SYKES ENTERPRISES INC
Form 10-K
March 10, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ **Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**
For the fiscal year ended December 31, 2008

Or

o **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	**56-1383460**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
400 N. Ashley Drive, Tampa, Florida	**33602**
(Address of principal executive offices)	(Zip Code)

(813) 274-1000

(Registrant s telephone number, including area code)

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

Title of Each Class	Name of each exchange on which registered
Common Stock $.01 Par Value	**NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes o No þ

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 þ No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the closing sales price of such shares on the NASDAQ Global Select Market on June 30, 2008, the last business day of the Registrant s most recently completed second fiscal quarter, was $637,736,227.

As of February 20, 2009, there were 41,260,264 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Proxy Statement for the year 2009 Annual Meeting of Shareholders	Part III Items 10 14

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PART I

Item 1. Business

General

Sykes Enterprises, Incorporated and consolidated subsidiaries (SYKES, our, us or we) is a global leader in providing outsourced customer contact management solutions and services in the business process outsourcing (BPO) arena. We provide an array of sophisticated customer contact management solutions to a wide range of clients including Fortune 1000 companies, medium sized businesses, and public institutions around the world, primarily in the communications, technology/consumer, financial services, healthcare, and transportation and leisure industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America and Asia Pacific) and EMEA (Europe, Middle East and Africa). Our Americas and EMEA groups primarily provide customer contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to our client s customers. These services are delivered through multiple communications channels including phone, e-mail, Web and chat. We also provide various enterprise support services in the United States that include services for our client s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services including multilingual sales order processing via the Internet and phone, inventory control, product delivery and product returns handling. (See Note 24 to the accompanying Consolidated Financial Statements for information on our segments.) Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer contact management centers throughout the United States, Canada, Europe, Latin America, Asia and Africa. SYKES delivers cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring about high levels of performance and profitability.

SYKES was founded in 1977 in North Carolina and moved its headquarters to Florida in 1993. In March 1996, we changed our state of incorporation from North Carolina to Florida. Our headquarters are located at 400 North Ashley Drive, 28th Floor, Tampa, Florida 33602, and our telephone number is (813) 274-1000.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as well as our proxy statements and other materials which are filed with or furnished to the Securities and Exchange Commission (SEC) are made available, free of charge, on or through our Internet website at www.sykes.com/investors.asp under the heading Financial Reports SEC Filings, as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Industry Overview

We believe that growth for outsourced customer contact management solutions and services will be fueled by the trend of global Fortune 1000 companies and medium sized businesses turning to outsourcers to provide high quality, cost-effective, value added customer contact management solutions. Businesses continue to move toward integrated solutions that consist of a combination of support from our onshore markets in the United States, Canada and Europe and offshore markets in the Asia Pacific Rim and Latin America.

In today s ever-changing marketplace, companies require innovative customer contact management solutions that allow them to enhance the end user s experience with their products and services, strengthen and enhance their company brands, maximize the lifetime value of their customers, efficiently and effectively deliver human interaction when customers value it most, and deploy best in-class customer management strategies, processes and technologies.

Global competition, pricing pressures, softness in the global economy and rapid changes in technology continue to make it difficult for companies to cost effectively maintain the in-house personnel necessary to handle all their customer contact management needs. As a result, companies are increasingly turning to outsourcers to perform specialized functions and services in the customer contact management arena. By working in partnership with outsourcers, companies can ensure that the crucial task of retaining and growing their customer base is addressed.

Companies outsource customer contact management solutions for various reasons, including the need to focus on core competencies, to drive service excellence and execution, to achieve cost savings, to scale and grow geographies and niche markets, and to efficiently allocate capital within their organizations.

To address these needs, SYKES offers global customer contact management solutions that focus on proactively identifying and solving our clients business challenges. We provide consistent high-value support for our clients customers across the globe in a multitude of languages, leveraging our dynamic, secure communications infrastructure and our global footprint that reaches across 20 countries. This global footprint includes established operations in both onshore and offshore geographic markets where companies have access to high quality customer contact management solutions at lower costs compared to other markets.

Business Strategy

Our goal is to proactively provide enhanced and value added customer contact management solutions and services, acting as a partner in our client s business. We anticipate trends and deliver new ways of growing our clients customer satisfaction and retention rates, thus profit, through timely, insightful and proven solutions.

Our business strategy encompasses building long-term client relationships, capitalizing on our expert worldwide response team, leveraging our depth of relevant experience and expanding both organically and through acquisitions. The principles of this strategy include the following:

Build Long-term Client Relationships Through Operational Excellence. We believe that providing high-value, high-quality service is critical in our clients decisions to outsource and in building long-term relationships with our clients. To ensure service excellence and consistency across each of our centers globally, we leverage a portfolio of techniques including SYKES Standard of Excellence (SSE). This standard is a compilation of more than 30 years of experience and best practices. Every customer contact management center strives to meet or exceed the standard, which addresses leadership, hiring and training, performance management down to the agent level, forecasting and scheduling, and the client relationship including continuous improvement, disaster recovery plans and feedback.

Capitalize on our Worldwide Response Team. Companies are demanding a customer contact management solution that is global in nature one of our key strengths. In addition to our network of customer contact management centers throughout North America and Europe, we continue to develop our global delivery model with operations in the Philippines, The Peoples Republic of China, Costa Rica, El Salvador, Argentina and Brazil, offering our clients a secure, high quality solution tailored to the needs of their diverse and global markets.

Maintain a Competitive Advantage Through Technology Solutions. For more than 30 years, SYKES has been an innovative pioneer in delivering customer contact management solutions. We seek to maintain a competitive advantage and differentiation by utilizing technology to consistently deliver innovative service solutions, ultimately enhancing the client s relationship with its customers and generating revenue growth. This includes knowledge solutions for agents and end customers, automatic call distributors, intelligent call routing and workforce management capabilities based on agent skill and availability, call tracking software, quality management systems and computer-telephony integration (CTI). CTI enables our customer contact management centers to serve as transparent extensions for our clients, receive telephone calls and data directly from our clients systems, and report detailed information concerning the status and results of our services on a daily basis.

Through strategic technology relationships, we are able to provide fully integrated communication services encompassing e-mail, chat and Web self-service platforms. In addition, the European deployment of Global Direct, our customer relationship management (CRM)/ e-commerce application utilized within the fulfillment operations, establishes a platform whereby our clients can manage all customer profile and contact information from every communication channel, making it a viable customer-facing infrastructure solution to support their CRM initiatives.

We are also continuing to capitalize on sophisticated technological capabilities, including our current digital private network that provides us the ability to manage call volumes more efficiently by load balancing calls and data between customer contact management centers over the same network. Our converged voice and data digital communications network provides a high-quality, fault tolerant global network for the transport of Voice Over Internet Protocol communications and fully integrates with emergent Internet Protocol telephony systems as well as traditional Time Domain Multiplexing telephony systems. Our flexible, secure and scalable network infrastructure allows us to rapidly respond to changes in client voice and data traffic and quickly establish support operations for new and existing clients.

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Continue to Grow Our Business Organically and through Acquisitions. We have grown our customer contact management outsourcing operations utilizing a strategy of both internal organic growth and external acquisitions. This strategy has resulted in an increase from three U.S. customer contact management centers in 1994 to 47 customer contact management centers worldwide as of the end of 2008. Given the fragmented nature of the customer contact management industry, there may be other companies that could bring us certain complementary competencies. Acquisition candidates that can, among other competencies, expand our service offerings, broaden our geographic footprint, allow us access to new technology and are synergistic in nature will be given consideration. We have and will continue to explore these options upon identification of strategic opportunities.

Growth Strategy

Applying the key principles of our business strategy, we execute our growth strategy by focusing on increasing capacity utilization rates and adding seat capacity, broadening our global delivery footprint, increasing share of seats within existing and new clients, diversifying verticals and expanding service lines, advancing horizontal service offerings and add-on enhancements and continuing to focus on expanding markets.

Increasing Capacity Utilization Rates and Adding Seat Capacity. The key driver of our revenues is increasing capacity utilization rate in conjunction with seat capacity additions. We exited 2008 with a capacity utilization rate of approximately 80% even as we increased our capacity by approximately 3,200 seats. We plan to sustain our focus on increasing the capacity utilization rate further while adding seat capacity as deemed necessary.

Broadening Global Delivery Footprint. Just as increased capacity utilization rates and increased seat capacity are key drivers of our revenues, where we deploy the seat capacity geographically is also important. By broadening and continuously strengthening our global delivery footprint, we are able to meet both our existing and new clients customer contact management needs globally as they enter new markets.

Increasing Share of Seats within Existing Clients and Penetrating New Clients. We provide customer contact management support to over 100 multinational companies. With this client list, we have the opportunity to grow our share of SYKES client base. We strive to achieve this by winning a greater share of our clients in-house seats as well as gain share from our competitors by providing consistently high quality of service. In addition as we further leverage our knowledge of verticals and business lines, we plan to penetrate new clients as a way to broaden our base of growth.

Diversifying Verticals and Expanding Service Lines. To mitigate the impact of economic and product cycles on our growth rate, we continue to seek ways to diversify into verticals and service lines that have countercyclical features and healthy growth rates. We are targeting the following verticals for growth: communications, financial services, technology, healthcare and travel and transportation. These verticals cover various business lines, including wireless services, broadband, retail banking, credit card/consumer fraud protection, content moderation, telemedicine and travel portals.

Advancing Horizontal Service Offerings and Add-On Enhancements. To improve both revenue and margin expansion, we will continue to introduce new service offerings and add-on enhancements. Bi-lingual customer support offering and back office services are examples of horizontal service offerings, while data analytics and process improvement products are examples of add-on enhancements.

Continuing to Focus on Expanding Markets. As part of our growth strategy, we continually seek to expand the number of markets we serve. The United States, Canada and Germany, for instance, are markets, which are served by either in-country or from offshore regions, or a combination thereof. We currently serve 17 markets and thus continually seek ways to broaden the addressable market for SYKES customer contact management services.

Services

We specialize in providing inbound outsourced customer contact management solutions in the BPO arena on a global basis. Our customer contact management services are provided through two operating segments the Americas and EMEA. The Americas region, representing 67.4% of consolidated revenues in 2008, includes the United States, Canada, Latin America and Asia Pacific. The sites within Latin America and Asia Pacific are included in the Americas region as they provide a significant service delivery vehicle for U.S. based companies that are utilizing our customer contact management solutions in these locations to support their customer care needs. The EMEA region, representing 32.6% of consolidated revenues in 2008, includes Europe, the Middle East and Africa.

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For further information about segments, see Note 24, Segments and Geographic Information, to our Consolidated Financial Statements. The following is a description of our customer contact management solutions:

Outsourced Customer Contact Management Services. Our outsourced customer contact management services represented approximately 96% of total 2008 consolidated revenues. Each year we handle over 250 million customer contacts including phone, e-mail, Web and chat throughout the Americas and EMEA regions. We provide these services utilizing our advanced technology infrastructure, human resource management skills and industry experience. These services include:

Customer care Customer care contacts primarily include product information requests, describing product features, activating customer accounts, resolving complaints, handling billing inquiries, changing addresses, claims handling, ordering/reservations, prequalification and warranty management, providing health information and roadside assistance;

Technical support Technical support contacts primarily include handling inquiries regarding hardware, software, communications services, communications equipment, Internet access technology and Internet portal usage; and

Acquisition Our acquisition services are primarily focused on inbound up-selling of our client s products and services.

We provide these services, primarily inbound customer calls, through our extensive global network of customer contact management centers in a multitude of languages. Our technology infrastructure and managed service solutions allow for effective distribution of calls to one or more centers. These technology offerings provide our clients and us with the leading edge tools needed to maximize quality and customer satisfaction while controlling and minimizing costs.

Fulfillment Services. In Europe, we offer fulfillment services that are integrated with our customer care and technical support services. Our fulfillment solutions include multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling.

Enterprise Support Services. In the United States, we provide a range of enterprise support services including technical staffing services and outsourced corporate help desk solutions.

Operations

Customer Contact Management Centers. We operate across 20 countries and 47 customer contact management centers, which breakdown as follows: 18 centers across Europe and South Africa, 11 centers in the United States, one center in Canada and 17 centers offshore, including The Peoples Republic of China, the Philippines, Costa Rica, El Salvador, Argentina and Brazil.

In an effort to stay ahead of industry off-shoring trends, we opened our first customer contact management centers in the Philippines and Costa Rica over ten years ago. Over the past ten years, through 2008, we have expanded beyond centers in the Philippines and Costa Rica, and into centers in The People s Republic of China, El Salvador, Argentina and Brazil.

We utilize a sophisticated workforce management system to provide efficient scheduling of personnel. Our internally developed digital private communications network complements our workforce by allowing for effective call volume management and disaster recovery backup. Through this network and our dynamic intelligent call routing capabilities, we can rapidly respond to changes in client call volumes and move call volume traffic based on agent availability and skill throughout our network of centers, improving the responsiveness and productivity of our agents. We also can offer cost competitive solutions for taking calls to our offshore locations.

Our sophisticated data warehouse captures and downloads customer contact information for reporting on a daily, real time and historical basis. This data provides our clients with direct visibility into the services that we are providing for them. The data warehouse supplies information for our performance management systems such as our agent scorecarding application, which provides management with the information required for effective management of our operations.

Our customer contact management centers are protected by a fire extinguishing system, backup generators with

significant capacity and 24 hour refueling contracts and short-term battery backups in the event of a power outage, reduced voltage or a power surge. Rerouting of call volumes to other customer contact management centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are imposed to prevent unauthorized physical access. Software and related data files are backed up daily and stored off site at multiple locations. We carry business interruption insurance covering interruptions that might occur as a result of certain types of damage to our business.

Fulfillment Centers. We currently have three fulfillment centers located in Europe. We provide our fulfillment services primarily to certain clients operating in Europe who desire this complementary service in connection with outsourced customer contact management services.

Enterprise Support Services Offices. Our two enterprise support services offices are located in metropolitan areas in the United States to provide a recruiting platform for high-end knowledge workers and to establish a local presence to service major accounts.

Quality Assurance

We believe that providing consistent high quality service is critical in our clients decisions to outsource and in building long-term relationships with our clients. It is also our belief and commitment that quality is the responsibility of each individual at every level of the organization. To ensure service excellence and continuity across our organization, we have developed an integrated Quality Assurance program consisting of three major components:

- The certification of client accounts and customer contact management centers to the SSE and Site of Excellence programs;

- The application of continuous improvement through application of our Data Analytics and Six Sigma techniques; and

- The application of process audits to all work procedures.

The SSE program is a quality certification standard that was developed based on our more than 30 years of experience, and best practices from industry standards such as the Malcolm Baldridge National Quality Award and COPC. It specifies the requirements that must be met in each of our customer contact management centers including measured performance against our standard operating procedures. It has a well-defined auditing process that ensures compliance with the SSE standards. Our focus is on quality, predictability and consistency over time, not just point in time certification.

The application of continuous improvement is established by SSE and is based upon the five-step Six Sigma cycle, which we have tuned to apply specifically to our service industry. All managers are responsible for continuous improvement in their operations.

Process audits are used to verify that processes and procedures are consistently executed as required by established documentation. Process audits are applicable to services being provided for the client and internal procedures.

Sales and Marketing

Our sales and marketing objective is to leverage our expertise and global presence to develop long-term relationships with existing and future clients. Our customer contact management solutions have been developed to help our clients acquire, retain and increase the value of their customer relationships. Our plans for increasing our visibility include market focused advertising, consultative personal visits, participation in market specific trade shows and seminars, speaking engagements, articles and white papers, and our website.

Our sales force is composed of business development managers who pursue new business opportunities and strategic account managers who manage and grow relationships with existing accounts. We emphasize account development to strengthen relationships with existing clients. Business development management and strategic account managers are assigned to markets in their area of expertise in order to develop a complete understanding of each client s particular needs, to form strong client relationships and encourage cross-selling of our other service offerings. We have inside customer sales representatives who receive customer inquiries and who provide outbound lead generation for the business development managers. We also have relationships with channel partners including

systems integrators, software and hardware vendors and value-added resellers, where we pair our solutions and services with their product offering or focus. We plan to maintain and expand these relationships as part of our sales and marketing strategy.

As part of our marketing efforts, we invite existing and potential clients to visit our customer contact management centers, where we can demonstrate the expertise of our skilled staff in partnering to deliver new ways of growing clients customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions. During these visits, we demonstrate our ability to quickly and effectively support a new client or scale business from an existing client by emphasizing our systematic approach to implementing customer contact solutions throughout the world.

Clients

In 2008, we provided service to hundreds of clients from our locations in the United States, Canada, Latin America, Europe, the Philippines, The Peoples Republic of China, India and South Africa. These clients are Fortune 1000 corporations, medium sized businesses and public institutions, which span the communications, technology/consumer, financial services, healthcare, and transportation and leisure industries. Revenue by vertical market for 2008, as a percentage of our consolidated revenues, was 34% for technology/consumer, 29% for communications, 15% for financial services, 9% for transportation and leisure, 6% for healthcare, and 7% for all other vertical markets, including government-related and utilities. We believe our globally recognized client base presents opportunities for further cross marketing of our services.

Although no client represented 10% or more of 2008 consolidated revenues, our top ten clients accounted for approximately 40% of our consolidated revenues in 2008, an increase from 38% in 2007. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty.

Competition

The industry in which we operate is global, therefore highly fragmented and extremely competitive. While many companies provide customer contact management solutions and services, we believe no one company is dominant in the industry.

In most cases, our principal competition stems from our existing and potential clients in-house customer contact management operations. When it is not the in-house operations of a client, our public and private direct competition includes TeleTech, Sitel, APAC Customer Services, ICT Group, Convergys, West Corporation, Stream, Aegis BPO, Sutherland, 24/7 Customer, vCustomer, Startek, Atento, Teleperformance, and NCO Group as well as the customer care arm of such companies as Accenture, Wipro, Infosys EDS and IBM. There are other numerous and varied providers of such services, including firms specializing in various CRM consulting, other customer management solutions providers niche or large market companies, as well as product distribution companies that provide fulfillment services. Some of these companies possess substantially greater resources, greater name recognition and a more established customer base than SYKES.

We believe that the most significant competitive factors in the sale of outsourced customer contact management services include service quality, tailored value added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength. As a result of intense competition, outsourced customer contact management solutions and services frequently are subject to pricing pressure. Clients also require outsourcers to be able to provide services in multiple locations. Competition for contracts for many of our services takes the form of competitive bidding in response to requests for proposals.

Intellectual Property

We own and/or have applied to register numerous trademarks and service marks in the United States and/or in many additional countries throughout the world. Our registered trademarks and service marks include SYKES®, REAL PEOPLE. REAL SOLUTIONS®, SCIENCE OF SERVICE®, CLEARCALL®, I AM SYKES. HOW FAR WILL YOU LET ME TAKE YOU?®, and APEX A SYKES COMPANY®. The duration of trademark registrations

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varies from country to country, but may generally be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

Employees

As of January 31, 2009, we had approximately 32,940 employees worldwide, including 30,320 customer contact agents handling technical and customer support inquiries at our centers, 2,350 in management, administration, information technology, finance, sales and marketing roles, 120 in enterprise support services, and 150 in fulfillment services. Our employees with the exception of approximately 1,040 in Argentina and those from various European countries are not union members. Due to laws in their respective countries, Argentina, Brazil and Spain require that wages are collectively bargained for certain non-management employees. The negotiations are conducted at the local, federal or national level, irrespective of the individual employee s relationship to the union. In the three countries approximately 5,520 employees are governed by laws whereby their wages are determined by collective bargaining; 4,340 in Argentina, 1,130 in Spain and 50 in Brazil. We consider our relations with our employees worldwide to be satisfactory and strengthened by open communications and mutual respect. Furthermore, we have never suffered a material interruption of business as a result of a labor dispute.

We employ personnel through a continually updated recruiting network. This network includes a seasoned team of recruiters, competency-based selection standards and the sharing of global best practices in order to advertise and source qualified candidates through proven recruiting techniques. Nonetheless, demand for qualified professionals with the required language and technical skills may still exceed supply at times as new skills are needed to keep pace with the requirements of customer engagements. As such, competition for such personnel is intense and employee turnover in our industry is high.

Executive Officers

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

Name	Age	Principal Position
Charles E. Sykes	46	President and Chief Executive Officer
W. Michael Kipphut	55	Senior Vice President and Chief Financial Officer
James C. Hobby	58	Senior Vice President, Global Operations
Jenna R. Nelson	45	Senior Vice President, Human Resources
Daniel L. Hernandez	42	Senior Vice President, Global Strategy
David L. Pearson	50	Senior Vice President and Chief Information Officer
Lawrence R. Zingale	53	Senior Vice President, Global Sales and Client Management
James T. Holder	50	Senior Vice President, General Counsel and Corporate Secretary
William N. Rocktoff	46	Vice President and Corporate Controller

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Charles E. Sykes joined SYKES in 1986 and was named President and Chief Executive Officer in August 2004. From July 2003 to August 2004, Mr. Sykes was the Chief Operating Officer. From March 2000 to June 2001, Mr. Sykes was Senior Vice President, Marketing, and in June 2001, he was appointed to the position of General Manager, Senior Vice President the Americas. From December 1996 to March 2000, he served as Vice President, Sales, and held the position of Regional Manager of the Midwest Region for Professional Services from 1992 until 1996.

W. Michael Kipphut, C.P.A., joined SYKES in March 2000 as Vice President and Chief Financial Officer and was named Senior Vice President and Chief Financial officer in June 2001. From September 1998 to February 2000, Mr. Kipphut held the position of Vice President and 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. Previously, Mr. Kipphut held various financial positions, including Vice President and Treasurer, in his 17 years at Tyler Corporation, a publicly-held, diversified holding company.

James C. Hobby joined SYKES in August 2003 as Senior Vice President, the Americas, overseeing the daily operations, administration and development of SYKES customer care and enterprise support operations throughout North America, Latin America, the Asia Pacific Rim and India, and was named Senior Vice President, Global Operations, in January 2005. Prior to joining SYKES, Mr. Hobby held several positions at Gateway, Inc., most recently serving as President of Consumer Customer Care since August 1999. From January 1999 to August 1999, Mr. Hobby served as Vice President of European Customer Care for Gateway, Inc. From January 1996 to January 1999, Mr. Hobby served as the Vice President of European Customer Service Centers at American Express. Prior to January 1996, Mr. Hobby held various senior management positions in customer care at FedEx Corporation since 1983, mostly recently serving as Managing Director, European Customer Service Operations.

Jenna R. Nelson joined SYKES in August 1993 and was named Senior Vice President, Human Resources, in July 2001. From January 2001 until July 2001, Ms. Nelson held the position of Vice President, Human Resources. In August 1998, Ms. Nelson was appointed Vice President, Human Resources, and held the position of Director, Human Resources and Administration, from August 1996 to July 1998. From August 1993 until July 1996, Ms. Nelson served in various management positions within SYKES, including Director of Administration.

Daniel L. Hernandez joined SYKES in October 2003 as Senior Vice President, Global Strategy overseeing marketing, public relations, operational strategy and corporate development efforts worldwide. Prior to joining SYKES, Mr. Hernandez served as President and CEO of SBC Internet Services, a division of SBC Communications Inc., since March 2000. From February 1998 to March 2000, Mr. Hernandez held the position of Vice President/General Manager, Internet and System Operations, at Ameritech Interactive Media Services. Prior to February 1998, Mr. Hernandez held various management positions at US West Communications since joining the telecommunications provider in 1990.

David L. Pearson joined SYKES in February 1997 as Vice President, Engineering, and was named Vice President, Technology Systems Management, in 2000 and Senior Vice President and Chief Information Officer in August 2004. Prior to SYKES, Mr. Pearson held various engineering and technical management roles over a fifteen year period, including eight years at Compaq Computer Corporation and five years at Texas Instruments.

Lawrence R. Zingale joined SYKES in January 2006 as Senior Vice President, Global Sales and Client Management. Prior to joining SYKES, Mr. Zingale served as Executive Vice President and Chief Operating Officer of Startek, Inc. since 2002. From December 1999 until November 2001, Mr. Zingale served as President of the Americas at Stonehenge Telecom, Inc. From May 1997 until November 1999, Mr. Zingale served as President and COO of International Community Marketing. From February 1980 until May 1997, Mr. Zingale held various senior level positions at AT&T.

James T. Holder, J.D., C.P.A joined SYKES in December 2000 as General Counsel and was named Corporate Secretary in January 2001, Vice President in January 2004 and Senior Vice President in December 2006. From November 1999 until November 2000, Mr. Holder served in a consulting capacity as Special Counsel to Checkers Drive-In Restaurants, Inc., a publicly held restaurant operator and franchisor. From November 1993 until November 1999, Mr. Holder served in various capacities at Checkers including Corporate Secretary, Chief Financial

Officer and Senior Vice President and General Counsel.

William N. Rocktoff, C.P.A., joined SYKES in August 1997 as Corporate Controller and was named Treasurer and Corporate Controller in December 1999 and Vice President and Corporate Controller in March 2002. From November 1989 to August 1997, Mr. Rocktoff held various financial positions, including Corporate Controller, at Kimmins Corporation, a publicly-held contracting company.

Item 1A. Risk Factors

Factors Influencing Future Results and Accuracy of Forward Looking Statements

This report contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about us, our beliefs, and assumptions made by us. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as may, expects, projects, anticipates, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our 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. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update 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 our terms and elements of services offered under our standardized contract for future bundled service offerings; our ability to continue the growth of our service revenues through additional customer contact management centers; our ability to further penetrate into vertically integrated markets; our ability to expand revenues within the global markets; our ability to continue to establish a competitive advantage through sophisticated technological capabilities, and the following risk factors:

Unfavorable General Economic Conditions Could Negatively Impact our Operating Results and Financial Condition

Unfavorable general economic conditions, including the economic downturn in the United States and the recent financial crisis affecting the banking system and financial markets, could negatively affect our business. While it is often difficult to predict the impact of general economic conditions on our business, these conditions could adversely affect the demand for some of our client s products and services and, in turn, could cause a decline in the demand for our services. Also, our clients may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase. In addition, due to recent turmoil in the credit markets and the continued decline in the economy, we may not be able to renew our revolving credit facility (the Credit Facility) at terms that are as favorable as those terms available under our current Credit Facility. Also, the group of lenders under our Credit Facility may not be able to fulfill their funding obligations, which could adversely impact our liquidity. For these reasons, among others, if the current economic conditions persist or decline, this could adversely affect our revenue, operating results and financial condition, as well as our ability to access debt under comparable terms and conditions.

Dependence on Key Clients

We derive a substantial portion of our revenues from a few key clients. Although no client represented 10% or more of 2008 consolidated revenues, our top ten clients accounted for approximately 40% of our consolidated revenues in 2008. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our business, financial condition and results of operations. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short-term notice. Also, clients may unilaterally reduce their use of our services under these contracts without penalty. Thus, our contracts with our clients do not ensure that we will generate a minimum level of revenues.

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Risks Associated With International Operations and Expansion

We intend to continue to pursue growth opportunities in markets outside the United States. At December 31, 2008, our international operations in EMEA and the Asia Pacific Rim were conducted from 26 customer contact management centers located in Sweden, the Netherlands, Finland, Germany, South Africa, Scotland, Ireland, Italy, Denmark, Hungary, Slovakia, Spain, The Peoples Republic of China and the Philippines. Revenues from these international operations for the years ended December 31, 2008, 2007, and 2006, were 57%, 56%, and 52% of consolidated revenues, respectively. We also conduct business from nine customer contact management centers located in Argentina, Canada, Costa Rica, El Salvador and Brazil. 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 international operations, political uncertainties, longer payment cycles, foreign exchange restrictions that could limit the repatriation of earnings, possible greater difficulties in accounts receivable collection, economic instability as well as political and country-specific risks. Additionally, we have been granted tax holidays in the Philippines, El Salvador, India and Costa Rica, which expire at varying dates from 2009 through 2018. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will renew them. This could potentially result in adverse tax consequences. In 2006, Costa Rican tax holiday benefits were extended through the year 2018. Any one or more of these factors could have an adverse effect on our international operations and, consequently, on our business, financial condition and results of operations.

As of December 31, 2008, we had cash balances of approximately $199.1 million held in international operations, which may be subject to additional taxes if repatriated to the United States.

We conduct business in various foreign currencies and are therefore exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. We are also subject to certain exposures arising from the translation and consolidation of the financial results of our foreign subsidiaries. We have, from time to time, taken limited actions, such as using foreign currency forward contracts, to attempt to mitigate our currency exchange exposure. However, there can be no assurance that we will take any actions to mitigate such exposure in the future, and if taken, that such actions will be successful or that future changes in currency exchange rates will not have a material adverse impact on our future operating results. A significant change in the value of the dollar against the currency of one or more countries where we operate may have a material adverse effect on our results.

Fundamental Shift Toward Global Service Delivery Markets

Clients continue to require blended delivery models using a combination of onshore and offshore support. Our offshore delivery locations include The Peoples Republic of China, the Philippines, Costa Rica, El Salvador, Argentina and Brazil, and while we have operated in global delivery markets since 1996, there can be no assurance that we will be able to successfully conduct and expand such operations, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations. The success of our offshore operations will be subject to numerous contingencies, some of which are beyond our control, including general and regional economic conditions, prices for our services, competition, changes in regulation and other risks. In addition, as with all of our operations outside of the United States, we are subject to various additional political, economic, and market uncertainties (see Risks Associated with International Operations and Expansion.). Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of offshore customer contact management solutions and services could effectively have a material adverse effect on our business, financial condition and results of operations.

Improper Disclosure or Control of Personal Information Could Result in Liability and Harm our Reputation

Our business involves the use, storage and transmission of information about our employees, our clients and customers of our clients. While we take measures to protect the security and privacy of this information and to prevent unauthorized access, it is possible that our security controls over personal data and other practices we follow may not prevent the improper access to or disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace.

Existence of Substantial Competition

The markets for many of our services operate on a commoditized basis and are highly competitive and subject to rapid change. While many companies provide outsourced customer contact management services, we believe no one company is dominant in the industry. There are numerous and varied providers of our services, including firms specializing in call center operations, temporary staffing and personnel placement, consulting and integration firms, and niche providers of outsourced customer contact management services, many of whom compete in only certain markets. Our competitors include both companies who possess greater resources and name recognition than we do, as well as small niche providers that have few assets and regionalized (local) name recognition instead of global name recognition. In addition to our competitors, many companies who might utilize our services or the services of one of our competitors may utilize in-house personnel to perform such services. Increased competition, our failure to compete successfully, pricing pressures, loss of market share and loss of clients could have a material adverse effect on our business, financial condition and results of operations.

Many of our large clients purchase outsourced customer contact management services from multiple preferred vendors. We have experienced and continue to anticipate significant pricing pressure from these clients in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations. Although we believe we can effectively meet our clients demands, there can be no assurance that we will be able to compete effectively with other outsourced customer contact management services companies on price. We believe that the most significant competitive factors in the sale of our core services include the standard requirements of service quality, tailored value added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security and price.

Inability to Attract and Retain Experienced Personnel May Adversely Impact Our Business

Our business is labor intensive and places significant importance on our ability to recruit, train, and retain qualified technical and consultative professional personnel. We generally experience high turnover of our personnel and are continuously required to recruit and train replacement personnel as a result of a changing and expanding work force. Additionally, demand for qualified technical professionals conversant in multiple languages, including English, and/or certain technologies may exceed supply, as new and additional skills are required to keep pace with evolving computer technology. Our ability to locate and train employees is critical to achieving our growth objective. Our 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 our business, financial condition and results of operations.

Dependence on Senior Management

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

Dependence on Trend Toward Outsourcing

Our business and growth depend in large part on the industry trend toward outsourced customer contact management services. Outsourcing means that an entity contracts with a third party, such as us, to provide customer contact 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 our business, financial condition and results of operations. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

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Our Strategy of Growing Through Selective Acquisitions and Mergers Involves Potential Risks

We evaluate opportunities to expand the scope of our services through acquisitions and mergers. We may be unable to identify companies that complement our strategies, and even if we identify a company that complements our strategies, we may be unable to acquire or merge with the company. In addition, a decrease in the price of our common stock could hinder our growth strategy by limiting growth through acquisitions funded with SYKES stock.

Our acquisition strategy involves other potential risks. These risks include:

- The inability to obtain the capital required to finance potential acquisitions on satisfactory terms;
- The diversion of our attention to the integration of the businesses to be acquired;
- The risk that the acquired businesses will fail to maintain the quality of services that we have historically provided;
- The need to implement financial and other systems and add management resources;
- The risk that key employees of the acquired business will leave after the acquisition;
- Potential liabilities of the acquired business;
- Unforeseen difficulties in the acquired operations;
- Adverse short-term effects on our operating results;
- Lack of success in assimilating or integrating the operations of acquired businesses within our business;
- The dilutive effect of the issuance of additional equity securities;
- The impairment of goodwill and other intangible assets involved in any acquisitions;
- The businesses we acquire not proving profitable; and
- Potentially incurring additional indebtedness.

Uncertainties Relating to Future Litigation

We cannot predict whether any material suits, claims, or investigations may arise in the future. Regardless of the outcome of any future actions, claims, or investigations, we may incur substantial defense costs and such actions may cause a diversion of management time and attention. Also, it is possible that we may be required to pay substantial damages or settlement costs which could have a material adverse effect on our financial condition and results of operations.

Rapid Technological Change

Rapid technological advances, frequent new product introductions and enhancements, and changes in client requirements characterize the market for outsourced customer contact management services. Technological advancements in voice recognition software, as well as self-provisioning and self-help software, along with call avoidance technologies, have the potential to adversely impact call volume growth and, therefore, revenues. Our future success will depend in large part on our ability to service new products, platforms and rapidly changing technology. These factors will require us to provide adequately trained personnel to address the increasingly sophisticated, complex and evolving needs of our clients. In addition, our ability to capitalize on our acquisitions will depend on our ability to continually enhance software and services and adapt such software to new hardware and operating system requirements. Any failure by us to anticipate or respond rapidly to technological advances, new products and enhancements, or changes in client requirements could have a material adverse effect on our business, financial condition and results of operations.

Reliance on Technology and Computer Systems

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

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Risk of Emergency Interruption of Customer Contact Management Center Operations

Our operations are dependent upon our ability to protect our customer contact management centers and our information databases against damage that may be caused by fire, earthquakes, inclement weather 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 our business, financial condition and results of operations. Notwithstanding precautions taken to protect us and our clients from events that could interrupt delivery of 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 our ability to provide services to our clients. Such an event could have a material adverse effect on our business, financial condition and results of operations.

Control By Principal Shareholder and Anti-Takeover Considerations

As of February 20, 2009, John H. Sykes, our founder and former Chairman of the Board and Chief Executive Officer, beneficially owned approximately 13.8% of our outstanding common stock. As a result, Mr. Sykes will have substantial influence in the election of our directors and in determining the outcome of other matters requiring shareholder approval.

Our 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 our Articles of Incorporation and Bylaws, including the ability of the Board of Directors 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 control. This may adversely affect the market price of our 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 our common stock has been and may continue to be subject to wide fluctuations over short and long periods of time. We believe that market prices of outsourced customer contact management services stocks in general have experienced volatility, which could affect the market price of our common stock regardless of our financial results or performance. We further believe that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the outsourced customer contact management services industry, quarterly variations in our 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 our common stock to fluctuate substantially in the future.

Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the year ended December 31, 2008 relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

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Item 2. Properties

Our principal executive offices are located in Tampa, Florida. This facility currently serves as the headquarters for senior management and the financial, information technology and administrative departments. We believe our existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any physical expansion. We operate from time to time in temporary facilities to accommodate growth before new customer contact management centers are available. During 2008, our customer contact management centers, taken as a whole, were utilized at average capacities of approximately 81% and were capable of supporting a higher level of market demand. The following table sets forth additional information concerning our facilities:

Properties	*General Usage*	*Square Feet*	*Lease Expiration*
AMERICAS LOCATIONS			
Tampa, Florida	Corporate headquarters	67,600	December 2010
Bismarck, North Dakota	Customer contact management center	42,000	Company owned
Wise, Virginia	Customer contact management center	42,000	Company owned
Milton-Freewater, Oregon	Customer contact management center	42,000	Company owned
Morganfield, Kentucky	Customer contact management center	42,000	Company owned
Perry County, Kentucky	Customer contact management center	42,000	Company owned
Minot, North Dakota	Customer contact management center	42,000	Company owned
Ponca City, Oklahoma	Customer contact management center	42,000	Company owned
Sterling, Colorado	Customer contact management center	34,000	Company owned
Buchanan County, Virginia	Customer contact management center	42,700	Company owned
Kingstree, South Carolina	Customer contact management center	35,000	February 2028
Greenwood, South Carolina	Customer contact management center	25,000	November 2010
Malvern, Arkansas	Customer contact management center	32,000	January 2019
Sumter, South Carolina	Customer contact management center	25,000	March 2012
London, Ontario, Canada	Customer contact management center/Headquarters	50,000	Company owned
Cordoba, Argentina	Headquarters	7,900	July 2013
Cordoba, Argentina	Customer contact management center	101,000	July 2010
Rosario, Argentina	Customer contact management center	20,100	September 2009
Curitiba, Brazil	Customer contact management center	25,700	July 2010
LaAurora, Heredia, Costa Rica (three)	Customer contact management centers	133,200	September 2023
Moravia, San Jose, Costa Rica	Customer contact management centers	38,500	July 2027
San Salvador, El Salvador	Customer contact management center	119,800	November 2024
Toronto, Ontario, Canada	Customer contact management center (1)	14,600	June 2012
North Bay, Ontario, Canada	Customer contact management center (1)	5,400	May 2009
Sudbury, Ontario, Canada	Customer contact management center (1)	3,900	December 2010
Moncton, New Brunswick, Canada	Customer contact management center (1)	12,700	December 2011
Bathurst, New Brunswick, Canada	Customer contact management center (1)	1,900	December 2012
Stephenville, Newfoundland, Canada	Customer contact management center (1)	2,300	November 2026
Corner Brook, Newfoundland, Canada	Customer contact management center (1)	2,900	October 2026

St. Anthony s, Newfoundland, Canada	Customer contact management center (1)	4,000	November 2026
Barrie, Ontario, Canada	Customer contact management center (1)	1,000	July 2009
Makati City, The Philippines	Customer contact management center	68,300	September 2011
		119,800	March 2023
Cebu City, The Philippines	Customer contact management center	149,200	December 2026
Paranaque City, The Philippines	Customer contact management center	92,000	November 2027
Pasig City, The Philippines	Customer contact management center	127,400	November 2023

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Properties	*General Usage*	*Square Feet*	*Lease Expiration*
AMERICAS LOCATIONS			
Quezon City, The Philippines	Customer contact management center	112,300	March 2027
Quezon City, The Philippines	Customer contact management center	84,100	May 2024
Guangzhou, The Peoples Republic of China	Customer contact management center	13,000	March 2012
Shanghai, The Peoples Republic of China	Customer contact management center	70,500	February 2011
Bangalore, India	Office	1,500	January 2014
Cary, North Carolina	Office	1,200	March 2010
Chesterfield, Missouri	Office	3,600	January 2016
Calgary, Alberta, Canada	Office	7,800	July 2012

Properties	**General Usage**	**Square Feet**	**Lease Expiration**
EMEA LOCATIONS			
Amsterdam, The Netherlands	Customer contact management center	41,800	September 2009
Budapest, Hungary	Customer contact management center	23,000	July 2023
Edinburgh, Scotland	Customer contact management center/	35,900	September 2019
	Office /Headquarters	17,800	March 2009
Turku, Finland	Customer contact management center	12,500	February 2010
Bochum, Germany	Customer contact management center	57,100	December 2010
Pasewalk, Germany	Customer contact management center	46,100	February 2010
Wilhelmshaven, Germany (two)	Customer contact management centers	60,300	November 2010
Johannesburg, South Africa	Customer contact management center	33,000	March 2025
Odense, Denmark	Customer contact management center	13,600	January 2016
Ed, Sweden	Customer contact management center	44,000	November 2009
Sveg, Sweden	Customer contact management center	35,000	June 2011
Prato, Italy	Customer contact management center	10,000	October 2013
Shannon, Ireland	Customer contact management center	66,000	March 2013
Lugo, Spain	Customer contact management center	21,400	June 2009
La Coruña, Spain	Customer contact management center	32,300	December 2023
Ponferrada, Spain	Customer contact management center	16,100	December 2028
Kosice, Slovakia	Customer contact management center	30,100	December 2024
Galashiels, Scotland	Fulfillment center	126,700	Company owned
Rosersberg, Sweden	Fulfillment center and Sales office	43,100	February 2012
Turku, Finland	Fulfillment center	26,000	February 2010
Frankfurt, Germany	Sales office	1,700	September 2010
Madrid, Spain	Office	1,605	April 2012

(1) Considered part of the Toronto, Ontario, Canada customer

contact management center.

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Item 3. Legal Proceedings

From time to time, we are involved in legal actions arising in the ordinary course of business. With respect to these matters, we believe that we have adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

We have previously disclosed regulatory sanctions assessed against our Spanish subsidiary relating to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In order to appeal these claims, we issued a bank guarantee of $0.9 million. During 2008, $0.4 million of the bank guarantee was returned to the Company. The remaining balance of the bank guarantee of $0.5 million is included as restricted cash in Deferred charges and other assets in the accompanying Consolidated Balance Sheets as of December 31, 2008 ($0.9 million as of December 31, 2007). We have been and will continue to vigorously defend these matters. However, due to further progression of several of these claims within the Spanish court system, and based upon opinion of legal counsel regarding the likely outcome of several of the matters before the courts, we have accrued the amount of $1.3 million as of December 31, 2008 and 2007 under SFAS No. 5, *Accounting for Contingencies* because we believe that a loss is probable and the amount of the loss can be reasonably estimated as to three of the subject claims. There are two other related claims, one of which is currently under appeal, and the other of which is in the early stages of investigation, but we have not accrued any amounts related to either of those claims because we do not currently believe a loss is probable, and it is not currently possible to reasonably estimate the amount of any loss related to those two claims.

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.

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PART II

Item 5. Market for the Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Securities

Our common stock is quoted on the NASDAQ Global Select Market under the symbol SYKE. The following table sets forth, for the periods indicated, certain information as to the high and low sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	High	*Low*
Year ended December 31, 2008:		
Fourth Quarter	***$22.20***	***$12.34***
Third Quarter	***22.02***	***16.88***
Second Quarter	***22.55***	***16.26***
First Quarter	***18.27***	***15.41***
Year ended December 31, 2007:		
Fourth Quarter	$20.85	$16.31
Third Quarter	19.46	14.96
Second Quarter	20.80	17.85
First Quarter	19.99	14.48

Holders of our common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. We have not declared or paid any cash dividends on our common stock in the past and do not anticipate paying any cash dividends in the foreseeable future.

As of February 20, 2009, there were 1,050 holders of record of the common stock. We estimate there were approximately 12,162 beneficial owners of our common stock.

Below is a summary of stock repurchases for the quarter ended December 31, 2008 (in thousands, except average price per share.) See Note 20, Earnings Per Share, to the Consolidated Financial Statements for information regarding our stock repurchase program.

Period	**Total Number of Shares Purchased (1)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)**	**Maximum Number Of Shares That May Yet Be Purchased Under Plans or Programs**
October 1, 2008 October 31, 2008				1,356
November 1, 2008 November 30, 2008	34	$ 14.83	34	1,322
December 1, 2008 December 31, 2008				1,322
Total	34		34	1,322

(1) All shares purchased as part of a repurchase plan publicly announced on August 5, 2002. Total number of shares approved for repurchase under the plan was 3 million with no expiration date.

Five-Year Stock Performance Graph

The following graph presents a comparison of the cumulative shareholder return on the common stock with the cumulative total return on the Nasdaq Computer and Data Processing Services Index, the Nasdaq Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and the SYKES Peer Group (as defined below). The SYKES Peer Group is comprised of publicly traded companies that derive a substantial portion of their revenues from call center, customer care business, have similar business models to SYKES, and are those most commonly compared to SYKES by industry analysts following SYKES. This graph assumes that $100 was invested on December 31, 2003 in SYKES common stock, the Nasdaq Computer and Data Processing Services Index, the Nasdaq Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and SYKES Peer Group, including reinvestment of dividends.

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Comparison of Five-Year Cumulative Total Return

Sykes Peer Group	**Ticker Symbol**
APAC Customer Service, Inc.	APAC
Convergys Corp.	CVG
ICT Group, Inc.	ICTG
Startek, Inc.	SRT
TeleTech Holdings, Inc.	TTEC

Both PeopleSupport (Ticker:PSPT) and eTelecare Global Solutions (Ticker:ETEL) were excluded from the peer group and, thus, the five-year cumulative total return share price performance. PeopleSupport was acquired by Aegis BPO and ceased to trade publicly at the end of 2008, while eTelecare Global Solutions was acquired by Ayala Corporation and Providence Equity Partners.

There can be no assurance that SYKES stock performance will continue into the future with the same or similar trends depicted in the graph above. SYKES does not make or endorse any predictions as to the future stock performance.

The information contained in the Stock Performance Graph section shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Exchange Act of 1934.

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Item 6. Selected Financial Data

Selected Financial Data

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

	Years Ended December 31,				
(In thousands, except per share data)	***2008***	*2007*	*2006*	*2005*	*2004*
Income Statement Data [(1)] **:**					
Revenues	***$819,190***	$710,120	$574,223	$494,918	$466,713
Income from operations [(2,3,4,5)]	***65,708***	51,180	45,158	26,331	12,597
Net income[(2,3,4,5)]	***60,561***	39,859	42,323	23,408	10,814
Weighted Average Shares Outstanding:					
Basic	***40,618***	40,387	39,829	39,204	39,607
Diluted	***40,961***	40,699	40,219	39,536	39,722
Net Income Per Share[(2,3,4,5)]:					
Basic	***$ 1.49***	$ 0.99	$ 1.06	$ 0.60	$ 0.27
Diluted	***1.48***	0.98	1.05	0.59	0.27
Balance Sheet Data [(1,6)] :					
Total assets	***$529,542***	$505,475	$415,573	$331,185	$312,526
Shareholders equity	***384,030***	365,321	291,473	226,090	210,035

(1) *The amounts for 2008, 2007 and 2006 include the Argentine acquisition completed on July 3, 2006.*

(2) *The amounts for 2007 include a $1.3 million provision for regulatory penalties related to privacy claims associated with the alleged inappropriate acquisition of*

personal bank account information in one of our European subsidiaries.

(3) *The amounts for 2006 include a $13.9 million net gain on the sale of facilities and $0.4 million of charges associated with the impairment of long-lived assets.*

(4) *The amounts for 2005 include a $1.8 million net gain on the sale of facilities, a $0.3 million reversal of restructuring and other charges and $0.6 million of charges associated with the impairment of long-lived assets.*

(5) *The amounts for 2004 include a $7.1 million net gain on the sale of facilities, a $5.4 million net gain on insurance settlement, a $0.1 million reversal of restructuring and other charges and $0.7 million of*

charges associated with the impairment of long-lived assets.

(6) *SYKES has not declared cash dividends per common share for any of the five years presented.*

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 and the notes thereto that appear elsewhere in this document. The following discussion and analysis compares the year ended December 31, 2008 (2008) to the year ended December 31, 2007 (2007), and 2007 to the year ended December 31, 2006 (2006).

The following discussion and analysis and other sections of this document contain forward-looking statements that involve risks and uncertainties. Words such as may, expects, projects, 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 our future plans, objectives, or goals also are forward-looking statements. Future events and 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 this Form 10-K for the year ended December 31, 2008 in Item 1.A.-Risk Factors.

Overview

We provide outsourced customer contact management services with an emphasis on inbound technical support and customer service, which represented 96.2% of consolidated revenues in 2008, delivered through multiple communication channels encompassing phone, e-mail, Web and chat. We also offer fulfillment services in Europe, including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling, and a range of enterprise support services in the United States, including technical staffing services and outsourced corporate help desk services.

Revenue from these services is recognized as the services are performed, which is based on either a per minute, per call or per transaction basis, under a fully executed contractual agreement, and we record reductions to revenue for contractual penalties and holdbacks for a failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Direct salaries and related costs include direct personnel compensation, severance, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers. General and administrative costs include administrative, sales and marketing, occupancy, depreciation and amortization, and other costs.

Provision for regulatory penalties is related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information by one of our European subsidiaries.

Recognition of income associated with grants from local or state governments of land and the acquisition of property, buildings and equipment is deferred and recognized as a reduction of depreciation expense included within general and administrative costs over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Deferred property and equipment grants, net of amortization, totaled $9.3 million and $10.3 million at December 31, 2008 and 2007, respectively, a decrease of $1.0 million.

The net loss (gain) on disposal of property and equipment includes the net gain on the sale of four third party leased U.S. customer contact management centers in 2006 in addition to the net loss (gain) on the disposal of property and equipment.

Impairment of long-lived assets charges of $0.4 million in 2006 related to a $0.3 million asset impairment charge in one of our underutilized European customer contact management centers and a $0.1 million charge for property and equipment no longer used in one of our Philippine facilities.

Interest income primarily relates to interest earned on cash and cash equivalents and interest on foreign tax refunds.

Interest expense primarily includes commitment fees charged on the unused portion of our credit facility, interest

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on outstanding short-term debt and interest costs related to a foreign income tax settlement.

Income from rental operations, net, was generated from the leasing of several U.S. facilities, which were sold in September 2006.

Foreign currency transaction gains and losses generally result from exchange rate fluctuations on intercompany transactions and the revaluation of cash and other assets and liabilities that are settled in a currency other than functional currency.

Our effective tax rate for the periods presented includes the effects of state income taxes, net of federal tax benefit, tax holidays, valuation allowance changes, foreign rate differentials, foreign withholding and other taxes, and permanent differences.

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Results of Operations

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain items reflected in our Statements of Operations:

	Years Ended December 31,		
	2008	***2007***	***2006***
PERCENTAGES OF REVENUES:			
Revenues	***100.0%***	100.0%	100.0%
Direct salaries and related costs	***64.0***	63.6	63.7
General and administrative	***28.0***	29.0	30.8
Provision for regulatory penalties		0.2	
Net loss (gain) on disposal of property and equipment			(2.4)
Income from operations	***8.0***	7.2	7.9
Interest income	***0.7***	0.9	1.2
Interest expense	***(0.1)***	(0.1)	(0.1)
Income from rental operations, net			0.2
Other income (expense)	***1.4***	(0.4)	(0.2)
Income before provision for income taxes	***10.0***	7.6	9.0
Provision for income taxes	***2.6***	2.0	1.6
Net income	***7.4%***	5.6%	7.4%

The following table sets forth, for the periods indicated, certain data derived from our Consolidated Statements of Operations (in thousands):

	Years Ended December 31,		
	2008	***2007***	***2006***
Revenues	***$ 819,190***	$ 710,120	$ 574,223
Direct salaries and related costs	***524,133***	451,280	365,602
General and administrative	***229,027***	206,009	176,701
Provision for regulatory penalties		1,312	
Net loss (gain) on disposal of property and equipment	***322***	339	(13,683)
Impairment of long-lived assets			445
Income from operations	***65,708***	51,180	45,158
Interest income	***5,448***	6,257	6,785
Interest expense	***(433)***	(803)	(674)
Income from rental operations, net			1,200
Other income (expense)	***11,259***	(2,583)	(1,010)
Income before provision for income taxes	***81,982***	54,051	51,459
Provision for income taxes	***21,421***	14,192	9,136
Net income	***$ 60,561***	$ 39,859	$ 42,323

The following table summarizes our revenues for the periods indicated, by reporting segment (in thousands):

	Years Ended December 31,					
	2008		2007		2006	
Revenues:						
Americas	***$ 551,761***	***67.4%***	$ 482,823	68.0%	$ 387,305	67.4%
EMEA	***267,429***	***32.6%***	227,297	32.0%	186,918	32.6%
Consolidated	***$ 819,190***	***100.0%***	$ 710,120	100.0%	$ 574,223	100.0%

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The following table summarizes the amounts and percentage of revenue for direct salaries and related costs and general and administrative costs for the periods indicated, by reporting segment (in thousands):

	Years Ended December 31,					
	2008		***2007***		***2006***	
Direct salaries and related costs:						
Americas	***$ 342,288***	***62.0%***	$ 295,719	61.2%	$ 238,290	61.5%
EMEA	***181,845***	***68.0%***	155,561	68.4%	127,312	68.1%
Consolidated	***$ 524,133***		$ 451,280		$ 365,602	
General and administrative:						
Americas	***$ 123,910***	***22.5%***	$ 108,788	22.5%	$ 91,231	23.6%
EMEA	***64,264***	***24.0%***	58,337	25.7%	49,429	26.4%
Corporate	***40,853***		38,884		36,041	
Consolidated	***$ 229,027***		$ 206,009		$ 176,701	

2008 Compared to 2007

Revenues

During 2008, we recognized consolidated revenues of $819.2 million, an increase of $109.1 million or 15.4%, from $710.1 million of consolidated revenues for 2007. Revenues increased in 2008, despite the rapid and sharp deterioration in the economy, due to strong demand from our new and existing client relationships. As clients have increasingly outsourced non-core functions as a way to cut costs and preserve capital, our depth of experience, broad vertical expertise, global delivery footprint, a healthy risk profile and financial strength, including a strong cash position and no debt as of December 31, 2008, has helped us attract new business and build on our current market position.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 67.4%, or $551.8 million, for 2008 compared to 68.0%, or $482.8 million, for 2007. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 32.6%, or $267.4 million, for 2008 compared to 32.0%, or $227.3 million, for 2007.

The increase in the Americas revenue of $69.0 million, or 14.3%, for 2008 compared to 2007, reflects a broad-based growth in client demand, including new and existing client relationships, partially offset by certain program expirations and a net loss on foreign currency hedges of $7.4 million. New client relationships represented 5.4% of the increase in the Americas revenue over 2007, while 94.6% of the increase in the America s revenue came from existing clients. Revenues from our offshore operations represented 61.7% of Americas revenues, compared to 60.0% for 2007. The trend of generating more of our revenues in our offshore operations is likely to continue in 2009. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our focus to re-price or replace certain sub-profitable target client programs. Americas revenues for 2008 experienced a $1.7 million increase as a result of changes in foreign currency exchange rates compared to 2007. Excluding this foreign currency impact, Americas revenues increased $67.3 million, or 13.9% compared to last year.

The increase in EMEA revenues of $40.1 million, or 17.7%, for 2008 compared to 2007, reflects a broad-based growth in client demand, including new and existing client relationships, partially offset by certain program expirations. New client relationships represented 3.2% of the increase in EMEA revenue over 2007, while 96.8% of the increase was generated by existing clients. EMEA revenues for 2008 experienced a $6.8 million increase as a result of changes in foreign currency exchange rates compared to 2007. Excluding this foreign currency impact, EMEA revenues increased $33.3 million, or 14.8%, compared to last year.

Direct Salaries and Related Costs

Direct salaries and related costs increased $72.8 million, or 16.1%, to $524.1 million for 2008, from $451.3 million in 2007.

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On a geographic segment basis, direct salaries and related costs from the Americas segment increased $46.6 million, or 15.7%, to $342.3 million for 2008 from $295.7 million in 2007. Direct salaries and related costs from the EMEA segment increased $26.2 million, or 16.9%, to $181.8 million for 2008 from $155.6 million in 2007. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they negatively impacted direct salaries and related costs in 2008 compared to 2007 by approximately $3.7 million and $5.4 million, respectively.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 62.0% in 2008 from 61.2% in 2007. This increase of 0.8%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.9%, partially offset by lower auto tow claim costs of 0.3%, lower telephone costs of 0.3%, lower facility and maintenance costs of 0.2% and lower other costs of 0.3%, primarily billable supply costs and recruiting.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 68.0% in 2008 from 68.4% in 2007. This decrease of 0.4% was primarily attributable to lower fulfillment material costs of 1.3%, lower telephone costs of 0.5%, lower billable supply costs of 0.3%, lower postage costs of 0.2% and lower other costs of 0.1% partially offset by higher compensation costs of 1.4% and higher recruiting costs of 0.6%.

General and Administrative

General and administrative costs increased $23.0 million, or 11.2%, to $229.0 million for 2008, from $206.0 million in 2007.

On a geographic segment basis, general and administrative costs from the Americas segment increased $15.1 million, or 13.9%, to $123.9 million for 2008 from $108.8 million in 2007. General and administrative costs from the EMEA segment increased $5.9 million, or 10.2%, to $64.2 million for 2008 from $58.3 million in 2007. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they negatively impacted general and administrative costs in 2008 compared to 2007 by approximately $1.4 million and $0.6 million, respectively. Corporate general and administrative costs increased $2.0 million, or 5.1%, to $40.9 million for 2008 from $38.9 million in 2007. This increase of $2.0 million was primarily attributable to a higher bad debt expense of $1.0 million, higher travel and meeting costs of $0.8 million, higher compensation costs of $0.7 million, higher depreciation and amortization of $0.3 million, higher dues and subscriptions of $0.2 million, higher charitable contributions of $0.2 million, higher insurance costs of $0.1 million, higher taxes (other than income taxes) of $0.1 million and higher other costs of $0.3 million, partially offset by lower professional fees of $1.7 million.

In the Americas segment, as a percentage of revenues, general and administrative costs remained unchanged at 22.5% in 2008 and 2007. Higher compensation costs of 0.6%, higher taxes (other than income taxes) of 0.1% and higher bad debt expense of 0.1% were offset by lower depreciation expense of 0.2% and lower other costs of 0.6%, primarily facility related costs, telephone costs, professional fees and insurance costs.

In the EMEA segment, as a percentage of revenues, general and administrative costs decreased to 24.0% in 2008 from 25.7% in 2007. This decrease of 1.7% was primarily attributable to lower bad debt expense of 0.4%, recruiting costs of 0.4%, lower facility related expenses of 0.3%, lower compensation costs of 0.2%, lower taxes (other than income taxes) of 0.2%, lower travel and meetings costs of 0.1% and lower depreciation expense of 0.1%.

Provision for Regulatory Penalties

Provision for regulatory penalties of $1.3 million in 2007 is related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information in one of our European subsidiaries.

Net Loss (Gain) on Disposal of Property and Equipment

The net loss on disposal of property and equipment remained unchanged at $0.3 million for 2008 and 2007, respectively.

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Impairment of Long-Lived Assets

There was no asset impairment charge for 2008 or 2007.

Interest Income

Interest income was $5.4 million in 2008, compared to $6.3 million in 2007. Interest income decreased $0.9 million reflecting lower average rates earned on interest-bearing investments in cash and cash equivalents and short-term investments.

Interest Expense

Interest expense was $0.4 million for 2008 compared to $0.8 million for 2007, a decrease of $0.4 million reflecting lower average levels of outstanding short-term debt.

Income from Rental Operations, Net

We sold our four U.S. leased facilities in September 2006; therefore, there is no income from rental operations for 2008 and 2007.

Other Income and Expense

Other income, net, was $11.3 million in 2008 compared to other expense, net, of $2.6 million in 2007. This $13.9 million net increase in other income was primarily attributable to an increase of $14.7 million in realized and unrealized foreign currency transaction gains, net of losses arising from the revaluation of nonfunctional currency assets and liabilities partially offset by a $0.1 million increase in the loss on forward points valuation on foreign currency hedges and a $0.7 million increase in unrealized losses, net of gains on marketable securities held in a Rabbi Trust. Other income excludes the effects of cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated Other Comprehensive Income (Loss) in shareholders equity in the accompanying Consolidated Balance Sheets.

Provision for Income Taxes

The provision for income taxes of $21.4 million for 2008 was based upon pre-tax income of $82.0 million, compared to the provision for income taxes of $14.2 million for 2007 based upon pre-tax income of $54.1 million. The effective tax rate was 26.1% for 2008 compared to an effective tax rate of 26.3% for 2007. This decrease in the effective tax rate of 0.2% resulted from a shift in our mix of earnings and the effects of permanent differences, valuation allowances, foreign withholding taxes, state income taxes, and foreign income tax rate differentials (including tax holiday jurisdictions) and recognition of income tax benefits of $2.4 million, including interest and penalties of $1.0 million, primarily relating to favorable tax audit determinations in 2008, partially offset by withholding taxes of $6.2 million related to a distribution from the Philippine operations to its foreign parent in the Netherlands and an additional tax expense of $6.7 million resulting from taxable foreign exchange gains realized on non-functional currencies.

Net Income

As a result of the foregoing, we reported income from operations for 2008 of $65.7 million, an increase of $14.6 million from 2007. This increase was principally attributable to a $109.1 million increase in revenues and a $1.3 million decrease in provision for regulatory penalties charged in 2007 partially offset by a $72.8 million increase in direct salaries and related costs, and a $23.0 million increase in general and administrative costs. The $14.6 million increase in income from operations, a $13.9 million increase in other income, net and a decrease in interest expense of $0.4 million was offset by a $7.2 million higher tax provision and a decrease in interest income of $0.9 million, resulting in net income of $60.6 million for 2008, an increase of $20.8 million compared to 2007.

2007 Compared to 2006

Revenues

During 2007, we recognized consolidated revenues of $710.1 million, an increase of $135.9 million, or 23.7%, from $574.2 million of consolidated revenues for 2006.

On a geographic segment basis, revenues from the Americas segment, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 68.0%, or $482.8 million for 2007 compared to 67.4%, or $387.3 million, for 2006. Revenues from the EMEA segment, including Europe, the Middle East and Africa, represented 32.0%, or $227.3 million, for 2007 compared to 32.6%, or $186.9 million, for 2006.

The increase in the Americas revenue of $95.5 million, or 24.7%, for 2007 compared to 2006, reflects a broad-based growth in client demand, including new and existing client relationships, within our offshore operations and Canada, as well as an increase in revenue generated from our Argentina operations acquired in July 2006 of $21.6 million, a net gain on foreign currency hedges of $5.0 million and an increase in revenue from a performance incentive payment of $1.4 million received by our Canadian operations related to our telemedicine program. New client relationships represented 14.6% of the increase in the Americas revenue over 2006, excluding contributions from our Argentina operations and the telemedicine performance incentive mentioned above. Revenues from offshore operations represented 60.0% of Americas revenues for 2007 compared to 54.7% for 2006. Americas revenues for 2008 experienced a $6.3 million increase as a result of changes in foreign currency exchange rates compared to 2007. Excluding this foreign currency impact, America s revenues increased $89.2 million, or 23.0%, compared to last year.

The increase in EMEA revenues of $40.4 million, or 21.6%, for 2007 compared to 2006, reflects growth in client demand, including new and existing client relationships, partially offset by certain program expirations. New client relationships represented 23.8% of the increase in the EMEA s revenue over 2006. EMEA revenues for 2007 experienced a $19.0 million increase as a result of the strength in the Euro compared to 2006. Excluding this foreign currency impact, EMEA revenues increased $21.4 million compared to 2006.

Direct Salaries and Related Costs

Direct salaries and related costs increased $85.7 million, or 23.4%, to $451.3 million for 2007, from $365.6 million in 2006. This increase included $15.2 million of direct salaries and related costs from our Argentina operations acquired in July 2006, primarily consisting of compensation costs.

On a geographic segment basis, direct salaries and related costs from the Americas segment increased $57.4 million, or 24.1%, to $295.7 million for 2007 from $238.3 million in 2006. Direct salaries and related costs from the EMEA segment increased $28.3 million, or 22.2%, to $155.6 million for 2007 from $127.3 million in 2006. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they negatively impacted direct salaries and related costs in 2007 compared to 2006 by approximately $12.0 million and $13.0 million, respectively.

In the Americas segment, as a percentage of revenues, direct salaries and related costs decreased to 61.2% in 2007 from 61.5% in 2006. Excluding the $1.4 million revenue contribution from Canada mentioned above, as a percentage of revenues, direct salaries and related costs decreased to 61.4% for 2007. This decrease of 0.1%, as a percentage of revenues, was primarily attributable to lower telephone costs of 0.7%, partially offset by higher salary costs of 0.4%, including training costs associated with the ramp up of business in our offshore and U.S. operations and higher other costs of 0.2%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs increased to 68.4% in 2007 from 68.1% in 2006. This increase of 0.3% was primarily attributable to higher compensation costs of 1.7% partially offset by lower billable supply costs of 0.7%, lower material costs of 0.6% and lower other costs of 0.1%.

General and Administrative

General and administrative costs increased $29.3 million, or 16.6%, to $206.0 million for 2007, from $176.7 million in 2006. This increase included $6.0 million of general and administrative costs from our Argentina operations acquired in July 2006.

On a geographic segment basis, general and administrative costs from the Americas segment increased $17.6 million, or 19.3%, to $108.8 million for 2007 from $91.2 million in 2006. General and administrative costs from the EMEA segment increased $8.8 million, or 17.8%, to $58.3 million for 2007 from $49.5 million in 2006. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they

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negatively impacted general and administrative costs in 2007 compared to 2006 by approximately $4.3 million and $5.0 million, respectively. Corporate general and administrative costs increased $2.9 million, or 7.9%, to $38.9 for 2006 from $36.0 million. This increase of $2.9 million was primarily attributable to higher compensation costs of $4.3 million, including higher employee counts, as well as $1.7 million associated with our stock-based compensation plans, and higher travel costs of $0.6 million partially offset by a $2.0 million charitable contribution in 2006.

In the Americas segment, as a percentage of revenues, general and administrative costs decreased to 22.5% in 2007 from 23.6% in 2006. Excluding the $1.4 million revenue contribution from Canada mentioned above, general and administrative expenses decreased to 22.6% for 2007. This decrease of 1.0% was primarily attributable to lower depreciation expense of 0.9%, lower telephone costs of 0.3%, lower legal and professional fees of 0.1% and lower insurance costs of 0.1% partially offset by higher compensation costs of 0.2%, higher lease and equipment maintenance of 0.1% and higher other costs of 0.1%.

In the EMEA segment, as a percentage of revenues, general and administrative costs decreased to 25.7% in 2007 from 26.4% in 2006. This decrease of 0.7% was primarily attributable to lower lease and equipment maintenance of 0.8%, lower legal and professional fees of 0.4%, lower depreciation expense of 0.4%, lower telephone costs of 0.1%, lower insurance costs of 0.1% and lower other costs of 0.2% partially offset by higher bad debt expense of 0.5%, higher recruiting costs of 0.4%, higher compensation costs of 0.3% and higher travel costs of 0.1%.

Provision for Regulatory Penalties

Provision for regulatory penalties of $1.3 million in 2007 is related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information in one of our European subsidiaries.

Net Loss (Gain) on Disposal of Property and Equipment

The net gain on disposal of property and equipment of $13.7 million for 2006 was primarily a result