4,346	$ 3,696
Net income (loss) per diluted share (1)(2)(3)(4)(5)	$ 0.07	$ 0.20	$ (0.15)	$ 0.07	$ 0.23	$ 0.09	$ 0.10	$ 0.09
Total diluted shares	42,219	42,220	41,337	42,497	42,824	43,097	43,032	43,063

(1) 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.

(2) 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 $17.6 million, $17.1 million, $10.6 million and $0.25, 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.

(3) 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 (5) below, income from operations, income before income taxes, net income, and net income per diluted share would have been approximately $17.7 million, $16.9 million, $10.5 million and $0.25, respectively.

(4) The quarter ended December 31, 1999, includes approximately $6.0 million of charges associated with the write-down of software and computer equipment.

(5) The quarter ended December 31, 1998, includes approximately $7.3 million of charges associated with the write-down of marketable securities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash flows from operations and available borrowings under its credit facilities. The Company has utilized its capital resources to make capital expenditures associated primarily with its technical support services as identified above, to repay debt associated with entities it has acquired, to acquire interest in and provide capitalization to its entry into the healthcare service industry, invest in technology applications and tools to further and transition 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 1999, the Company generated approximately $51.3 million in cash, net from operating activities. The combination of these funds with the $11.1 million received from the issuance of common stock, $7.7 million received from grants associated with the construction of domestic technical support centers and available cash and cash equivalents, were used in 1999 to fund $66.7 million of capital expenditures and $8.3 million in acquisitions. The capital equipment expenditures were predominantly the result of the Company's enhancement of its e-commerce initiatives including the integration of its e-commerce distribution centers with its technical support centers. In addition, the Company enhanced its support systems associated with SHPS and continued expansion, both domestically and internationally, in providing technical product support services. During 1999, the Company constructed three domestic technical support centers and funded the expansion and enhancing of the technology base from which services are provided. Internationally, the Company opened four new technical support 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 capital expenditures for the year 2000 will approximate $48.0 million.

During 1999, the Company completed three business acquisitions for the aggregate purchase price of approximately $8.3 million, net of cash received, and 11,594 shares of the Company's common stock. These business combinations were accounted for using the purchase method of accounting. In the aggregate, these acquisitions established the Company's geographical presence in Central America, and expanded the vertical market service offerings that the Company provides.

During February and March 2000, the Company acquired 935,000 shares of its common stock for approximately $15.1 million. The repurchase of these shares was in connection with a stock repurchase program announced in February 2000, in which up to 1.0 million shares of the Company's common stock may be acquired in the open market. The purpose of the stock repurchase program is to enhance shareholder value.

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.

IMPACT OF YEAR 2000

In prior years, the Company discussed the nature and progress of its plans to become Year 2000 compliant. During September 1999, the Company completed its remediation and testing of its systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. Sykes' expensed approximately $0.8 million during 1999 in connection with remediating its systems. Sykes' is not aware of any material problems resulting from Year 2000 issues, either with its products and services, its internal systems, or the products and services of third parties. Sykes' will continue to monitor its critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any delayed Year 2000 matters that may arise are addressed promptly.

IMPACT OF NEW ACCOUNTING STANDARDS

Effective during the first quarter of 2000, Sykes adopted the provisions of SOP 97-2 that limit what is considered vendor-specific objective evidence (VSOE) of the fair value of the various elements in a multiple-element software arrangement to the price charged when the same element is sold separately. The Company revised its pricing and contractual practices to meet these requirements.

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting standards for derivative financial instruments and requires recognition of derivatives in the statement of financial position to be measured at fair value. Gains or losses resulting from changes in the value of derivatives would be accounted for depending on the intended use of the derivative and whether it qualifies for hedge accounting. This statement is effective for financial statements beginning in 2001. The Company is currently studying the future effects of adopting this statement. However, due to our limited use of derivative financial instruments, adoption of Statement No. 133 is not expected to have a significant effect on our financial position of results of operation.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" and amended it in March and June 2000 with respect to the effective dates. Sykes believes its revenue recognition practices for software meet these requirements. The Company is required to adopt the provisions of this Bulletin in the fourth fiscal quarter of 2000 and is currently in the process of assessing the impact of its adoption on other revenue sources. Further, while Staff Accounting Bulletin No. 101 does not supersede the software industry specific revenue recognition guidance, with which Sykes believes it is in compliance, this bulletin in practice may change interpretations of software revenue recognition requirements.

ITEM 7a QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Sykes Enterprises, Incorporated

We have audited the accompanying consolidated balance sheets, as restated, of Sykes Enterprises, Incorporated as of December 31, 1998 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows, all as restated, for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, as restated, referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated as of December 31, 1998 and 1999, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements for the years ended December 31, 1998 and 1999 have been restated as discussed in Note 1.

Ernst & Young LLP

Tampa, Florida
February 7, 2000, except for
Note 1 as to which the
date is October 30, 2000

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the consolidated statements of income, changes in shareholders' equity and cash flows of Sykes Enterprises, Incorporated and subsidiaries for the year ended December 31, 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 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 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 results of operations and cash flows of Sykes Enterprises, Incorporated and subsidiaries for the year ended December 31, 1997, in conformity with generally accepted accounting principles. We have not audited the consolidated financial statements of Sykes Enterprises, Incorporated and subsidiaries for any period subsequent to December 31, 1997.

PricewaterhouseCoopers LLP

Tampa, Florida
March 6, 1998

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

	December 31, 1998 (Restated)	December 31, 1999 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 36,348,863	$ 31,001,354
Restricted cash	11,090,890	15,108,523
Receivables	111,480,680	126,476,947
Prepaid expenses and other current assets	17,648,676	15,252,307
Total current assets	176,569,109	187,839,131
Property and equipment, net	99,176,512	134,755,878
Marketable securities	199,875	199,875
Intangible assets, net	75,132,011	76,830,977
Deferred charges and other assets	10,720,246	19,769,980
	$ 361,797,753	$ 419,395,841
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt	$ 3,983,239	$ 3,236,451
Accounts payable	30,086,549	37,409,955
Income taxes payable	10,549,623	932,158
Accrued employee compensation and benefits	19,144,242	24,205,591
Customer deposits	10,978,868	11,820,739
Other accrued expenses and current liabilities	17,194,752	17,159,191
Total current liabilities	91,937,273	94,764,085
Long-term debt	75,448,202	80,052,717
Deferred grants	15,434,676	21,198,709
Deferred revenue	17,207,385	26,593,100
Other long-term liabilities	2,668,895	1,400,466
Total liabilities	202,696,431	224,009,077
Commitments and contingencies (Notes 10 and 14)		
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; 41,451,905 and 42,734,284 issued and outstanding	414,519	427,343
Additional paid-in capital	136,199,748	155,022,390
Retained earnings	23,894,815	45,797,226
Accumulated other comprehensive income	(1,407,760)	(5,860,195)
Total shareholders' equity	159,101,322	195,386,764
	$ 361,797,753	$ 419,395,841

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME

	December 31, 1997	December 31, 1998 (Restated)	December 31, 1999 (Restated)
Revenues	$ 351,593,110	$ 460,102,326	$ 572,741,697
Operating expenses			
Direct salaries and related costs	219,584,550	289,801,769	369,849,565
General and administrative	97,216,636	123,159,492	157,643,213
Impairment of long-lived assets	10,400,000	--	5,978,560
Acquired in-process research and development	--	14,468,907	--
Total operating expenses	327,201,186	427,430,168	533,471,338
Income from operations	24,391,924	32,672,158	39,270,359
Other expense			
Interest, net	518,968	(959,152)	(3,669,327)
Loss from joint venture	(2,828,000)	(3,947,380)	--
Write-down of marketable securities	--	(7,334,645)	--
Other	(1,270,450)	(29,176)	151,803
Total other expense	(3,579,482)	(12,270,353)	(3,517,524)
Income before income taxes	20,812,442	20,401,805	35,752,835
Provision for income taxes			
Current	13,492,156	25,592,000	20,387,490
Deferred	(311,160)	(7,632,034)	(6,537,066)
Total provision for income taxes	13,180,996	17,959,966	13,850,424
Net income	$ 7,631,446	$ 2,441,839	$ 21,902,411
Net income per share			
Basic	$ 0.19	$ 0.06	$ 0.52
Diluted	$ 0.18	$ 0.06	$ 0.51
Shares outstanding			
Basic	41,044,002	41,257,623	42,044,574
Diluted	42,315,046	42,288,425	42,995,415

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at January 1, 1997	40,920,274	$409,203	$131,027,020	$16,091,230	$ (125,007)	$147,402,446
Issuance of common stock	199,352	1,993	3,037,968	-	-	3,039,961
Capital contribution	-	-	1,237,000	-	-	1,237,000
Repurchase of common stock	-	-	(2,623,651)	-	-	(2,623,651)
Tax effect of non-qualified exercise of stock options	-	-	914,000	-	-	914,000
Distributions	-	-	-	(496,972)	-	(496,972)
Net income	-	-	-	7,631,446	-	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)	-	(1,074,352)
Balance at December 31, 1997	41,119,626	411,196	133,592,337	22,151,352	(3,594,665)	152,560,220
Issuance of common stock	332,279	3,323	1,073,411	-	-	1,076,734
Tax effect of non-qualified exercise of stock options	-	-	1,534,000	-	-	1,534,000
Distributions	-	-	-	(698,376)	-	(698,376)
Net income	-	-	-	2,441,839	-	2,441,839
Recognition of write-down on marketable securities	-	-	-	-	734,518	734,518
Foreign currency translation adjustment	-	-	-	-	1,452,387	1,452,387
Comprehensive income						4,628,744
Balance at December 31, 1998 (Restated)	41,451,905	414,519	136,199,748	23,894,815	(1,407,760)	159,101,322
Issuance of common stock	1,282,379	12,824	11,371,319	-	-	11,384,143
Tax effect of non-qualified exercise of stock options	-	-	7,451,323	-	-	7,451,323
Net income	-	-	-	21,902,411	-	21,902,411
Foreign currency translation adjustment	-	-	-	-	(4,452,435)	(4,452,435)
Comprehensive income						17,449,976
Balance at December 31, 1999 (Restated)	42,734,284	$427,343	$155,022,390	$45,797,226	$(5,860,195)	$195,386,764

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	1997	1998 (Restated)	1999 (Restated)
	YEARS ENDED DECEMBER 31,		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 7,631,446	$ 2,441,839	$ 21,902,411
Depreciation and amortization	15,245,917	21,831,091	35,338,494
Impairment of long-lived assets	10,400,000	--	5,978,560
Acquired in-process research and development costs	2,795,000	14,468,907	--
Write-down of marketable securities	--	7,334,645	--
Deferred income taxes	(311,160)	(7,632,034)	(6,537,066)
(Gain)loss on disposal of property and equipment	(105,416)	(524,762)	14,663
Changes in assets and liabilities			
Receivables	(6,073,933)	(25,588,702)	(16,761,777)
Prepaid expenses and other current assets	(783,295)	(2,911,635)	1,598,813
Intangible assets	--	(737,708)	(1,113,326)
Deferred charges and other assets	(1,035,841)	(1,032,766)	(1,638,087)
Accounts payable	(714,315)	2,840,802	5,246,065
Customer deposits	1,056,946	11,373,150	(3,175,762)
Income taxes payable	--	--	(2,165,868)
Accrued employee compensation and benefits	(355,586)	7,270,284	4,508,377
Other accrued expenses and current liabilities	(4,286,603)	6,090,194	(35,561)
Deferred revenue	--	5,953,400	9,385,715
Other long-term liabilities	--	(48,169)	(1,268,423)
Net cash provided by operating activities	23,463,160	41,128,536	51,277,228
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(25,654,336)	(37,292,551)	(66,656,704)
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)	(8,346,289)
Proceeds from sale of marketable securities	--	1,000,000	--
Proceeds from sale of property and equipment	208,351	3,462,149	190,485
Net cash used for investing activities	(40,326,127)	(71,684,724)	(74,812,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paydowns under revolving line of credit agreements	(72,441,000)	(16,932,339)	(84,539,920)
Borrowings under revolving line of credit agreements	72,441,000	93,809,851	88,397,648
Proceeds from issuance of stock	3,039,961	1,076,734	11,084,143
Proceeds from grants	2,000,000	2,575,000	7,698,335
Proceeds from issuance of long-term debt	350,467	--	--
Proceeds from issuance of convertible debenture	1,399,000	--	--
Capital contributions	1,237,000	--	--
Subsidiary stock redemption	(2,623,651)	--	--
Payment of long-term debt	(6,238,862)	(89,686,711)	--
Distributions	(496,972)	(698,376)	--
Net cash provided by (used for) financing activities	(1,333,057)	(9,855,841)	22,640,206
Adjustment for foreign currency translation	(2,735,140)	1,452,387	(4,452,435)
Net decrease in cash and cash equivalents	(20,931,164)	(38,959,642)	(5,347,509)
CASH AND CASH EQUIVALENTS - BEGINNING	96,239,669	75,308,505	36,348,863
CASH AND CASH EQUIVALENTS - ENDING	$ 75,308,505	$ 36,348,863	$ 31,001,354
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 2,883,827	$ 1,553,386	$ 6,808,743
Income taxes	$ 8,562,981	$ 13,401,881	$ 22,425,941

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sykes Enterprises, Incorporated and consolidated subsidiaries (the "Company" or "Sykes") provides vertically integrated technology-based solutions to customers on a worldwide basis. By utilizing its information technology support centers and e-commerce platform, Sykes is able to provide traditional and e-commerce services at all stages in the life cycle of its clients' products and services, including initial development documentation and localization, customer product services, and end-user support. The Company's services are provided to customers throughout a wide variety of industries.

NOTE 1 - RESTATEMENT OF FINANCIAL STATEMENTS

On October 30, 2000, Sykes announced the completion of a comprehensive review of its software revenue recognition accounting practices for all significant software licensing arrangements and service contracts with respect to the years ended December 31, 1998 and 1999, and for the nine months ended September 30, 2000. As a result of that review, Sykes determined that the accounting for eight clients' contracts required revision. Sykes determined that revenue that had been recognized should have been recognized either as payments came due, upon completion of all services required under the arrangements or upon the satisfaction of any contingency. These revisions to revenue reduced recorded revenues by $9.4 million in 1998 and $2.3 million in 1999. Sykes also revised 1999 operating expenses by reducing $2.1 million in related contract costs that it had previously expensed.

Accordingly, Sykes has restated its financial statements for the years ended December 31, 1998 and 1999 as follows:

	1998		1999	
	As Reported	As Restated	As Reported	As Restated
Total assets	$ 365,134,301	$ 361,797,753	$ 427,586,154	$ 419,395,841
Deferred revenue, less current portion	$ 14,707,773	$ 17,207,385	$ 24,861,639	$ 26,593,100
Retained earnings	$ 29,730,975	$ 23,894,815	$ 51,762,003	$ 45,797,226
Shareholders' equity	$ 164,937,482	$ 159,101,322	$ 201,351,541	$ 195,386,764
Revenues	$ 469,461,520	$ 460,102,326	$ 575,039,890	$ 572,741,697
Operating income	$ 42,031,352	$ 32,672,158	$ 39,483,552	$ 39,270,359
Net income	$ 8,277,999	$ 2,441,839	$ 22,031,028	$ 21,902,411
Net income per share - basic	$ 0.20	$ 0.06	$ 0.52	$ 0.52
Net income per share - diluted	$ 0.20	$ 0.06	$ 0.51	$ 0.51

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

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

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.

Recognition of Revenue - The Company primarily recognizes its revenue from services as those 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. Product sales are recognized upon shipment.

Sykes' recognizes revenue from software and contractually provided rights in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position 98-4, "Deferral of the Effective Date of a Provision of SOP 97-2" ("SOP 98-4"), Statement of Position 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"), and Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 is to be applied no later than the fourth quarter of 2000 retroactive to January 1, 2000. Revenue is recognized from licenses of the Company's software products and rights when the agreement has been executed, the product or right has been delivered or provided, collectibility is probable and the software license fees or rights are fixed and determinable. Contracts that provide for multiple elements are accounted for pursuant to the above standards. If any portion of the license fees or rights is subject to forfeiture, refund or other contractual contingencies, the Company will postpone revenue recognition until these contingencies have been removed. Sykes' generally accounts for consulting services separate from software license fees for those multi-element arrangements where consulting services are a separate element and are not essential to the customer's functionality requirements and there is vendor-specific objective evidence of fair value for these services. Consulting revenue is recognized as the services are performed. Revenue from support and maintenance activities is recognized ratably over the term of the maintenance period and the unrecognized portion is recorded as deferred revenue.

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." Cash in the amount of approximately $8.1 million and $7.3 million was held in taxable interest bearing investments at December 31, 1998, and 1999, respectively, 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 and 1999, respectively. Included in current liabilities at December 31, 1998 and 1999, respectively 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 $14.8 million, $21.0 million and $30.6 million for the years ended December 31, 1997, 1998 and 1999, respectively. Property and equipment includes approximately $0.9 million and $2.0 million of additions included in accounts payable at December 31, 1998 and 1999, respectively. Accordingly, these non-cash transactions have been excluded from the accompanying consolidated statements of cash flows for the years ended December 31, 1998 and 1999, respectively.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES, continued

During 1998 and 1999, 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, net of accumulated amortization, were approximately $2.2 million and $2.6 million at December 31, 1998 and 1999, respectively.

Land received from various governmental agencies under grants is recorded at fair value at date of grant. During the years ended December 31, 1997, 1998 and 1999, the Company recorded approximately $430,000, $280,000 and $1,056,000, 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, 1997, 1998 and 1999.

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 $67.1 million and $74.3 million at December 31, 1998 and 1999, respectively, net of accumulated amortization of $6.2 million and $8.8 million, respectively. Also included in intangible assets are existing technologies and covenants not to compete arising from business acquisitions of $15.7 million and $16.5 million at December 31, 1998 and 1999, respectively, net of accumulated amortization of $1.5 million and $5.2 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 $0.9 million, $1.7 million and $6.0 million for the years ended December 31, 1997, 1998 and 1999, respectively.

Impairment of Long-Lived Assets - The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of property and equipment is measured by comparison of its carrying amount to undiscounted future net cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the property and equipment exceeds its fair market value, as determined by discounted cash flows. Sykes' assesses the recoverability of goodwill by determining whether the unamortized goodwill balance can be recovered through undiscounted future results of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future results using a discount rate reflecting the Company's average cost of funds. During 1997, the Company recorded an impairment loss of $10.4 million related to an acquisition made during that year. During 1999, the Company recorded an impairment loss of approximately $6.0 million related to software and computer equipment.

Income Taxes - Sykes' uses the asset and liability method of accounting for 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.

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. Amortization of the property and equipment grants that is included in income was approximately $0.5 million, $0.9 million and $1.3 million for the years ended December 31, 1997, 1998 and 1999, respectively. 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. Grants received in excess of property and equipment costs are recognized in the year executed, and that amount approximated $1.3 million and $2.5 million for the years ended December 31, 1998 and 1999, respectively, (none for 1997).

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.

NOTE 2 - 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.

Comprehensive Income - Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income", ("SFAS No 130"), 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.

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:

o 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.

o 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.

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 $5.5 million, which represents the sales price recorded by the Company, as restated due to a contractual contingency included in the licensing agreement. The cost of this security is included in the consolidated balance sheet under the caption "Deferred charges and other assets" at December 31, 1998 and 1999, respectively.

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 included in accumulated other comprehensive income, which is reflected 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.

Recent Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative financial instruments and hedging activities and requires the Company to recognize all derivatives as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value would be accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. In June 1999, the FASB issued SFAS No. 137, which defers the implementation of SFAS No. 133 until years beginning after June 15, 2000. Sykes' does not anticipate that the adoption of this SFAS No. 133 will have a significant effect on its results of operations or financial position.

NOTE 3 - ACQUISITIONS AND MERGERS

On August 20, 1999, the Company acquired all of the common stock of CompuHelpline, Inc., (d/b/a PC Answer) for approximately $340,000 consisting of $40,000 of cash and 11,594 shares of the Company's common stock. PC Answer was engaged in developing, marketing and selling prepaid technical computer support cards and services under the trademark names of PC Answer and MAC Answer. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life. Pro forma information is not presented as the operating results of PC Answer are not material to the Company's consolidated operations.

Effective August 31, 1999, the company acquired all of the common stock of Acer Servicios de Informacion Sociedad Anonima ("AIS") of Heredia, Costa Rica for $6.0 million in cash. AIS operated an information technology call center that provided technical support and services to customers in North America and Central America. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life. Pro forma information is not presented as the operating results of AIS are not material to the Company's consolidated operations.

NOTE 3 - ACQUISITIONS AND MERGERS, continued

Effective October 12, 1999, the Company acquired the AnswerExpress Support Suite for $2.5 million in cash. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life. Pro forma information is not presented as the operating results of AnswerExpress are not material to the Company's consolidated operations.

Effective September 1, 1998 the Company acquired the remaining 50% of outstanding common stock of SHPS, Incorporated ("SHPS") for approximately $28.1 million plus the assumption of SHPS' debt. This purchase price was primarily financed through borrowings under the Company's credit facility. The SHPS 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.

Sykes' adjusted the amounts originally allocated to acquired in-process research and development to reflect the new methodology set forth in the September 30, 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 the 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. Sykes' 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 alternate 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 the 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 $491.8 million, net loss of $11.5 million, and basic and diluted loss per share of $0.27 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 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.

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 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.

NOTE 3 - ACQUISITIONS AND MERGERS, continued

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 Consolidated Statement of Cash Flows for the year ended December 31, 1997. 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, 1997, are estimated to be revenues of $368.2 million, net 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 1997, nor are they necessarily indicative of future consolidated results.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. With the exception of $5.5 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 5 - RECEIVABLES

Receivables consist of the following:

	DECEMBER 31,	
	1998	1999
Trade accounts receivable	$ 98,847,723	$110,551,009
Unbilled accounts receivable	5,085,775	9,470,370
Notes from officers	470,122	542,224
Other	7,873,231	8,353,888
	112,276,851	128,917,491
Less allowance for doubtful accounts	796,171	2,440,544
	$111,480,680	$126,476,947

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31,	
	1998	1999
Land	$ 4,014,119	$ 5,114,051
Buildings and leasehold improvements	30,661,019	41,171,099
Equipment, furniture and fixtures	130,956,959	172,270,235
Capitalized software development costs	2,217,529	2,895,739
Transportation equipment	259,700	447,916
Construction in progress	3,381,020	16,290,770
	171,490,346	238,189,810
Less accumulated depreciation	72,313,834	103,433,932
	$ 99,176,512	$134,755,878

NOTE 7 - MARKETABLE SECURITIES

During 1997, the Company purchased SystemSoft Corp. common stock in conjunction with a strategic technology exchange agreement between the parties that had an original cost basis of $8.0 million. In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the investment is 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 is carried at an aggregate market value of approximately $0.2 million as of December 31, 1998 and 1999, respectively.

NOTE 8 - DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consist of the following:

	DECEMBER 31,	
	1998	1999
Convertible preferred stock	$ 5,500,000	$ 5,500,000
Non-current deferred tax asset, net	2,985,570	10,352,327
Other	2,234,676	3,917,653
	$10,720,246	$19,769,980

NOTE 9 - ACCRUED EMPLOYEE COMPENSATION AND BENEFITS

Accrued employee compensation and benefits consist of the following:

	DECEMBER 31,	
	1998	1999
Accrued compensation	$10,907,243	$12,762,423
Accrued employment taxes	3,574,422	7,229,210
Accrued vacation	2,224,829	2,742,426
Other	2,437,748	1,471,532
	$19,144,242	$24,205,591

NOTE 10 - OTHER ACCRUED EXPENSES AND CURRENT LIABILITIES

Other accrued expenses and current liabilities consist of the following:

	DECEMBER 31,	
	1998	1999
Deferred revenue	$ 5,961,591	$ 6,375,510
Accrued telephone charges	2,349,844	2,213,207
Accrued interest	1,329,586	213,467
Other	7,553,731	8,357,007
	$17,194,752	$17,159,191

NOTE 11 - LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31, 1998	DECEMBER 31, 1999
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	$80,000,000
Syndicated credit facility, $15.0 million maximum, due in installments through February 2001, interest payable monthly at tiered levels between 75 and 175 basis points above listed LIBOR, the facility is unsecured	2,659,850	2,284,500
Notes payable and capital leases, principal and interest payable in monthly installments through December 2002, interest at varying rates up to prime plus 1 percent, collateralized by certain receivables and equipment	1,771,591	1,004,668
	79,431,441	83,289,168
Less current portion	3,983,239	3,236,451
	$75,448,202	$80,052,717

Principal maturities subsequent to December 31, 2000 are as follows:

2001	$80,026,358
2002	26,359
	$80,052,717

Effective February 1998, the Company entered into a $150.0 million syndicated credit facility and a $15.0 million swingline facility that 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, 1999 ($5.0 million at December 31, 1998). 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, 1999, the Company was in compliance with all loan covenants.

During January 2000, the Company became contingently liable for an additional letter of credit in the amount of $30.0 million, that guaranteed performance of a contractual obligation.

NOTE 12 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Sykes' presents data in the Consolidated Statements of Changes in Shareholders' Equity in accordance with SFAS No. 130. This statement establishes rules for the reporting of comprehensive income and its components. The components of other accumulated comprehensive income are as follows:

	Unrealized Loss on Securities	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 1997	$ --	$ (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)
Foreign currency translation adjustment	--	(4,452,435)	(4,452,435)
Balance at December 31, 1999	$ --	$(5,860,195)	$(5,860,195)

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 13 - INCOME TAXES

The components of income before income taxes are as follows:

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Domestic	$ 8,551,740	$ 4,008,927	$17,047,815
Foreign	12,260,702	16,392,878	18,705,020
Total income before income taxes	$20,812,442	$20,401,805	$35,752,835

NOTE 13 - INCOME TAXES, continued

Provision for income taxes consists of the following:

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Current:			
Federal	$ 6,906,000	$14,365,000	$ 6,856,000
State	1,229,000	2,338,000	1,225,490
Foreign	5,357,156	8,889,000	12,306,000
Total current provision for income taxes	13,492,156	25,592,000	20,387,490
Deferred:			
Federal	(99,000)	(5,120,000)	(348,000)
State	(25,000)	(855,034)	(296,066)
Foreign	(187,160)	(1,657,000)	(5,893,000)
Total deferred provision for income taxes	(311,160)	(7,632,034)	(6,537,066)
Total provision for income taxes	$13,180,996	$17,959,966	$13,850,424

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

	DECEMBER 31,	
	1998	1999
Domestic current:		
Deferred tax asset:		
Accrued expenses	$ 889,000	$ 1,589,000
Deferred revenue	1,786,934	--
Deferred compensation	244,000	96,000
Bad debt reserve	346,000	700,000
Other	6,000	8,000
Total current deferred tax asset	$ 3,271,934	$ 2,393,000
Deferred tax liability:		
Prepaid expenses	$ (462,000)	$ (290,000)
Cash to accrual-Section 481 adjustment	(5,000)	--
Other	(798,904)	(925,000)
Total current deferred tax liability	(1,265,904)	(1,215,000)
Net domestic current deferred tax asset	$ 2,006,030	$ 1,178,000
Foreign current:		
Deferred tax asset:		
Deferred commissions	$ 232,000	$ --
Net operating loss carry-forward	--	1,470,064
Valuation allowance	--	(1,240,000)
Total foreign current deferred tax asset	$ 232,000	$ 230,064
Net current deferred asset	$ 2,238,030	$ 1,408,064

NOTE 13 - INCOME TAXES, continued

	DECEMBER 31, 1998	DECEMBER 31, 1999
Domestic non-current:		
Deferred tax asset:		
Unrealized loss on security	$ 3,009,000	$ 3,009,000
Intangible assets	3,457,000	5,171,000
Deferred revenues	1,736,100	1,736,100
Net operating loss carry-forward	454,000	83,000
Valuation allowance	(3,000,000)	(2,894,000)
Other	--	265,000
Total non-current deferred tax asset	$ 5,656,100	$ 7,370,100
Deferred tax liability:		
Property and equipment	$ (710,000)	$(1,188,000)
Intangible assets	(2,155,000)	(1,919,000)
Other	--	--
Total non-current deferred tax liability	(2,865,000)	(3,107,000)
Net domestic non-current deferred tax asset	$ 2,791,100	$ 4,263,100
Foreign non-current:		
Deferred tax asset:		
Intangible assets	$ 1,571,470	$ 4,058,000
Deferred revenue	--	3,391,000
Net operating loss carry-forward	704,000	--
Valuation allowance	(704,000)	--
Total non-current deferred tax asset	$ 1,571,470	$ 7,449,000
Deferred tax liability:		
Property and equipment	$(1,377,000)	$ (865,773)
Untaxed reserve	--	(494,000)
Total non-current deferred tax liability	(1,377,000)	(1,359,773)
Net foreign non-current deferred tax asset	194,470	6,089,227
Net non-current deferred tax asset	$ 2,985,570	$10,352,327

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 $38.3 million at December 31, 1999, 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 $5.0 million would have been required.

At December 31, 1999, the Company's French subsidiary had an operating loss carryforward of approximately $2.9 million that expires through the year 2005. In addition, the Company's Belgian subsidiary had an operating loss carryforward of approximately $575,000 that does not expire.

NOTE 13 - INCOME TAXES, continued

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,		
	1997	1998	1999
Statutory tax	$ 7,284,233	$ 7,141,000	$ 12,513,000
State income taxes, net of federal tax benefit	759,000	669,000	604,000
Effect of income not subject to federal and state income tax	(1,015,000)	(162,000)	9,000
In-process research and development	--	5,064,000	--
Valuation on unrealized loss on marketable security	--	3,000,000	--
Valuation on net operating loss carry-forward	--	704,000	430,000
Non-deductible amortization	3,640,000	63,000	514,000
Loss from joint venture	990,000	1,382,000	--
Foreign taxes, net of foreign income not taxed in the United States	971,763	(565,000)	(1,468,000)
Permanent differences	582,000	359,000	440,000
Other	(31,000)	304,966	808,424
Total provision for income taxes	$ 13,180,996	$ 17,959,966	$ 13,850,424

The Company is currently under examination by the Internal Revenue Service for the tax year ended July 31, 1997. 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 the prior period 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 14 - 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 respective periods and the further dilutive effect, if any, from 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,		
	1997	1998	1999
Basic:			
Weighted average common shares outstanding	41,044,002	41,257,623	42,044,574
Total basic shares outstanding	41,044,002	41,257,623	42,044,574
Diluted:			
Dilutive effect of stock options	1,271,044	1,030,802	950,841
Total diluted shares outstanding	42,315,046	42,288,425	42,995,415

NOTE 15 - 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, 1997, 1998 and 1999 was approximately $6.1 million, $11.2 million and $16.7 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 each of the years ended December 31, 1997, 1998 and 1999 was approximately $618,000, $618,000 and $613,000 respectively.

The following is a schedule of future minimum rental payments under operating leases having a remaining non-cancelable term in excess of one year subsequent to December 31, 1999:

YEAR	RELATED PARTY	NON-RELATED PARTY	TOTAL AMOUNT
2000	$ 613,000	$11,318,000	$11,931,000
2001	613,000	8,965,000	9,578,000
2002	613,000	7,366,000	7,979,000
2003	613,000	5,175,000	5,788,000
2004	613,000	4,234,000	4,847,000
Thereafter	562,000	11,873,000	12,435,000
Total minimum payments required	$3,627,000	$48,931,000	$52,558,000

As of March 7, 2000, the Company is aware of twelve purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions were filed in the United States District Court for the Middle District of Florida. The plaintiffs of these lawsuits purport to assert claims on behalf of a class of purchasers of Sykes common stock between April 26, 1999 and February 4, 2000. The actions essentially duplicate one another and plead substantially the same allegations, claiming violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the actions allege that beginning in April 1999, the Company and certain of its officers made materially false statements concerning the Company's financial condition. The complaints also claim that the Company's financial statements were not prepared in accordance with generally accepted accounting principles. The actions seek compensatory and other damages, and costs and expenses associated with the litigation.

The Company believes these complaints are without merit and intends to defend the actions vigorously. However, the Company cannot predict the outcome of these lawsuits or the impact that they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

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 16 - 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 $352,000, $601,000 and $753,000 for the years ended December 31, 1997, 1998 and 1999, 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 $244,000, $149,000 and $233,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

NOTE 17 - 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. Of the remaining 762,000 options, 200,000 options are outstanding as of December 31, 1999. These 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 $42,000, $42,000 and $12,000 is recognized in the general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 1997, 1998 and 1999, respectively.

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 2,625,000 shares of the Company's common stock at not less than the fair value at the time the options are granted. 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. 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. Transactions related to the 1996 Employee Stock Option Plan are summarized as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1, 1997	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)		
Granted	860,421	$ 23.50
Exercised	(676,799)	$ 17.71
Expired or terminated	(320,086)	$ 22.70
Outstanding at December 31, 1999	1,277,138	$ 22.90
(Exercisable: 364,833 at $20.99)		
Options available for future grant	151,263	

NOTE 17 - STOCK OPTIONS, continued

The following table further summarizes information about the 1996 Employee Stock Option Plan at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DEC. 31, 1999	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DEC. 31, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$ 0.03 to $ 1.24	1,667	3.0	$ 1.01	1,667	$ 1.01
$ 8.00	42,551	6.3	$ 8.00	42,551	$ 8.00
$13.91 to $30.76	1,232,920	8.8	$23.44	320,615	$22.82
Total	1,277,138	8.8	$22.90	364,833	$20.99

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 January 1, 1997	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)		
Granted	35,000	$23.81
Exercised	(8,300)	$ 8.00
Expired or terminated	--	$ --
Outstanding at December 31, 1999	132,950	$20.58
(Exercisable: 66,286 at $18.79)		
Options available for future grant	257,250	

NOTE 17 - STOCK OPTIONS, continued

The following table further summarizes information about the 1996 Non-Employee Director Stock Option Plan at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DEC. 31, 1999	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DEC. 31, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$ 8.00	15,450	6.3	$ 8.00	15,450	$ 8.00
$18.39	5,000	8.2	$ 18.39	1,667	$ 18.39
$20.74	35,000	8.3	$ 20.74	11,669	$ 20.74
$22.23	37,500	7.4	$ 22.23	32,500	$ 22.23
$23.81	35,000	9.3	$ 23.81	--	$ --
$25.42	5,000	7.4	$ 25.42	5,000	$ 25.42
Total	132,950	8.0	$ 20.58	66,286	$ 18.79

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 and 1999, 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
Granted	155,000	$ 29.96
Exercised	--	--
Expired or terminated	(405,000)	$ 20.00
Outstanding at December 31, 1999	520,000	$ 24.73
Options available for future grant	3,480,000	

The following table further summarizes information about the 1997 Management Incentive Stock Option Plan at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DEC. 31, 1999	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DEC. 31, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$18.93	20,000	8.7	$ 18.93	--	$ --
$20.00	220,000	8.3	$ 20.00	--	$ --
$27.49	125,000	9.0	$ 27.49	--	$ --
$29.21	80,000	9.4	$ 29.21	--	$ --
$30.76	75,000	9.1	$ 30.76	--	$ --
Total	520,000	8.8	$ 24.73	--	$ --

NOTE 17 - STOCK OPTIONS, continued

Employee Stock Purchase Plan - Sykes' Employee Stock Purchase Plan (the "ESPP") allows eligible employee participants to purchase shares of the Company's common stock at a discount through payroll deductions. The ESPP, which qualifies under Code Section 423 of the Internal Revenue Code of 1986, was adopted by the Company's Board of Directors on April 1, 1999 and approved by the shareholders. Pursuant to the ESPP, Sykes' reserved 1.0 million shares of its common stock for issuance.

Under the ESPP, eligible employees may purchase the Company common stock at 87.5% of the market price on the last day of the offering period. The maximum each employee may purchase within an offering period shall not exceed $6,250 in market value of Company common stock. The Company will typically have four three-month offering periods each year.

The weighted average fair value of the purchase rights granted during the year ended December 31, 1999 was $28.09. For the year ended December 31, 1999, approximately 16,100 of such shares were purchased and approximately 983,900 remain available for future issuance.

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,		
	1997	1998	1999
		(Restated)	(Restated)
	($ in thousands, except per share amounts)		
Net income as reported	$ 7,631	$ 2,442	$ 21,902
Pro forma net income as prescribed by SFAS 123	$ 1,584	$ (3,339)	$ 14,459
Net income per diluted share as reported	$ 0.18	$ 0.06	$ 0.51
Pro forma net income per diluted share as prescribed by SFAS 123	$ 0.04	$ (0.08)	$ 0.34

The pro forma amounts were determined using the Black-Scholes valuation model with the following key assumptions: (i) a discount rate of 6.05 percent for 1997, a discount rate of 6.0 percent for 1998, and a discount rate of 6.1 percent for 1999; (ii) a volatility factor of 64.19 percent 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 and approximately 2 years for the ESPP, for each year presented. In addition, the pro forma amount for 1999 includes approximately $88,000 related to purchase discounts offered under the ESPP (none for 1997 and 1998).

NOTE 18 - GEOGRAPHIC INFORMATION

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

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Revenue:			
North America	$223,970,601	$295,729,113	$389,146,426
International	127,622,509	164,373,213	183,595,271
	$351,593,110	$460,102,326	$572,741,697
Income before income taxes:			
North America	$ 11,496,208	$ 6,505,771	$ 21,349,009
International	9,316,234	13,896,034	14,403,826
	$ 20,812,442	$ 20,401,805	$ 35,752,835
Total assets:			
North America	$198,328,992	$259,542,009	$297,411,194
International	69,867,748	102,255,744	121,984,647
	$268,196,740	$361,797,753	$419,395,841

NOTE 19 - SIGNIFICANT CUSTOMER

Revenue from one customer amounted to 10% of revenues for the year ended December 31, 1997. No single customer accounted for 10% of revenues for the years ended December 31, 1998 and 1999, respectively.

NOTE 20 - SUBSEQUENT EVENTS (UNAUDITED)

During February and March 2000, the Company acquired 935,000 shares of its common stock for approximately $15.1 million. The repurchase of these shares was in connection with a stock repurchase program announced in February 2000 in which up to 1.0 million shares of the Company's common stock may be acquired in the open market. The purpose of the stock repurchase program is to enhance shareholder value.

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

None

PART III

ITEMS 10. THROUGH 13. 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 Year 2000 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 Item 8 "Financial Statements and Supplementary Data", and is incorporated herein by reference:

Consolidated Balance Sheets as of December 31, 1998 and 1999.

Consolidated Statements of Income for the years ended December 31, 1997, 1998 and 1999.

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1997, 1998 and 1999.

Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1998 and 1999.

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	Exhibit 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, 1997 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 (19).
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. (19)

3.2 Bylaws of Sykes Enterprises, Incorporated, as amended. (19)

4.1 Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. (1)

4.2 Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998. (16)

4.3 Amendment No. 1 to Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998. (16)

4.4 Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998.

(16)

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 March 6, 2000 between John H. Sykes and Sykes Enterprises, Incorporated (20).

10.3 Employment Agreement dated as of March 6, 2000 between David L. Grimes and Sykes Enterprises, Incorporated (20).

10.4 Employment Agreement dated as of March 6, 2000 between Scott J. Bendert and Sykes Enterprises, Incorporated (20).

10.5 Employment Agreement dated as of March 6, 2000 between W. Michael Kipphut and Sykes Enterprises, Incorporated (20).

10.6 Employment Agreement dated as of March 6, 2000 between Dale W. Saville and Sykes Enterprises, Incorporated (20).

10.7 Employment Agreement dated as of March 6, 2000 between Gerry L. Rogers and Sykes Enterprises, Incorporated (20).

10.8 Employment Agreement dated as of March 6, 2000 between James E. Lamar and Sykes Enterprises, Incorporated (20).

10.9 Employment Agreement dated as of March 6, 2000 between Charles E. Sykes and Sykes Enterprises, Incorporated (20).

10.10 Stock Option Agreement between Sykes Enterprises, Incorporated and David E. Garner dated as of December 31, 1995. (1)

10.11 1996 Employee Stock Option Plan. (1)

10.12 1996 Non-Employee Director Stock Option Plan. (1)

10.13 1996 Non-Employee Directors' Fee Plan. (1)

10.14 Form of Split Dollar Plan Documents. (1)

10.15 Form of Split Dollar Agreement. (1)

10.16 Form of Indemnity Agreement between directors and executive officers and Sykes Enterprises, Incorporated. (1)

10.17 Aircraft Lease Agreement between JHS Leasing of Tampa, Inc. as lessor and Sykes Enterprises, Incorporated as lessee, dated December 1, 1995. (1)

10.18 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)

10.19 Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. (1)

10.20 Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996. (1)

10.21 1997 Management Stock Incentive Plan. (15)

10.22 1999 Employees' Stock Purchase Plan. (19)

10.23 2000 Stock Option Plan (20).

13.1 1999 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

23.2 Consent of PricewaterhouseCoopers LLP

24.1 Power of Attorney relating to subsequent amendments (included on the signature page of this report).

27.1 Financial Data Schedule as of and for the year ended December 31, 1999, as restated (for SEC use only)(filed herewith).

27.2 Financial Data Schedule as of and for the year ended December 31, 1998, as restated (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.

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

(20) Filed as an Exhibit to the Registrant's Form 10-K dated December 31, 1999, and incorporated herein by reference.

(b) Reports on Form 8-K

None

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 17th day of November, 2000.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

By: /s/ W. Michael Kipphut
--
W. Michael Kipphut,
Vice President and
Chief Financial Officer

SYKES ENTERPRISES, INCORPORATED

SCHEDULE II - VALUATION AND
QUALIFYING ACCOUNTS Years ended
December 31, 1997, 1998 and 1999

	Balance at Beginning Of Period	Additions Charged to Costs and Expenses	Reclassifications (1)	Deductions(2)	Balance at End Of Period
Allowance for doubtful accounts:					
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
Year ended December 31, 1999	796,171	2,201,581	-	557,208	2,440,544
Foreign current deferred tax asset valuation allowance:					
Year ended December 31, 1997	$ 571,000	$ -	$ -	$436,000	$ 135,000
Year ended December 31, 1998	135,000	-	-	135,000	-
Year ended December 31, 1999	-	626,000	704,000	90,000	1,240,000
Domestic non-current deferred tax asset valuation allowance:					
Year ended December 31, 1997	$ -	$ -	$ -	$ -	$ -
Year ended December 31, 1998	-	3,000,000	-	-	3,000,000
Year ended December 31, 1999	3,000,000	-	-	106,000	2,894,000
Foreign non-current deferred tax valuation allowance:					
Year ended December 31, 1997	$ -	$ -	$ -	$ -	$ -
Year ended December 31, 1998	-	704,000	-	-	704,000
Year ended December 31, 1999	704,000	-	(704,000)	-	-

(1) Amounts have been reclassified for reporting purposes.
(2) Write-offs and recoveries

EXHIBIT INDEX

Exhibit Number	Exhibit 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, 1997 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 27, 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. (19)

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 Bylaws of Sykes Enterprises, Incorporated, as amended. (12)

4.1 Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. (1)

4.2 Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998. (16)

4.3 Amendment No. 1 to Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998. (16)

4.4 Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998.

(16)

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 March 6, 2000 between John H. Sykes and Sykes Enterprises, Incorporated (20).

10.3 Employment Agreement dated as of March 6, 2000 between David L. Grimes and Sykes Enterprises, Incorporated (20).

10.4 Employment Agreement dated as of March 6, 2000 between Scott J. Bendert and Sykes Enterprises, Incorporated (20).

10.5 Employment Agreement dated as of March 6, 2000 between W. Michael Kipphut and Sykes Enterprises, Incorporated (20).

10.6 Employment Agreement dated as of March 6, 2000 between Dale W. Saville and Sykes Enterprises, Incorporated (20).

10.7 Employment Agreement dated as of March 6, 2000 between Gerry L. Rogers and Sykes Enterprises, Incorporated (20).

10.8 Employment Agreement dated as of March 6, 2000 between James E. Lamar and Sykes Enterprises, Incorporated (20).

10.9 Employment Agreement dated as of March 6, 2000 between Charles E. Sykes and Sykes Enterprises, Incorporated (20).

10.10	Stock Option Agreement between Sykes Enterprises, Incorporated and David E. Garner dated as of December 31, 1995. (1)
10.11	1996 Employee Stock Option Plan. (1)
10.12	1996 Non-Employee Director Stock Option Plan. (1)
10.13	1996 Non-Employee Directors' Fee Plan. (1)
10.14	Form of Split Dollar Plan Documents. (1)
10.15	Form of Split Dollar Agreement. (1)
10.16	Form of Indemnity Agreement between directors and executive officers and Sykes Enterprises, Incorporated. (1)
10.17	Aircraft Lease Agreement between JHS Leasing of Tampa, Inc. as lessor and Sykes Enterprises, Incorporated as lessee, dated December 1, 1995. (1)
10.18	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)
10.19	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. (1)
10.20	Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996. (1)
10.21	1997 Management Stock Incentive Plan. (15)
10.22	1999 Employees' Stock Purchase Plan. (19)
10.23	2000 Stock Option Plan (20).
13.1	1999 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
23.2	Consent of PricewaterhouseCoopers LLP
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
27.1	Financial Data Schedule as of and for the year ended December 31, 1999, as restated (for SEC use only)(filed herewith).
27.2	Financial Data Schedule as of and for the year ended December 31, 1998, as restated (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.

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

(20) Filed as an Exhibit to the Registrant's Form 10-K dated December 31, 1999, and incorporated herein by reference.

Exhibit Number - 21.1

Sykes Enterprises, Incorporated
List of Subsidiaries

Sykes Enterprises Incorporated of Canada	Canada
Sykes Enterprises Incorporated Holdings B.V.	The Netherlands
Sykes Enterprises Incorporated, B.V.	The Netherlands
Sykes Realty, 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 fur Telekommunikations-Mehrwertdieste mbH ("Telcare")	Germany
TAS Telemarketing Gesellschaft fur 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	The Netherlands
McQueen France SA	France
McQueen Inc.	Delaware
McQueen Skandinavian AB	Sweden
Oracle Service Networks Corporation	Canada
NAL Path Inc.	Canada
248 Pall Mall Inc.	Canada
Clinidata Corporate	Canada
CompuHelpLine, Inc.	Florida
Sykes Costa Rica, Inc.	Costa Rica
Ascende Information Services, S.A.	Costa Rica

Exhibit Number - 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-23681) pertaining to the Sykes Enterprises, Incorporated, Non-Qualified Incentive Stock Option Plan and in the Registration Statement (Form S-8 No. 333-88359) pertaining to the Sykes Enterprises, Incorporated 1999 Employee Stock Purchase Plan of our report dated February 7, 2000 (except for Note 1, as to which the date is October 30, 2000), with respect to the consolidated financial statements and schedule of Sykes Enterprises, Incorporated, as restated, included in this Annual Report (Form 10-K/A) for the year ended December 31, 1999.

Our audits 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 audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein for the years ended December 31, 1998 and 1999.

Ernst & Young LLP

Tampa, Florida
November 17, 2000

Exhibit Number - 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-23681 and No. 333-88359) of Sykes Enterprises, Incorporated of our report dated March 6, 1998 relating to the consolidated financial statements for the year ended December 31, 1997 which appears in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated March 6, 1998 related to the financial statement schedule for the year ended December 31, 1997, which appears below.

Our audit included the financial statement schedule for the year ended December 31, 1997 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 for the year ended December 31, 1997.

PricewaterhouseCoopers LLP

Tampa, Florida
March 27, 2000

ARTICLE 5

This schedule contains summary financial information extracted from Form 10-K/A for the year ended December 31, 1999, and is qualified in its entirety by reference to such financial statements.

RESTATED:

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	DEC 31 1999
CASH	31,001,354
SECURITIES	0
RECEIVABLES	128,917,491
ALLOWANCES	2,440,544
INVENTORY	0
CURRENT ASSETS	187,839,131
PP&E	238,189,810
DEPRECIATION	103,433,932
TOTAL ASSETS	419,395,841
CURRENT LIABILITIES	94,764,085
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	427,343
OTHER SE	194,959,421
TOTAL LIABILITY AND EQUITY	419,395,841
SALES	572,741,697
TOTAL REVENUES	572,741,697
CGS	0
TOTAL COSTS	369,849,565
OTHER EXPENSES	163,621,773
LOSS PROVISION	151,803
INTEREST EXPENSE	3,669,327
INCOME PRETAX	35,752,835
INCOME TAX	13,850,424
INCOME CONTINUING	21,902,411
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	21,902,411
EPS BASIC	0.52
EPS DILUTED	0.51

ARTICLE 5

This schedule contains summary financial information extracted from Form 10-K/A for the year ended December 31, 1998, and is qualified in its entirety by reference to such financial statements.

RESTATED:

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	36,348,863
SECURITIES	0
RECEIVABLES	112,276,851
ALLOWANCES	796,171
INVENTORY	0
CURRENT ASSETS	176,569,109
PP&E	171,490,346
DEPRECIATION	72,313,834
TOTAL ASSETS	361,797,753
CURRENT LIABILITIES	91,937,273
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	414,519
OTHER SE	158,686,803
TOTAL LIABILITY AND EQUITY	361,797,753
SALES	460,102,326
TOTAL REVENUES	460,102,326
CGS	0
TOTAL COSTS	289,801,769
OTHER EXPENSES	137,628,399
LOSS PROVISION	11,311,201
INTEREST EXPENSE	959,152
INCOME PRETAX	20,401,805
INCOME TAX	17,959,966
INCOME CONTINUING	2,441,839
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,441,839
EPS BASIC	0.06
EPS DILUTED	0.06

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