our success is driven
by our commitment to
complete customer care

WEST TELESERVICES CORPORATION ANNUAL REPORT

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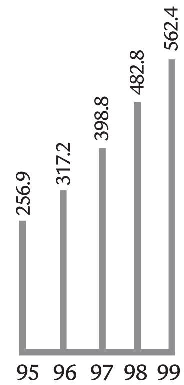
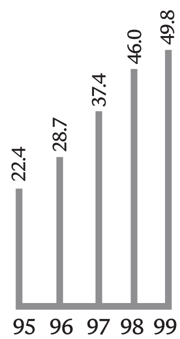
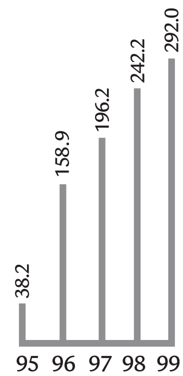
FINANCIAL HIGHLIGHTS



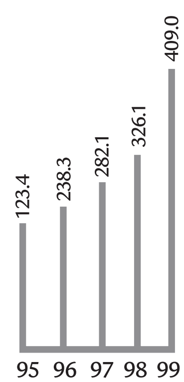
REVENUE
(in $ Millions)



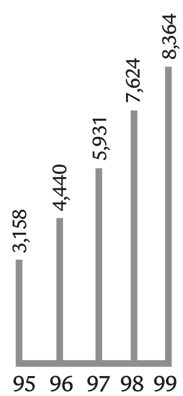
NET INCOME
(in $ Millions)



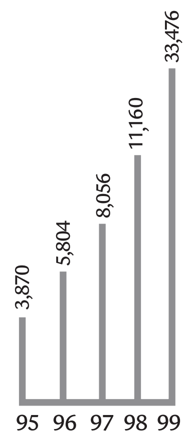
SHAREHOLDERS' EQUITY
(in $ Millions)



TOTAL ASSETS
(in $ Millions)



NUMBER OF WORKSTATIONS



NUMBER OF PORTS

PICTURED ON COVER: (L to R)

Richard P. Hineline, *Vice President, Operations Services;* Thomas M. Streck, *Director of Technology Support;* Melissa A. DeLong, *Director of Systems Development-Outbound Division;* Mahmood Akhwand, *Manager-Systems Development;* Janet Anderson, *Director of Client Services-West Interactive;* Robin Westfall, *Corporate Human Resources Director;* Gerald M. Price, *Director, Accounting/Controller;* Joy Hoffman, *Client Services Manager;* Ken Taylor, *Director of Information Systems-Custom Operator Services;* Christine D. Rodriguez, *Receptionist, Corporate Sales and Marketing.*

LETTER FROM THE CEO

WEST TELESERVICES ENDED THE CENTURY ON A HIGH NOTE. We processed more transactions than ever before, increased our revenue and expanded our service offerings to meet the needs of our clients. We attribute this growth to the **hard work** of the more than 20,000 West employees and to our clients who trust us with their business. Without the **dedication** of our employees and the **commitment** of our clients, West's success would not have been possible.

In 1999, we processed a record number of customer transactions – more than four billion connect minutes. This volume once again places us at the top of our industry. *Call Center CRM Solutions* magazine ranked West's Interactive Teleservices division **#1** for the third consecutive year. We were also rated the **#1** Outbound provider for the fourth consecutive year. Our Inbound ranking rose from #4 in 1998 to #3 in 1999. This makes West the only company to be ranked as a top three provider of all service lines. West's growth is also reflected in the number of employees and facilities. We added more than 3,000 employees and four new state-of-the-art customer contact centers. This brings our total number of facilities to 32 in 12 states.

West turned in another solid financial performance in 1999. Total revenue was $562.4 million, a 16.5% increase over 1998's revenue of $482.8 million. Consolidated net income was $49.8 million, an increase of 8% over 1998's $46.0 million. Diluted earnings per share were $0.77 compared to $0.73 in 1999, an increase of 5%. While this performance is respectable, we expect to see more aggressive gains in the future.

The most significant growth was in our Operator Teleservices division, which grew by 35%. 1999 revenue for the division was $251.7 million compared to $186.4 million in 1998. There was growth in a number of our designated vertical markets. Major Financial Services, Pharmaceutical and Telecommunications **companies turned to West** to help accomplish their business objectives. The Custom Operator Services group was a primary growth driver within this division, its revenue increasing over 50% for the year. As a result of using West's integrated services to handle their customer care efforts, our clients have experienced increased profits and growth.

Our Interactive Teleservices division grew by 7%, from $122.6 million in 1998 to $131.7 million in 1999. This increase came primarily from growth in prepaid calling cards. Our Direct Teleservices division's revenue grew from $173.8 million in 1998 to $179.0 million in 1999, a modest growth rate of 3%.

AS WE MOVE INTO THE NEW CENTURY, we are seeing a healthy growth environment in our industry. According to the *U.S. Call Center Services Marketing Study* by Frost and Sullivan, the total outsourced call center services market is projected to be $26.31 billion in revenue for the year 2000. Frost and Sullivan further estimates that the market will be $48.44 billion in revenue by 2005.

Since competition is increasing in every industry, companies are recognizing that the lifetime value of their customers goes far beyond the value of the initial transaction. To that end, our clients are deploying Customer Relationship Management (CRM) strategies to acquire, retain and grow their customer relationships and are outsourcing components of these programs to companies like West. **West is ideally positioned** to serve as an "extended enterprise" that can handle large companies' customer contact programs as well as or even better than they can internally. Our experience in selling and providing service to consumers can improve our clients' customer care and marketing efforts. Our multi-channel, large-scale service offerings allow our clients to interact with more customers – and in more ways – than they could in-house. Regardless of whether they use one or a combination of our services, our clients' customers receive consistent answers and assistance. Our **focus on operational excellence**, including training, facilities, processes and quality standards, provides a solid infrastructure that enhances the performance of any program. We make it easy to track every interaction and inquiry throughout the acquisition and retention process. This is a key ingredient to the success of our clients' CRM strategies.

CONSUMER USAGE OF THE INTERNET CONTINUES TO INCREASE. Three years ago, we installed browser-based technology in order to easily accommodate voice and Internet transactions at the same workstation. In 1999, we created a new online service offering. After testing these features with our clients, **West *icare* was launched** in early 2000. West *icare* allows consumers to select from online options such as communicating with a customer representative through chat, Voice over IP (VoIP), call-back, e-mail or fax. West *icare* can be integrated into any West service to provide a complete customer communications solution. We continue to identify partners and establish strategic relationships to enhance this service. We expect to grow and expand it without incurring large capital expenditures and intend for it to drive additional transactions. In 1999, we also created a new customer contact center test lab to continually develop innovative solutions across all West services, including West *icare*.

West expects to continue to expand our Internet offerings to meet the ever-changing needs of our clients and their customers. We anticipate aggressive growth in our Custom Operator Services division and will continue to position West as a premium provider of superior one-stop solutions for the nation's most recognized brands.

The technology platforms will continue to change, but the one constant will be West's employees, who demonstrate their **willingness to go the extra mile** for our clients. In this year's report, after the Divisional Updates, we have included a few case studies. They highlight the exceptional partnerships we have developed with our clients and the significant contributions of West employees. I would like to thank all employees for their commitment to excellence. I would also like to thank our clients for trusting us with their business, and our shareholders for their continued support.

Thomas B. Barker

THOMAS B. BARKER
President & Chief Executive Officer

EXECUTIVE OFFICERS:
(L to R)

Steven M. Stangl
Executive Vice President – Interactive Teleservices

Joseph L. Bradley
Executive Vice President – Systems and Technology

John W. Erwin
President – Direct Teleservices

Skip Hanson
Executive Vice President – Corporate Administration and Chief Administrative Officer

Michael M. Sturgeon
Executive Vice President – Sales and Marketing

Michael A. Micek
Executive Vice President – Finance, Chief Financial Officer and Treasurer

Nancee Shannon Berger
Chief Operating Officer

Thomas B. Barker
President and Chief Executive Officer

Mark V. Lavin
President – Operator Teleservices

1999

DIVISIONAL UPDATES

OPERATOR TELESERVICES DIVISION: West's Operator Teleservices division was established in 1986 and is ranked as the #3 inbound provider by *Call Center CRM Solutions* magazine for 1999. The division **grew by a healthy 35%**. Operator Teleservices consists of two sub-divisions: Direct Response Services and Custom Operator Services. The division operates call centers in Omaha, Nebraska; San Antonio, Texas; Hampton, Virginia; Dothan, Alabama; Tulsa and Oklahoma City, Oklahoma; Reno, Nevada; Rockford, Illinois and Baton Rouge, Louisiana.

DIRECT RESPONSE SERVICES: West's Direct Response Services provides 24-hour, high-volume telephone and Internet services through a shared pool of representatives who handle consumer response to offers promoted on television commercials and through other media advertising.

The direct marketing offers advertised on television by clients can produce immediate, massive call volume. To handle the high volume of calls, West schedules and staffs the correct number of customer representatives by constantly monitoring call flow and making real-time adjustments to complex call projection models. West also optimizes all call-processing activities through *Spectrum Plus*, a proprietary staff management and scheduling system. *Spectrum Plus* ensures West's customer contact centers are appropriately staffed to meet client needs.

West's clients are the leading direct marketing companies, financial institutions, packaged goods companies and pharmaceutical firms. The applications include order and lead processing, customer service, client database building and enhancements, and other forms of information processing.

Within the Direct Response Services division, West offers specialty groups to address some of the clients' more complex programs. These groups are available to provide the additional **expertise** needed to meet the specific needs of clients:

- Pharmaceutical Services Group works with 8 of the 10 largest pharmaceutical companies in the world, providing the additional skills and consumer sensitivity necessary to assist in new product launches.
- Financial Services Group helps many of the largest credit card issuing banks acquire and retain customers.
- Enhanced Direct Response Services, with its increased emphasis on product knowledge and extensive training, provides higher sales and order conversion rates for clients.

CUSTOM OPERATOR SERVICES: According to the latest study conducted by the Society of Consumer Affairs Professionals (SOCAP), the use of toll-free numbers by large companies for customer care is increasing. The study found that 86% of SOCAP members and Fortune 1000 companies surveyed use toll-free numbers for customer service.

In addition, 68% of companies use the Internet as a vehicle for customer contact and/or support. This, combined with the trend toward outsourcing, resulted in significant growth for West's Custom Operator Services.

Established in 1996, Custom Operator Services integrates the full spectrum of voice and Internet customer care solutions. West provides end-to-end solutions to assure clients success in acquiring, retaining and growing customer relationships. The applications include account and billing transactions, customized sales efforts, customer acquisition and retention programs, collection services and technical support. West customizes each program and integrates its services, including **online customer care** through West *icare*, West's Voice/Internet portfolio. West's interactive voice response platform can also be used to front-end representative calls. The combination of these services provide additional channels of communication for customers and cost-efficient, effective solutions for clients.

Custom Operator Services surrounds each program with state-of-the-art call-processing facilities, complete staffing and training capabilities, program management, advanced technology and **quality standards**. As a result, companies receive high quality customer contact solutions without incurring the expense of building a facility, hiring additional staff or investing in technology.

YEAR IN REVIEW: West's Inbound Operator Teleservices division grew by 35%, from $186.4 million in revenue in 1998 to $251.7 million in 1999. The division represents 45% of West's total revenue. Several initiatives were implemented during 1999 to capture the growing demand for its services:

- Added 615 workstations, bringing the total number of workstations to 3,948.
- Developed Internet services for direct marketing companies, including online order-processing, web page development, customer service, e-mail capture and client reports that combine the data from orders placed by the telephone and the Internet. These services complement West's toll-free order-processing capabilities by enabling companies to offer consumers another way to order products and services.
- Developed Internet services for large companies to provide **online customer care**, including assistance through text chat capabilities, Voice over IP (VoIP), call-back, e-mail and fax. In addition, customer representatives can "push" a web page on a split screen to answer questions or **sell products**. Representatives can also fill out and submit a form or document for consumers.

INTERACTIVE TELESERVICES DIVISION: The Interactive Teleservices division was ranked as the **leading provider of interactive voice response services** for the third consecutive year by *Call Center CRM Solutions* magazine. Established in 1989, this division's large-scale services allow callers to access information by using the keypads on their touch-tone telephones or through voice recognition capabilities.

The division provides large companies with a **cost-effective and efficient** way to deliver information, prepaid calling card services, and promotional and entertainment applications to consumers. Overall call-handling costs for clients can be reduced, as callers have the option of being transferred to a customer service representative for further assistance. Since a portion of callers do not require assistance from a representative, the overall cost-per-customer service transaction decreases. At the same time, callers receive convenient, high quality service. As a result of these benefits, West's interactive voice response services (IVR) are frequently integrated into other West offerings, such as Custom Operator Services.

The Interactive Teleservices division has an in-house professional recording studio and scripting services. This division also offers **one of the highest call-handling capabilities in the nation.**

West has voice response facilities in Omaha, Nebraska; San Antonio, Texas; Tulsa, Oklahoma; Hampton, Virginia; Denver, Colorado; Baton Rouge, Louisiana and Calgary, Alberta, Canada.

YEAR IN REVIEW: West's Interactive Teleservices division generated $131.7 million in revenue in 1999, compared to $122.6 million in 1998. The division represents 23% of West's total revenue and deployed the following initiatives in 1999:

- Added 22,316 voice response ports, giving West a total of 33,476 ports. This dramatic port growth was necessary to support additional call volume, primarily for prepaid calling cards.
- Developed interactive out-dial capabilities to enable clients to directly upload customer lists, set parameters and select a script through a browser-based interface. This allows clients to **quickly implement marketing programs**.
- Built a data center in Denver, Colorado, which increased West's port capacity and Internet-related transaction capabilities.
- Established a real-time, online statistics reporting capability that allows clients to review calls in progress and the status of the system.

DIRECT TELESERVICES DIVISION: *Call Center CRM Solutions* magazine ranked West's Direct Teleservices division **#1** for the fourth consecutive year. The division provides large-scale outbound services that develop and maintain **successful customer relationships** for the nation's most recognized companies.

According to the Direct Marketing Association, outbound telephone marketing represents the largest category of direct marketing sales. In 1999, outbound marketing sales were estimated to be $538.3 billion. The Direct Teleservices division was established in 1990 to meet the **growing demand** for these services. This division offers business-to-business and business-to-consumer applications, such as product sales and service, customer acquisition and retention, cross-selling and up-selling, lead generation and qualification, appointment setting, database enhancement and **relationship marketing**. Each program is completely customized and can be complemented by inbound and Internet capabilities to process orders, and provide customers and prospects with immediate, personal service.

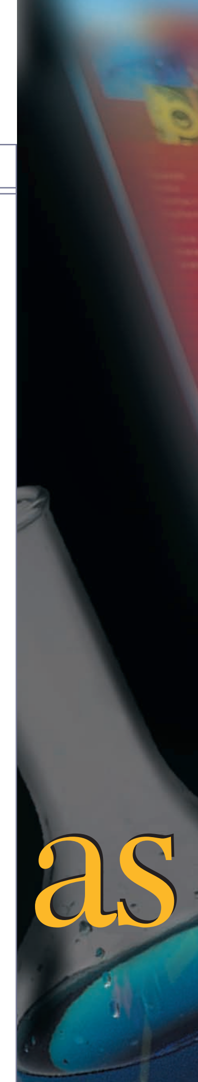
West's services deliver revenue opportunities and maximize the effectiveness of direct marketing and sales efforts. Since companies can target their prospects and customers, they can achieve a greater return from advertising and direct marketing expenditures.

West places a significant emphasis on hiring and training representatives to produce effective one-to-one marketing results. Each representative undergoes extensive communications skills and sales training. This is reinforced through **daily training** on the production floor by sales and call quality management. Representatives are recognized through quality and performance **recognition programs**. This is surrounded by a solid project management discipline and state-of-the-art technology that increases the effectiveness of its representatives. Examples include predictive dialers that automatically dial a list of numbers and transfer successful connections to available representatives, and web-enabled workstations that allow representatives to link to websites, thereby assisting in the sales process.

The division has customer contact centers in San Antonio, Universal City, El Paso, Killeen, Lubbock, Odessa, Waco and McAllen, Texas; Mobile, Alabama; Texarkana, Fort Smith and Fayetteville, Arkansas; Lafayette, Louisiana; Carbondale, Illinois; Tallahassee, Florida and Hinesville, Georgia.

YEAR IN REVIEW: The Direct Teleservices division had revenue of $179.0 million in 1999, an increase of 3% from 1998's revenue of $173.8 million. This division represents 32% of West's total revenue. The following initiatives were implemented in 1999:

- Added 125 workstations, bringing the total number of workstations to 4,416.
- Added sites in Hinesville, Georgia and Tallahassee, Florida.
- Initiated blended calling (inbound and outbound) in San Antonio, Texas.



West TeleServices has built a reputation for understanding and meeting the specific needs of large pharmaceutical companies. West handles 30 programs for pharmaceutical clients, most of whom use West for multiple programs. West provides live operator support through its pharmaceutical line group, a team of specialists with additional pharmaceutical expertise that the company added in 1999.

we think of our clients' customers as

"Pharmaceutical products have different sets of requirements than other products," said Brian Beebe, a West National Sales Manager. "The FDA has guidelines for information that must be included in print and TV ads, and telephone campaigns. It requires a lot of additional training for our customer representatives, because there are special call-handling requirements that go beyond normal direct response call-handling."

This **commitment to training** is one of the things that attracted the product team for Lamisil Tablets, an antifungal medication produced by Novartis Pharmaceuticals Corporation. "We were quite impressed by West's operator training, customer commitment and ability to come up to speed very quickly," said Lynn Day, Associate Director of Marketing for Novartis Pharmaceuticals Corporation.

PICTURED ABOVE: (L to R) Rod Bennett, *Director-Operator Teleservices Site Operations;* Jim Milroy, *Creative Services Manager;* Rita Callahan, *Client Services Project Manager*

West's experience in handling large-volume clients was another factor in Day's decision. This became imperative when the success of the Lamisil Tablets campaign exceeded expectations. "We never projected the volume we'd get with this program," Day said. "When we first rolled out the program we projected 400,000 responses that year." Instead, the program generated a million responses in the first 17 weeks.

In addition to staffing appropriately for such volume and processing the calls, West also works closely with the fulfillment house that sends the information packets callers request. Ten thousand such requests are received daily, according to Day. "West's ability to transmit data daily to our fulfillment house and get the information to the consumer is extremely important to us," Day said.

KIRSTEN McWHIRT,
Client Services Manager

our own

West works closely with the Novartis Lamisil Tablets team and their advertising agency to create a system that accurately measures responses from 80 different toll-free numbers. This allows the ad agency to determine which media buys are most effective. “We use a separate toll-free number for every TV station and every print ad to provide the most accurate tracking,” Day said.

West also provides **fax and interactive voice response services options** so consumers can receive immediate information on products and possible side effects, according to Kirsten McWhirt, West Client Services Manager. “Not only must consumers be offered information on products and possible side effects, they must be given options for receiving it more quickly,” McWhirt said.

The Lamisil Tablets program is in its third year, and much of the credit for its success goes to West, according to Day. “West has really been instrumental to the success of this direct-to-consumer campaign, which I often refer to as a fine-tuned machine,” Day said. “It’s a significant source of comfort to me to know that it’s being handled by a group of **professionals that give 120%**. It’s a pleasure to work with West.”

NOVARTIS

“West has really been instrumental to the success of this direct-to-consumer campaign, which I often refer to as a fine-tuned machine.”

LYNN DAY,
Associate Director of Marketing – Novartis Pharmaceuticals Corporation

W 1999

AT&T Transaction Services markets and sells prepaid calling cards. These cards are simple to use. On the back of each prepaid card that AT&T offers, there is a toll-free number that consumers call to use the card. They are connected to a Voice Response Unit (VRU) that directs them to enter the Personal Identification Number (PIN) that is printed on the card; then they are prompted to enter the phone number they want to call.

AT&T

"We turned to West to support our prepaid card operational requirements because we had a good working relationship established and knew their capabilities."

BILL ANDREWS,
Product Management Director – AT&T Transactions Services

W 1999

BRIAN COOPER,
Director of Major Accounts

AT&T selected West as one of the **outsourcing providers** for their prepaid card services operations. According to Bill Andrews, Product Management Director for AT&T Transaction Services, “We turned to West to support our prepaid card operational requirements because we had a good working relationship established and knew their capabilities.”

The prepaid card services relationship with West dates back two years, Andrews explained. West handles operations for the many types of prepaid calling cards that AT&T sells. To support the increasing requirements of the prepaid program, West dedicated Brian Cooper, a Director of Major Accounts for West, to this account. Cooper devotes his business life to prepaid calling cards and manages the client service account teams.

PICTURED BELOW:
(L to R) Mike Brown, *Director of Telecommunications;* Linda Speers, *Client Services Manager;* Jerry Annin, *Application Development Manager*

“What makes West different from other companies that provide prepaid calling card support services is our responsiveness to client needs,” said Cooper. “A lot of service bureaus try to fit the client to their mold instead of customizing the solution to meet the client’s needs. We’ll do whatever it takes, even if it means coming in at 3:00 a.m. for a software upgrade.”

To meet the client’s needs for its prepaid card business, West more than doubled its capacity in just six months. “We did it because our client needed it, but we were happy to do it. That was a huge vote of confidence for us,” Cooper said.

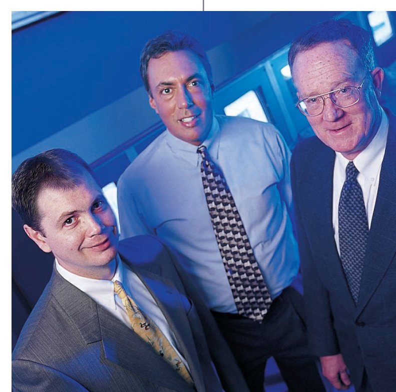
“We are confident that West can deliver what we need for our prepaid card operations. The management team up through Tom Barker (West CEO) understands our business objectives,” Andrews said.

A large part of the credit goes to West’s client support team, headed by Linda Speers, Jerry Annin, and Kristen Liabraaten, Cooper said. “The client support team is outstanding, and they have worked day and night to make it happen. If we didn’t work so closely together as **operational partners** with AT&T, none of this would have come to fruition.”

’ll do whatever it takes, even if it means coming in at 3:00 a.m. for a software upgrade

When West Teleservices launched its Custom Operator Services division in 1996, one of its main targets was large financial services companies. Today, West works with the majority of the top credit card issuers in the country, including Bank of America. West provides integrated services to Bank of America, including taking inbound customer service calls, providing credit card activation and fraud detection through its voice response platform and outbound balance transfer programs.

PICTURED BELOW: (L to R) Ken Marr, *Director, Network Control;* Jim Speidel, *Client Services Project Manager;* Rolf Cook, *Director, Applications Development*



One of the largest projects West has undertaken for Bank of America was helping with a strategic outsourcing initiative when Bank of America merged with Nation's Bank. Although Bank of America has customer service centers throughout the country, in late 1998 they issued a competitive Request for Proposal (RFP) to handle the overflow for the newly merged bank."We needed to build additional capacity," said Dave Slattery, Bank of America Senior Vice President of Customer Service Administration.

Slattery knew Bank of America wanted a business partner with experience managing large call centers, as well as VRU (voice response unit) capacity and expertise for credit card activation. He selected West because of its size and expertise, particularly in the financial services business.

Slattery also knew Bank of America did not want the typical vendor relationship. "We use West's **outbound, inbound** and **interactive voice response services** for government, commercial and consumer programs. In a traditional relationship, you'd have a separate contact for each of those areas," he said. Part of the RFP requirement was to have a single

we quickly brought in
the necessary workforce
to get the job

point of contact, and West made that commitment. “I can call Sue and, within minutes, I’ve got the right team.” Sue Abler is West’s National Sales Manager for Bank of America.

According to Abler, “We provided a **customized servicing approach** that gave them access to all of our service lines and a single point of contact for managing their business needs. This gave Bank of America the flexibility to respond quickly to their outsourcing needs, whether it is interim services support, merger-related or business-as-usual activities. It has allowed us to become true partners.”

West’s ability to ramp-up quickly was another key factor. “We began issuing the new branded cards in early 1999, and West’s Hampton, Virginia facility was able to be up and running in four to six weeks,” according to Slattery. Just prior to the merger project, the same facility helped Bank of America’s Government Services group meet its increased customer service demands. “We had 10-20 times more call volume than we expected, and the same West site was up to speed in a couple of weeks.”

Bank of America.

Part of the RFP requirement was to have a single point of contact, and West made that commitment. “I can call Sue and, within minutes, I’ve got the right team.”

DAVE SLATTERY,
Senior Vice President of Customer Service Administration–Bank of America

W 1999

CHARLIE MAYO, *Operations Manager – Custom Operator Services, Hampton, VA*

done

BOB MARTINEZ,
Project Manager

MATTHEW V. DRISCOLL,
Director of Custom Operator Services Projects

needs

"West has been very positive and team-oriented in their partnership with us. Their efforts to identify the personnel and establish the skill set required to treat our business as their own have been encouraging and are a major reason why we rely on West."

RICK McMANUS,
Vice President, Customer Service – DIRECTV, Inc.

DIRECTV, INC.

DIRECTV, Inc., the nation's largest distributor of multi-channel digital video programming, with more than 8.2 million customers, began using West's interactive voice response services in 1995 to provide general information to its customers. The company needed additional services due to its record growth and the acquisition of USSB and the PrimeStar satellite service by its parent, Hughes Electronics. "Initially, we chose West TeleServices because they are a recognized leader in IVR services and were perceived as a quality provider in the marketplace," said Rick McManus, Vice President, Customer Service for DIRECTV, Inc.

In early 1998, West started with 15 customer care representatives to provide technical assistance to DIRECTV customers. Today, West provides interactive voice response services to front-end calls and route callers to representatives for further assistance. West also dedicates over **1,400 customer care representatives** that provide technical assistance to customers and have access to the DIRECTV billing and operating systems. Additional representatives will be added in the coming year. Also, West provides interactive "outdial" services to automatically remind customers to connect their phone lines to maximize their pay-per-view movie and sport package options.

we adapt to the changing of our clients

According to Don Coil, National Sales Manager for West, "We have developed a very strong partnership with DIRECTV, providing multiple West services on an integrated basis to support their growing needs." McManus states, "West's partnership with us has grown not only because of our escalating size, but more importantly, because West continues to adapt to the changing needs of an increasingly complex industry."

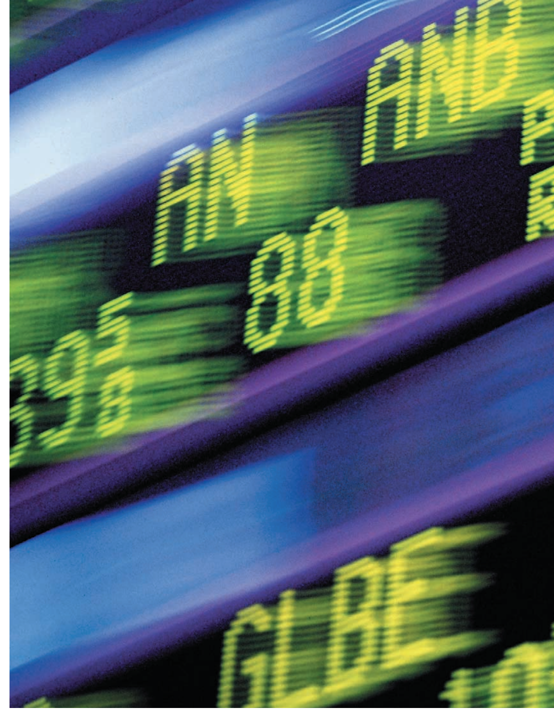
McManus stated that the variety of DIRECTV Systems in use around the country generated more technical questions from customers. As a result, an efficient, cost-effective customer service network is necessary.

McManus said West has taken positive steps to adapt its culture to one that treats the client's business as its own. "They took a chance by dedicating a customer contact center exclusively to DIRECTV, and have helped us strategically by quantifying and qualifying the information gleaned from the voice response and customer service systems," he said.

According to Matt Driscoll, Director, West's Custom Operator Services Projects, two West teams, Custom Operator Services and Interactive Voice Response, work in tandem to present seamless service for clients and the best possible experience for their customers.

"West has been very **positive and team-oriented** in their partnership with us," said McManus. "Their efforts to identify the personnel and establish the skill set required to treat our business as their own have been encouraging and are a major reason why we rely on West."

PICTURED ABOVE:
(L to R) Shannon Higgins, *Client Services Manager;* Jill Becker, *Director of Client Services;* Christian Bernth, *COS Trainer*



1999 FINANCIAL REPORT

BY ANY MEASUREMENT, West continues to set new financial records each and every year. This year was no exception, with revenue and profits climbing to new levels. Revenue grew by almost $80 million to $562 million and earnings per share (EPS) reached a new high of $0.77.

West has a balanced revenue mix that is represented by 44.8% Inbound Operator Teleservices, 23.4% Interactive Teleservices and 31.8% Outbound Direct Teleservices. Also, West provided services to over 900 customers during 1999. Because of West's broad service mix and diverse customer base, we have been able to cross-sell our services to a level where over 64% of our revenue is generated by clients who use two or more of our service offerings.

Currently, our existing client base has accounted for over 59% of our incremental revenue growth year over year.

FINANCIALLY, the Company is well-positioned for future growth. West has little debt and excellent liquidity. Our ability to generate additional cash for **future growth** is demonstrated by our strong cash flow, where in 1999, earnings before interest, taxes, depreciation and amortization (EBITDA) exceeded $116 million, resulting in a cash balance at year end of almost $62 million.

Because of our diverse client base, our financial strengths and our ability to cross-sell our services, **West is well-positioned** to take advantage of our clients' increased demands — particularly as the e-commerce markets emerge.

Michael A. Micek

MICHAEL A. MICEK
Chief Financial Officer

WTSC
NASDAQ
LISTED

MARKET FOR REGISTRANT'S COMMON STOCK

COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On December 2, 1996, the Company completed the initial public offering (the "Initial Public Offering") of its shares of common stock, par value $0.01 per share (the "Common Shares"). The Common Shares are listed on the NASDAQ National Market under the symbol "WTSC." The following table sets forth, for the periods indicated, the high and low sales prices of the Common Shares as reported on the NASDAQ National Market.

	HIGH	LOW
1997		
First Quarter	$25 1/4	$12
Second Quarter	$16 1/4	$12 3/8
Third Quarter	$16 3/8	$12 1/2
Fourth Quarter	$15 1/8	$10 1/8
1998		
First Quarter	$17 3/8	$11 1/2
Second Quarter	$18 1/4	$11 1/4
Third Quarter	$15 1/4	$9 1/4
Fourth Quarter	$14 1/4	$8 3/8
1999		
First Quarter	$12 1/4	$8 1/2
Second Quarter	$10 5/8	$7 3/8
Third Quarter	$12 5/8	$8 3/8
Fourth Quarter	$25	$11 5/8

As of March 1, 2000, there were 77 holders of record of Common Shares. As of the same date, there were a total of 63,821,365 Common Shares issued and outstanding. No dividends have been declared with respect to the Common Shares since the Initial Public Offering. The Company currently intends to retain earnings to finance the growth and development of its business and for working capital and general corporate purposes, and does not anticipate paying cash dividends on the Common Shares in the foreseeable future. Any payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors.

The following table sets forth, for the periods on and at the dates indicated, selected historical consolidated financial data of West TeleServices Corporation. The selected consolidated historical financial data has been derived from the audited historical consolidated financial statements of the Company. The Company's consolidated financial statements as of December 31, 1999 and 1998, and for the years ended December 31, 1999, 1998 and 1997 and Deloitte & Touche LLP's audit report with respect thereto have been included elsewhere in this Annual Report. The information is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the "Consolidated Financial Statements" and notes thereto included elsewhere in this Annual Report.

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
	(in thousands, except for per share and selected operating data)				
INCOME STATEMENT DATA:					
Revenue	$562,444	$482,823	$398,832	$317,210	$256,894
Cost of services	288,503	256,494	220,858	180,380	146,531
Selling, general and administrative expenses	194,433	152,838	118,878	87,499	70,575
Net operating income	79,508	73,491	59,096	49,331	39,788
Net other income (expense)	850	1,269	1,716	(3,420)	(3,389)
Net income before income tax expense	80,358	74,760	60,812	45,911	36,399
Actual income tax expense	30,604	28,769	23,402	4,213	828
Pro forma information (1):					
Income tax expense	-	-	-	12,950	13,130
NET INCOME	$ 49,754	$ 45,991	$ 37,410	$ 28,748	$ 22,441
EARNINGS PER SHARE:					
Basic	$ 0.79	$ 0.73	$ 0.59	$ 0.52	$ 0.42
Diluted	$ 0.77	$ 0.73	$ 0.59	$ 0.52	$ 0.42
Weighted average number of common shares outstanding:					
Basic	63,330	63,330	63,330	54,891	53,968
Diluted	64,380	63,353	63,346	54,966	53,968
SELECTED OPERATING DATA:					
Operating margin	14.1%	15.2%	14.8%	15.6%	15.5%
Number of workstations (at end of period)	8,364	7,624	5,931	4,440	3,158
Number of ports (at end of period)	33,476	11,160	8,056	5,804	3,870

	DECEMBER 31,				
	1999	1998	1997	1996	1995
BALANCE SHEET DATA:					
Working capital	$104,427	$ 70,699	$ 55,320	$ 46,169	$ 6,550
Property and equipment, net	167,934	144,139	111,710	70,608	45,889
Total assets	408,989	326,139	282,150	238,285	123,452
Total debt	45,196	30,952	21,686	22,523	41,743
Stockholders' equity	291,962	242,208	196,217	158,879	38,229

(1) Reflects a pro forma provision for income taxes as if the Company had been subject to Federal and state corporate income taxes for all periods. The pro forma provision for income taxes represents a combined Federal and state tax rate.

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

The Company conducts its business principally through three wholly owned subsidiaries: Inbound, Interactive and Outbound. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with "Selected Financial Data" and the "Consolidated Financial Statements" and notes thereto appearing elsewhere in this Annual Report.

Certain statements under this caption constitute forward-looking statements, which involve risks and uncertainties. The Company's actual results in the future could differ significantly from the results discussed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the effect on financial performance of increased competition in the teleservices industry, potential future competition, competitive pricing for services, potential future competing technologies and trends, dependence on technology and phone service, dependence on the Company's labor force, reliance on major clients, the success of new product innovations, legal proceedings and government regulation.

OVERVIEW: The Company is a leading provider of teleservices to businesses on an outsourced basis. The Company believes it has established a distinct competitive advantage in its ability to offer a range of services through its three operating divisions (Inbound, Interactive and Outbound) on a fully integrated basis.

REVENUE: Inbound services represented approximately 44.8% of total revenue for the year ended December 31, 1999. Revenue for Inbound services is primarily generated at the time calls are answered by a telemarketing representative based on the number of calls and/or minutes received and processed on behalf of clients. Inbound services also generated revenue from calls transferred to telemarketing representatives from interactive voice response units and by providing assistance to clients in the design and implementation of new applications.

Interactive services represented approximately 23.4% of total revenue for the year ended December 31, 1999. Revenue for Interactive services is primarily generated at the time calls are received or sent by automated voice response units and is billed based on call duration.

Outbound services represented approximately 31.8% of total revenue for the year ended December 31, 1999. Revenue for Outbound services is generated generally on an hourly basis at the time the marketing representatives place calls to consumers on behalf of clients. Outbound services also generated revenue by providing assistance to its clients in the design and programming of customized applications.

EXPENSES: Costs of telecommunications services incurred by the Company are primarily comprised of long distance transmission charges. The Company effectively manages its telecommunications costs through a long-term services contract with AT&T, which includes an established rate schedule subject to certain call volume commitments. As one of AT&T's largest clients, the Company believes it has negotiated a favorable contract at an attractive service rate. The Company has also entered into a number of equipment maintenance and network management contracts with AT&T in order to facilitate reliable and efficient network operations. Rates for telecommunications services are primarily determined by total call volume, level of network management and technical support under contract.

The Company manages its direct labor costs through its flexible staffing and scheduling initiatives. In particular, the Company has developed its own proprietary scheduling systems, which are designed to optimize staffing and pay levels in anticipation of fluctuating call volumes as clients' campaigns are scheduled. The Company seeks to control its direct labor costs by decentralizing its operations and seeking new geographic markets, which offer attractive labor market characteristics for its Inbound and Outbound services. Direct labor rates fluctuate based upon local market factors, such as the size and availability of a part-time workforce in addition to local economic growth. Labor rates are adjusted, as necessary, to attract the required number of service representatives during seasonal fluctuations. During the year ended December 31, 1999, the Company experienced improvement in direct costs as a percentage of revenue due in part to more favorable labor rates realized by entering new local markets.

Selling, general and administrative expenses consist of all expenses that support the ongoing operation of the Company. These expenses include costs related to division management, facilities costs, equipment depreciation and maintenance, amortization of goodwill, allowance for doubtful accounts, sales and marketing activities, client support services, and corporate management costs. Changes in selling, general and administrative expenses primarily reflect the addition of new facilities over certain periods or expanded marketing activities.

Prior to the reorganization in November 1996, Inbound, Interactive and Outbound elected to be treated as "Small Business Corporations" for income tax purposes. Under this election, all income and expense flowed through to the stockholders on a pro rata basis for income tax purposes. Accordingly, no provision for actual income taxes has been provided for during this period except for certain state taxes, which are applicable to "Small Business Corporations." Prior to the closing of the Company's initial public offering and simultaneous to the reorganization, the subsidiary companies terminated their Small Business Corporation status and became subject to Federal and state income taxes.

RESULTS OF OPERATIONS: The following table sets forth the Consolidated Statement of Operations Data as a percentage of revenue for the periods indicated:

	YEAR END DECEMBER 31,		
	1999	**1998**	**1997**
Revenue	100.0%	100.0%	100.0%
Cost of services	51.3	53.1	55.4
Selling, general and administrative expenses	34.6	31.7	29.8
Net operating income	14.1	15.2	14.8
Net other income (expense)	0.2	0.3	0.5
Net income before tax expense	14.3	15.5	15.3
Income tax expense	5.4	6.0	5.9
Net income	8.9%	9.5%	9.4%

YEARS ENDED DECEMBER 31, 1999 AND 1998

REVENUE: Revenue increased $79.6 million or 16.5% to $562.4 million in 1999 from $482.8 million in 1998. The increase in revenue included $32.6 million derived from new clients and $47.0 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 1999, the Company provided service to more than 900 clients. Eighty percent of the Company's total revenue was generated by 46 clients. During 1999, AT&T remained the Company's largest client and accounted for 32% of total revenue, down from 33% in 1998.

COST OF SERVICES: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Costs of services increased $32.0 million or 12.5% for the year ended December 31, 1999 to $288.5 million from $256.5 million for the comparable period of 1998. As a percentage of revenue, cost of services decreased to 51.3% for 1999 compared to 53.1% for 1998. The decreases in direct costs as a percentage of revenues can be attributed to continued favorable labor costs due to the deployment of new facilities in 1999 and the shift in operating activities from interactive teleservices to direct and operator teleservices divisions. Historically, Interactive has a higher cost of services to generate revenue.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"): SG&A expenses increased by $41.6 million or 27.2% to $194.4 million for the year ended December 31, 1999, from $152.8 million in 1998. As a percentage of revenue, SG&A expenses increased to 34.6% for the year ended December 31, 1999, compared to 31.7% in 1998. The increase can be attributed to increased depreciation expense taken on new call centers, SG&A expenses related to 1999 facility site development and the shift in operating activity to operator teleservices. Depreciation for the twelve months ended December 31, 1999 was $35.7 million compared to $25.6 million in 1998. The change in revenue mix accounted for 1.8% of the shift from direct costs of services to SG&A. The remaining 1.1% increase can be explained by 0.7% in increased depreciation and the remaining 0.4% is due to the underutilization of assets in outbound teleservices.

NET OPERATING INCOME: Net operating income increased by $6.0 million or 8.2% to $79.5 million in 1999 from $73.5 million in 1998. For the twelve months ended December 31, 1999, operating income as a percentage of revenue decreased 1.1% to 14.1% from 15.2% for 1998. Operating margins were lower than expected in the second quarter at 12.8%, due to a reduction in billable hours by Outbound’s largest customer, AT&T, but have increased to 14.3% in the fourth quarter.

NET OTHER INCOME (EXPENSE): Net other income (expense) includes interest income from short-term investments, interest income from an accounts receivable financing program (net of the related interest expense to fund the program), interest income from customer notes receivable and interest expense from short-term and long-term borrowings under credit facilities and capital leases. Other income (expense) for the year ended December 31, 1999, totaled $0.9 million compared to $1.3 million for 1998. This decrease was due primarily to an increase in interest expense related to new capital leases.

NET INCOME: Net income increased by $3.8 million or 8.2% for the year ended December 31, 1999, to $49.8 million from net income of $46.0 million in 1998. Net income includes a provision for income tax expense at a combined effective rate of 38.1% and 38.5% for 1999 and 1998 respectively.

YEARS ENDED DECEMBER 31, 1998 AND 1997

REVENUE: Revenue increased $84.0 million or 21.1% to $482.8 million in 1998 from $398.8 million in 1997. The increase in revenue included $19.6 million derived from new clients and $64.4 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 1998, the Company provided service to more than 800 clients. Eighty percent of the Company's total revenue was generated by 41 clients. During 1998, AT&T remained the Company's largest client and accounted for 33% of total revenue.

COST OF SERVICES: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Cost of services increased $35.6 million or 16.1% for the year ended December 31, 1998, to $256.5 million from $220.9 million for the comparable period of 1997. As a percentage of revenue, cost of services decreased to 53.1% for 1998 compared to 55.4% for 1997. The decreases are partially due to the addition of call centers in new markets that had available, cost-effective quality labor. Call center additions in 1998 included Rockford, Illinois; Reno, Nevada; Baton Rouge, Louisiana; Texarkana, Arkansas; Carbondale, Illinois; Lafayette, Louisiana; Ft. Smith, Arkansas; McAllen, Texas and Fayetteville, Arkansas.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"): SG&A expenses increased by $33.9 million or 28.6% to $152.8 million for the year ended December 31, 1998, from $118.9 million in 1997. As a percentage of revenue, SG&A expenses increased to 31.7% for the year ended December 31, 1998, compared to 29.8% in 1997. The increase can be attributed to increased depreciation expense and other costs associated with call center expansion and the shift in the overall service mix from Interactive services to more Outbound and Inbound services. Outbound and Inbound services traditionally have higher SG&A expenses as a percentage of revenue.

NET OPERATING INCOME: Net operating income increased by $14.4 million or 24.4% to $73.5 million in 1998 from $59.1 million in 1997. As a percentage of revenue, net operating income increased slightly to 15.2% for the year ended December 31, 1998, compared to 14.8% in 1997, due to the factors discussed above for Revenue, Cost of Services and SG&A Expenses.

NET OTHER INCOME (EXPENSE): Net other income (expense) includes interest income from short-term investments, interest income from an accounts receivable financing program (net of the related interest expense to fund the program), interest expense from short-term and long-term borrowings under credit facilities and capital leases. Other income (expense) for the year ended December 31, 1998, totaled $1.3 million compared to $1.7 million for 1997.

NET INCOME: Net income increased by $8.6 million or 22.9% for the year ended December 31, 1998, to $46.0 million from $37.4 million in 1997. Net income includes a provision for actual income tax expense at a combined effective rate of 38.5% for 1997 and 1998.

LIQUIDITY AND CAPITAL RESOURCES: The Company's primary source of liquidity has been cash flow from operations, supplemented by proceeds from notes payable, capital leases and borrowings under its revolving bank lines of credit.

The Company has a $25.0 million unsecured revolving credit facility. Advances under the revolving credit facility bear interest at the prime rate less 1.0%. The Company previously had a $20.0 million revolving credit facility, which expired on June 29, 1999. This credit facility was renewed on June 29, 1999 for $25.0 million under substantially the same terms and conditions. There were no borrowings outstanding under this facility at December 31, 1999. The Company's credit facility contains certain financial and other covenants, which were met at December 31, 1999. The renewed credit facility expires on June 28, 2000. The Company believes it could increase the amount of the facility, or renew the facility upon expiration, if needed.

The Company also has a $10.0 million revolving bank line used to fund an accounts receivable financing program offered to certain customers in the pay-per-call industry. Borrowings under the facility are limited to a borrowing base of pledged accounts receivable from certain of the Company's qualified customers, which were assigned by the Company to the bank. Borrowing bear interest at 1.0% below the prime rate (actual rate 7.50% at December 31, 1999). The Company previously had a $15.0 million credit facility, which expired on June 29, 1999. This credit facility was renewed on June 29, 1999 for $10.0 million under substantially the same terms and conditions. There were no borrowings outstanding under this facility as of December 31, 1999. The Company believes it could increase the amount of the facility, or renew the facility upon expiration, if needed.

On April 1, 1999 the Company obtained promissory notes from a bank for $6.0 million to finance the growth in operations. The notes will be paid in 36 monthly installments of $185,000 and bear interest at 6.75%.

Throughout 1999, the Company also purchased $22.0 million of furniture, and telephone and computer equipment financed through notes payable to vendors, and banks and capital leases over three years which bear interest from 6.1% to 8.1%.

Net cash flow from operating activities was $114.2 million for the year ended December 31, 1999, compared to net cash flow from operating activities of $11.9 and $45.1 million for the years ended December 31, 1998 and 1997, respectively. The increase was due principally to decreases in accounts receivable and increases in depreciation, accounts payable and other liabilities and accrued expenses.

Net cash flow used in investing activities was $51.6 million for the year ended December 31, 1999, compared to $43.5 million and $49.6 million, for the comparable periods of 1998 and 1997, respectively. The net cash flow used in investing activities was primarily due to investments in call centers to support the growth of the Company's business and the issuance of notes receivable to specific customers.

Net cash flow used in financing activities was $7.7 million for the year ended December 31, 1999, compared to $1.3 million and $10.8 million, for the comparable periods of 1998 and 1997, respectively. The net cash flow used in financing activities for the year ended December 31, 1999, was due primarily for payments on capital lease obligations. The net cash flow used in financing activities for the year ended December 31, 1998, was due primarily to the repayment of $6.0 million in long-term debt obligations offset partially by $2.7 million in cash borrowings under existing lines of credit and the net change in the accounts receivable financing program. The net cash flow used in financing activities for the year ended December 31, 1997, was used primarily for the repayment of $17.6 million in debt and capital lease obligations offset by $6.8 million in cash received from the accounts receivable financing program.

The Company is subject to lawsuits and claims, which arise out of the normal course of its business. The Company and certain of its subsidiaries are defendants in various litigation matters in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Management believes, except for the items listed in Note H to the notes to the Consolidated Financial Statements, for which management is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

CAPITAL EXPENDITURES: The Company's operations will continue to require significant capital expenditures for capacity expansion and upgrades. Capital expenditures were $60.9 million for the year ended December 31, 1999. Capital expenditures for 1999 consisted primarily of furniture, and telephone and computer equipment purchases. The Company projects its capital expenditures for 2000 to be approximately $40 million to $50 million, primarily for capacity expansion and upgrades at existing facilities, and the addition of two call centers.

The Company believes that the cash flow from operations, together with existing cash and cash equivalents, financing through capital or operating leases, and available borrowings under its credit facilities will be adequate to meet its capital requirements for the foreseeable future. The Company may pledge additional property or assets of the Company or any of its subsidiaries, which are not already pledged as collateral securing existing credit facilities of the Company or any of its affiliates. The Company or any of its affiliates may be required to guarantee any existing or additional credit facilities.

YEAR 2000: The Company's program to address the Year 2000 issue consisted of the following phases: awareness, assessment, remediation, testing and contingency planning. As of December 31, 1999 all phases were completed. The Company did not experience any significant disruption as a result of the Year 2000 issue, but the Company can provide no assurance that disruptions may still not occur due to the Year 2000 issue.

The Company's program was initiated and executed to prevent interruptions in the business due to Year 2000 problems using both internal and external resources to identify and correct problems and to test for readiness. The Company expended $2.1 million for the purchase of new hardware and software. Additionally, $3.8 million was expended for personnel and non-capital expenses. These costs were funded through operating cash flows.

The Company completed its assessment of its Year 2000 risks related to relationships with its critical third-party suppliers and customers. Despite these efforts, the Company can provide no assurance that all of its suppliers' and customers' Year 2000 compliance plans were successfully completed in a timely manner, although it is not currently aware of any problems which would significantly impact its operations.

INFLATION: The Company does not believe that inflation has had a material effect on its results of operations. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Certain statements under this caption constitute forward-looking statements, which involve risks and uncertainties. The Company's actual results in the future could differ significantly from the results discussed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the effect on financial performance of increased competition in the teleservices industry, potential future competition, competitive pricing for services, potential future competing technologies and trends, dependence on technology and phone service, dependence on the Company's labor force, reliance on major clients, the success of new product innovations, legal proceedings and government regulation.

The Company does not use derivative financial and commodity instruments. The Company’s financial instruments include cash and cash equivalents, accounts and notes receivable, accounts and notes payable and long-term obligations. The Company's cash and cash equivalents, accounts and notes receivable, and accounts and notes payable balances are generally short-term in nature, and do not expose the Company to material market risk. The Company has $45.2 million of long-term obligations and $35.0 million of credit facilities with variable interest rates. There were no borrowings outstanding under these credit facilities at December 31, 1999. Management does not believe that changes in future interest rates on these fixed and variable rate long-term obligations, and credit facilities would have a material effect on the Company's results of operations given the Company's currently existing obligations under such long-term obligations and credit facilities.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
West TeleServices Corporation
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of West TeleServices Corporation and subsidiaries (the Company) as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of West TeleServices Corporation and subsidiaries as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP

Omaha, Nebraska
February 1, 2000

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of West TeleServices Corporation and subsidiaries and the other financial information contained in the Annual Report were prepared by and are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on management's best estimates and judgements.

In fulfilling its responsibilities, management relies on a system of internal controls which provide reasonable assurance that the financial records are reliable for preparing financial statements and for maintaining accountability of assets. These systems are augmented by written policies, careful selection and training of qualified personnel, an organizational structure providing division of responsibilities and a program of financial, operational and systems audits. The company also maintains and emphasizes a business ethics policy which encourages employees to maintain high ethical standards in the conduct of company business.

The audit committee of the board of directors is responsible for recommending to the board, subject to stockholder approval, the independent certified public accounting firm to be retained each year. The audit committee meets periodically with independent certified public accountants and management to review performance. The independent certified public accountants and the audit committee have unrestricted access to each other in the discharge of their responsibilities.

Thomas B. Barker

THOMAS B. BARKER
President and Chief Executive Officer

Michael A. Micek

MICHAEL A. MICEK
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

(amounts in thousands except per share amounts)

	DECEMBER 31, 1999	DECEMBER 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$61,865	$ 6,928
Accounts receivable,		
net of allowance for doubtful accounts of $4,717 and $1,870	88,056	98,300
Notes receivable	18,604	3,462
Accounts receivable - financing	267	2,637
Other	16,348	14,798
Total current assets	185,140	126,125
PROPERTY AND EQUIPMENT		
Land and improvements	5,355	5,183
Buildings	29,908	27,746
Telephone and computer equipment	164,691	124,950
Office furniture and equipment	30,748	25,982
Leasehold improvements	41,372	34,703
Construction in process	6,731	7,117
Total property and equipment	278,805	225,681
Accumulated depreciation and amortization	(110,871)	(81,542)
Total property and equipment, net	167,934	144,139
GOODWILL, net of accumulated amortization of $5,222 and $3,537	45,311	46,996
NOTES RECEIVABLE AND OTHER ASSETS	10,604	8,879
TOTAL ASSETS	$408,989	$326,139
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable - bank	$ –	$ 2,000
Notes payable - financing	–	344
Accounts payable	33,745	12,857
Customer deposits and holdbacks	9,273	13,476
Accrued wages and benefits	7,411	5,305
Accrued phone expense	5,245	9,052
Other current liabilities	10,157	4,146
Current maturities of long-term obligations	14,882	8,246
TOTAL CURRENT LIABILITIES	80,713	55,426
Long-term obligations, less current maturities	30,314	22,706
Deferred income taxes	6,000	5,799
Commitments and contingencies (Note H)	–	–
STOCKHOLDERS' EQUITY		
Preferred stock $0.01 par value, 10,000 shares authorized,		
no shares issued and outstanding	–	–
Common stock $0.01 par value, 200,000 shares authorized,		
63,330 shares issued and outstanding	633	633
Additional paid-in capital	157,647	157,647
Retained earnings	133,682	83,928
TOTAL STOCKHOLDERS' EQUITY	291,962	242,208
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$408,989	$326,139

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands except per share amounts)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
REVENUE	$562,444	$482,823	$398,832
COST OF SERVICES	288,503	256,494	220,858
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	194,433	152,838	118,878
NET OPERATING INCOME	79,508	73,491	59,096
OTHER INCOME (EXPENSE):			
Interest income	3,596	3,762	3,240
Interest expense - including interest expense - financing of $490, $772 and $320	(3,373)	(1,627)	(1,049)
Other net	627	(866)	(475)
Net other income (expense)	850	1,269	1,716
INCOME BEFORE INCOME TAX EXPENSE	80,358	74,760	60,812
INCOME TAX EXPENSE:			
Current income tax expense	31,476	27,340	22,392
Deferred income tax expense	(872)	1,429	1,010
Income tax expense	30,604	28,769	23,402
NET INCOME	$ 49,754	$ 45,991	$ 37,410
EARNINGS PER COMMON SHARE:			
Basic	$ 0.79	$ 0.73	$ 0.59
Diluted	$ 0.77	$ 0.73	$ 0.59
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic common shares	63,330	63,330	63,330
Dilutive impact of potential common shares from stock options	1,050	23	16
Diluted common shares	64,380	63,353	63,346

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(amounts in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Total Stockholders' Equity
BALANCE, January 1, 1997	$ 633	$157,719	$ 527	$158,879
Stock registration costs	–	(72)	–	(72)
Net income	–	–	37,410	37,410
BALANCE, December 31, 1997	633	157,647	37,937	196,217
Net income	–	–	45,991	45,991
BALANCE, December 31, 1998	633	157,647	83,928	242,208
Net income	–	–	49,754	49,754
BALANCE, December 31, 1999	$ 633	$157,647	$133,682	$291,962

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(amounts in thousands)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 49,754	$ 45,991	$ 37,410
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	37,343	27,284	20,635
(Gain) loss on sale of equipment	170	58	238
Deferred income tax expense	(872)	1,429	1,010
Changes in operating assets and liabilities:			
Accounts receivable	8,244	(36,699)	(19,457)
Other assets and vendor receivables	(1,610)	(11,139)	(209)
Accounts payable	20,888	(6,091)	(4,323)
Other current liabilities and accrued expenses	3,200	(637)	2,487
Income tax payable	1,307	706	(2,472)
Customer deposits and holdbacks	(4,203)	(8,999)	9,813
Net cash flows from operating activities	114,221	11,903	45,132
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(38,953)	(44,551)	(43,852)
Proceeds from disposal of property and equipment	1,285	1,684	287
Issuance of notes receivable	(15,401)	(6,990)	(7,442)
Proceeds from payments of notes receivable	1,471	6,338	1,430
Net cash flows from investing activities	(51,598)	(43,519)	(49,577)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	6,000	-	-
Payments of long-term obligations	(13,712)	(5,954)	(17,562)
Net change in line of credit agreement	(2,000)	2,000	-
Net change in accounts receivable financing and notes payable financing	2,026	2,678	6,834
Payments for stock registration costs	-	-	(72)
Net cash flows from financing activities	(7,686)	(1,276)	(10,800)
NET CHANGE IN CASH AND CASH EQUIVALENTS	54,937	(32,892)	(15,245)
CASH AND CASH EQUIVALENTS, Beginning of period	6,928	39,820	55,065
CASH AND CASH EQUIVALENTS, End of period	$ 61,865	$ 6,928	$ 39,820
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 3,092	$ 1,627	$ 1,381
Cash paid during the period for income taxes	$ 29,842	$ 26,366	$ 24,877
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:			
Acquisition of property through assumption of long-term obligations	$ 21,956	$ 15,220	$ 16,725
Reduction of accounts receivable through issuance of notes receivable	$ 2,000	$ 2,724	$ 1,114

The accompanying notes are an integral part of these financial statements.

YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(amounts in thousands except per share amounts)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION - West TeleServices Corporation (WTSC) and its direct and indirect subsidiaries (West Telemarketing Corporation [WTC], West Interactive Corporation [WIC], West Telemarketing Corporation Outbound [WTCO], Interactive Billing Services, Inc. [IBS] and West Interactive Canada, Inc. [WICI]) (the "Company") provide a full range of customized telecommunications-based services to business clients on an outsourced basis. The Company is a leading provider of inbound operator services, automated voice response services and outbound direct teleservices through its call centers located throughout the United States. The Company's inbound operator services ("Inbound") consist of live operator call-processing applications such as order capture, customer service and product support. The Company's automated voice response services ("Interactive") consist of computerized call-processing applications, such as automated product information requests, pre-paid calling card services and secure automated credit card activation. The Company's outbound direct teleservices ("Outbound") consist of live operator direct marketing applications, such as product sales, customer acquisition and retention campaigns. The Company has developed proprietary technology platforms designed to provide a high degree of automation and reliability in all three of its businesses.

The Company targets businesses in highly competitive, consumer-based industries, including telecommunications, insurance, banking, pharmaceuticals, public utilities, consumer goods and computer software services, that require large volume applications.

BASIS OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION - Inbound revenue is recognized at the time calls are answered by a telemarketing representative based on the number of calls and/or minutes received and processed on behalf of clients. Interactive revenue is recognized at the time calls are received or sent by automated voice response units and is billed based on call duration. Outbound revenue is generally recognized on an hourly rate basis at the time the telemarketing representatives place calls to consumers on behalf of its clients. The customer is obligated to pay for these services when these activities have been performed. Both Inbound and Outbound also generate revenue by providing assistance to their clients in the design and programming of customized applications which are generally recognized on a hourly basis at the time the services are provided.

COST OF SERVICES - Cost of services includes labor, telephone and other expenses directly related to teleservices activities.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES - Selling, general and administrative expenses consist of all expenses that support the ongoing operation of the Company. These expenses include costs related to division management, facilities costs, equipment depreciation and maintenance, amortization of goodwill, allowance for doubtful accounts, sales and marketing activities, client support services and corporate management costs.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Company considers short-term investments with maturities of three months or less at acquisition to be cash equivalents.

FINANCIAL INSTRUMENTS - Cash and cash equivalents, accounts receivable and accounts payable are short-term in nature and the net values at which they are recorded are considered to be reasonable estimates of their fair values. The carrying values of notes payable and long-term obligations are deemed to be reasonable estimates of their fair values. Interest rates that are currently available to the Company for the reissuance of debt with similar terms and remaining maturities are used to estimate fair values of the notes payable and long-term obligations.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Depreciation expense is based on the estimated useful lives of the assets and is calculated on the straight-line method. The Company's buildings have estimated useful lives of 31.5 years and the majority of the other assets have estimated useful lives of five years.

GOODWILL - Goodwill represents the excess of the value of Company stock received by minority shareholders upon their exchange of stock in WTC and WTCO over the book value of this stock. Goodwill is being amortized over 30 years. Recoverability of these assets is evaluated periodically based on management's estimate of future undiscounted operating income for each respective component of goodwill.

CUSTOMER DEPOSITS AND HOLDBACKS - The Company obtains directly from the billing and collection agent, revenue generated from its Interactive customers' programs. The Company retains a specified amount of the revenue and remits the remainder to its customers. The retained amount is based upon the collection history of the customer's program success and is necessary to allow for potential adjustments which may be filed within one year of the actual transactions.

The Company obtains security deposits from certain customers, which are refunded to the customers when the Company discontinues service to the customers' programs.

INCOME TAXES - The Company and its wholly owned subsidiaries file a consolidated income tax return. The Company uses an asset and liability approach for the financial reporting of income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Deferred income taxes arise from temporary differences between financial and tax reporting.

EARNINGS PER COMMON SHARE - Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in issuance of common stock that then shared in the earnings of the entity.

PREFERRED STOCK - The Board of Directors of the Company has the authority, without any further vote or action by the stockholders, to provide for the issuance of up to ten million shares of preferred stock from time to time in one or more series with such designations, rights, preferences and limitations as the Board of Directors may determine, including the consideration received therefore. The Board also has the authority to determine the number of shares comprising each series, dividend rates, redemption provisions, liquidation preferences, sinking fund provisions, conversion rights and voting rights without approval by the holders of common stock.

RECLASSIFICATIONS - Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

B. ACCOUNTS RECEIVABLE FINANCING PROGRAM

The Company maintains a line of credit with three participating banks in the amount of $10,000. Outstanding borrowings totaled $ -0- and $344 at December 31, 1999 and 1998, respectively. Borrowings bear interest at 1.0% below the prime rate (actual rate 7.50% at December 31, 1999) to fund customer advances. Substantially all current assets of WIC are pledged as collateral on the line of credit, which expires June 28, 2000. The Company had advances to Interactive customers through their accounts receivable financing programs aggregating $267 and $2,637 at December 31, 1999 and 1998, respectively. Under terms of the programs, advances are collateralized by the customer's accounts receivable from unrelated national billing services. The Company charges interest at the prime rate plus 3.0% (actual rate 11.50% at December 31, 1999).

C. LONG-TERM OBLIGATIONS AND CREDIT ARRANGEMENTS

The Company has a $25,000 unsecured revolving credit facility. Advances under the revolving credit facility bear interest at the prime rate less 1.0% (actual rate 7.50% at December 31, 1999). The revolving credit facility expires on June 28, 2000. Outstanding borrowings under the revolving credit facility totaled $ -0- and $2000 at December 31, 1999 and 1998, respectively. The Company's credit facility contains certain financial and other covenants which contain current ratio and tangible net worth requirements and limitations on indebtedness, among others. The financial covenants were met at December 31, 1999.

LONG-TERM OBLIGATIONS CONSIST OF THE FOLLOWING:

	DECEMBER 31,	
	1999	1998
Mortgage note payable to bank, due in monthly installments of $102 including interest at 7.63% with a balloon payment at maturity at February 1, 2003	$11,977	$12,271
Notes payable to vendor, due in monthly installments of $215 including interest from 3.54% to 5.40% maturing from March 30, 2000 to January 1, 2002	3,098	4,412
Notes payable to bank, due in monthly installments of $176 including interest at 6.20% maturing October 28, 2001	3,802	5,758
Notes payable to bank, due in monthly installments of $185 including interest at 6.75% maturing April 1, 2002	4,780	–
Capital lease obligations (See Note D)	21,539	8,511
	45,196	30,952
LESS CURRENT MATURITIES:		
Debt	5,771	4,305
Capital lease obligations (See Note D)	9,111	3,941
Current maturities of long-term obligations	$14,882	$ 8,246

Substantially all assets of the Company and its direct and indirect subsidiaries are pledged as collateral on their debt. The agreements contain restrictive covenants, which, among other things, require the maintenance of certain ratios and minimum tangible net worth, as defined in the agreements.

Scheduled maturities on long-term debt excluding capital lease obligations described in Note D, are as follows:

2000	$ 5,771
2001	5,718
2002	1,221
2003	10,947

D. LEASES

The Company leases certain land, buildings and equipment under operating and capital leases, which expire at varying dates through September 2007. Rent expense on operating leases was $4,595, $4,190 and $2,666 for the years ended December 31, 1999, 1998 and 1997, respectively, exclusive of related party lease expense as discussed in Note E. On all real estate leases, the Company pays real estate taxes, insurance and maintenance associated with the leased sites. Certain of the leases offer extension options ranging from month-to-month to five years. All of the capital leases call for transfer of ownership or contain bargain purchase options at the end of the lease term. Amortization of assets purchased through capital lease agreements is included in depreciation expense.

	DECEMBER 31, 1999	1998
ASSETS UNDER CAPITAL LEASES CONSIST OF:		
Telephone and computer equipment	$24,490	$17,012
Office furniture and equipment	2,361	4,097
Lease/building improvements	633	633
TOTAL COST	27,484	21,742
Accumulated depreciation	(6,621)	(5,463)
NET BOOK VALUE	$20,863	$16,279

Future minimum payments under non-cancelable operating and capital leases with initial or remaining terms of one year or more, minimum future lease payments and present value of the net minimum lease payments are as presented below exclusive of related party leases as discussed in Note E:

YEAR ENDING DECEMBER 31:	Operating Leases	Capital Leases
2000	$ 6,751	$10,339
2001	5,915	10,084
2002	5,515	3,032
2003	4,965	-
2004	3,077	-
2005 and thereafter	3,010	-
TOTAL MINIMUM OBLIGATIONS	$29,233	23,455
Less interest at 6.10% to 8.10%		1,916
Present value of net minimum lease payments		21,539
Less current portion		9,111
		$12,428

E. RELATED PARTY TRANSACTIONS

The Company leases certain office space owned by a partnership whose partners are majority stockholders of the Company. The lease expires August 31, 2004, and is accounted for as an operating lease. Required lease payments are as follows:

YEAR ENDING DECEMBER 31,	
2000	$ 869
2001	921
2002	976
2003	1,035
2004	717

Lease expense was $820, $773 and $730 for the years December 31, 1999, 1998 and 1997 respectively.

F. INCOME TAXES

COMPONENTS OF THE ACTUAL INCOME TAX EXPENSE ARE AS FOLLOWS:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
CURRENT INCOME TAX EXPENSE:			
Federal	$29,582	$24,450	$20,417
State	1,894	2,890	1,975
	31,476	27,340	22,392
DEFERRED INCOME TAX EXPENSE:			
Federal	(687)	1,088	966
State	(185)	341	44
	(872)	1,429	1,010
	$30,604	$28,769	$23,402

A RECONCILIATION OF INCOME TAX COMPUTED AT STATUTORY TAX RATES COMPARED TO EFFECTIVE INCOME TAX RATES IS AS FOLLOWS:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Statutory rate	35.0%	35.0%	35.0%
State income tax effect	2.5%	2.3%	1.6%
Other	0.6%	1.2%	1.9%
	38.1%	38.5%	38.5%

Significant temporary differences between reported financial and taxable earnings that give rise to deferred tax assets and liabilities are as follows:

	DECEMBER 31,		
	1999	1998	1997
DEFERRED TAX ASSETS:			
Allowance for doubtful accounts	$1,792	$ 720	$ 162
DEFERRED TAX LIABILITIES:			
Depreciation	6,000	5,799	3,684
NET DEFERRED TAX LIABILITY	$4,208	$5,079	$3,522

G. EMPLOYEE BENEFITS AND INCENTIVE PLANS

The Company has a 401(k) plan, which covers substantially all employees. Under the plan, the Company will match 50% of employee contributions up to 14% of their gross salary. The Company matching contributions are 100% vested after the employee has attained five years of service. Total contributions under the plan were $2,841, $1,208 and $816 for the years ended December 31, 1999, 1998 and 1997, respectively.

The Company's 1996 Stock Incentive Plan (the "Plan") authorized granting to officers and directors the right to purchase shares of Common Stock of the Company (Common Shares) at the fair market value determined on the date of grant. Options generally vest over a three to seven year period and expire ten years after grant date. Options to purchase a maximum of 9,499,500 Common Shares may be granted under the Plan.

During May 1997, the Company amended the options granted during November 1996. The options to purchase the 3,601,000 Common Shares at $18.00 were surrendered by option holders in June of 1997 and new options to purchase 4,707,400 Common Shares at $15.625 were issued. Ten percent of the options granted to employees vest on the first and second anniversaries of the grant date. An additional fifteen percent of the options granted to employees vest on each of the third, fourth, fifth and sixth anniversaries of the grant date. The final twenty percent of the options granted to employees vest on the seventh anniversary of the grant date. All options expire ten years after the date of the grant.

During December 1998, the Company amended all outstanding options granted. The options to purchase the Common Shares at prices ranging from $15.625 to $17.75 were surrendered by option holders in December of 1998 and replacement options of 5,185,700 Common Shares with an exercise price, equal to the current market price of $9.6875 were issued, including replacement options of 44,000 Common Shares held by non-employee directors. All replacement options retain their original vesting schedules but are subject to a 382-day period in which exercises are prohibited. During December 1998, additional options to purchase 1,810,000 Common Shares at $9.6875 were issued. Twenty-five percent of the additional options vest on the first, second, third and fourth anniversaries of January 1, 1999. All options expire ten years after the date of the grant. No options were exercisable at December 31, 1999, 1998 and 1997.

The following table presents the activity of the stock options for each of the fiscal years ended December 31, 1999, 1998 and 1997 and the stock options outstanding at the end of the respective fiscal years.

	Stock Option Shares	Weighted Average Exercise Price	Aggregate Amount
OUTSTANDING AT JANUARY 1, 1997	3,601,000	$18.0000	$64,818
Surrendered and replaced by plan amendment	(3,601,000)	18.0000	(64,818)
Granted	4,735,400	15.6375	74,050
Canceled	(177,100)	15.6250	(2,767)
OUTSTANDING AT DECEMBER 31, 1997	4,558,300	15.6381	71,283
Granted	7,760,800	10.2726	79,724
Surrendered and replaced by plan amendment	(5,185,700)	15.6361	(81,084)
Canceled	(137,700)	15.6250	(2,152)
OUTSTANDING AT DECEMBER 31, 1998	6,995,700	9.6875	67,771
Granted	515,000	10.7693	5,546
Canceled	(499,300)	9.7443	(4,865)
OUTSTANDING AT DECEMBER 31, 1999	7,011,400	$ 9.7634	$68,452
SHARES AVAILABLE FOR FUTURE GRANTS AT DECEMBER 31, 1999	2,488,100		

The following table summarizes information about the Company's stock options outstanding at December 31, 1999:

Exercise Price	Stock Option Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$ 8.0000	8,000	9.36	$ 8.0000
9.6875	6,521,400	8.95	9.6875
10.8130	482,000	9.58	10.8130
	7,011,400	9.00	$ 9.7634

During May 1997, the Company and its stockholders adopted the 1997 Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Stock Purchase Plan provides employees an opportunity to purchase Common Shares through annual offerings to be made during the five-year period commencing July 1, 1997. Each employee participating in any offering is granted an option to purchase as many full or fractional Common Shares as the participating employee may elect so long as the purchase price for such Common Shares does not exceed 10% of the compensation received by such employee from the Company during the annual offering period or 1,000 Common Shares. The purchase price is to be paid through payroll deductions. The purchase price for each Common Share is equal to 100% of the fair market value of the Common Share on the date of the grant, determined by the average of the high and low NASDAQ National Market quoted market price ($9.50 at July 1, 1999). On the last day of the offering period, the option to purchase Common Shares becomes exercisable. If at the end of the offering the fair market value of the Common Shares is less than 100% of the fair market value at the date of grant, then the options will not be deemed exercised and the payroll deductions made with respect to the options will be applied to the next offering unless the employee elects to have the payroll deductions withdrawn from the Stock Purchase Plan. The maximum number of Common Shares available for sale under the Stock Purchase Plan is 2,000,000 shares. No options were exercisable at December 31, 1999 and 1998.

The Company accounts for its stock-based compensation plans under the provisions of Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees*, which utilizes the intrinsic value method. As a result of the exercise price being equal to the market price at the date of grant, the Company recognized no compensation expense for the years ended December 31, 1999, 1998 and 1997.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting periods. Had the Company's stock option and stock purchase plan been accounted for under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, 1999, 1998 and 1997 net income and earnings per share would have been reduced to the following pro forma amounts:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
NET INCOME:			
As reported	$49,754	$45,991	$37,410
Pro forma	$41,782	$39,885	$31,751
EARNINGS PER COMMON SHARE:			
Basic as reported	$ 0.79	$ 0.73	$ 0.59
Diluted as reported	$ 0.77	$ 0.73	$ 0.59
Pro forma basic	$ 0.66	$ 0.63	$ 0.50
Pro forma diluted	$ 0.65	$ 0.63	$ 0.50

The weighted average fair value per share of options granted in 1999, 1998 and 1997 was $6.80, $3.45 and $7.65, respectively. The fair value for options granted under the above described plans were estimated at the date of grant using the Black Scholes pricing model with the following assumptions:

	1999	1998	1997
Risk-free interest rate	5.3%	4.7%	6.5%
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	60.0%	55.0%	45.0%
Expected life (years)	4.1	4.1	5.4

H. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to lawsuits and claims which arise out of its operations in the normal course of its business. The Company and certain of its subsidiaries are defendants in various litigation matters in the ordinary course of business, some of which involve claims for damages that are substantial in amount. The Company believes, except for the items discussed below for which the Company is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

Richard Carney, et al. v. West Teleservices, Inc., West Telemarketing Corporation, West Telemarketing Corporation Outbound, West Telemarketing Insurance Agency, Inc., Hal Morris, Matt Mazzarella and John Erwin (Cause No. 97-CI-15780) was filed on October 31, 1997, in the 131st Judicial District Court of Bexar County, Texas. Plaintiffs seek certification of a class consisting of all hourly employees of the Company, Inbound, Outbound, and West Telemarketing Insurance Agency, Inc. Plaintiffs allege that they were not paid for all compensable work performed by them during their employment. Plaintiffs seek recovery under the theories of quantum meruit, common law fraud, common law debt, conversion and civil theft. The Court conducted hearings on West's motion for summary judgment and Plaintiff's class certification motion on November 8, 1999. No ruling has yet been issued.

Outbound is a defendant in a case filed on July 28, 1997, entitled *Schurman, Bowers, et al., individually and on behalf of a class of all other persons similarly situated v. Horry Telephone Cooperative, Inc.; AT&T Corp.; AT&T Communications, Inc.; AT&T Communications of the Southern States, Inc.; and West Telemarketing Outbound Corporation,* pending in the United States District Court for the District of South Carolina (Civil Action No. 4:97-2635-12). Outbound is also named as a defendant in a Fourth Amended Complaint filed on October 26, 1998, in the case of *Chris Bone, et al., individually and as class representatives, vs. Horry Telephone Cooperative, Inc.; AT&T Corp.; AT&T Communications, Inc.; AT&T Communications of Southern States, Inc.; and West Telemarketing Outbound Corporation,* which is also pending in United States District Court for the District of South Carolina (Civil Action No. 4:96-3527-22). Plaintiffs in both cases allege claims of negligent misrepresentation, fraud, breach of contract and statutory violations in connection with offers by AT&T of rate programs and long distance services which were allegedly either unavailable or not provided to plaintiffs. Outbound provided telemarketing services to AT&T in connection with AT&T's marketing of its programs and services. Plaintiffs seek monetary damages, punitive damages, attorney's fees, costs and injunctive relief. No class has been certified in either case. The federal judge to whom both cases are assigned has consolidated the cases and referred all issues in both cases to the FCC. The judge also stayed both cases pending the outcome of the FCC referral.

Glenn K. Jackson and Elsie Jackson v. West Telemarketing Corporation Outbound and Does 1 through 100, inclusive, was filed in the United States District Court for the Central District of California (No. CV-97-8281 TJH (AIJx)), on August 12, 1997, and transferred to the United States District Court for the Northern District of Texas, Dallas Division, where it is pending (Civil Action No. 3:98-CV-0960-H). The complaint contains several causes of action, all of which deal with the purchase by Outbound of two pieces of property from the Resolution Trust Corporation ("RTC") during 1993 and 1994. The plaintiffs contend that they also bid on the property, that Outbound learned the amount of their bid, used that information to out-bid them and, ultimately, purchase the property. The complaint seeks general damages, special damages, equitable injunctive and restitutionary relief, including restitution of the property involved, punitive damages, attorneys' fees, and litigation costs. Pre-trial discovery, including discovery on plaintiffs' damage claims and theories, actively began in the second quarter of 1999. Outbound filed preliminary motions for summary judgment on August 16, 1999. The court assigned all preliminary matters to a U.S. magistrate who heard all pending motions, except the motion for summary judgment, on September 24, 1999. The Court denied Outbound's motion requesting plaintiffs be required to join RTC, Old Stone Bank and a bank employee as defendants and dismissed, without prejudice, all of plaintiff's motions related to discovery issues. On November 19, 1999, the U.S. magistrate granted West's motion for summary judgment in full. On December 9, 1999, the plaintiffs appealed to the Fifth Circuit the summary judgment granted West by the United States District Court for the Northern District of Texas, Dallas Division. The briefing schedule has not yet been set.

I. SIGNIFICANT CUSTOMERS AND SERVICE LINES

For the years ended December 31, 1999, through December 31, 1997, the Company had 41 to 47 major customers who accounted for approximately 80% of total revenues. The Company had one customer who accounted for 32% of total revenue for the year ended December 31, 1999 and 33% of total revenue for the year ended December 31, 1998, and two customers accounted for 25% and 12% for the year ended December 31, 1997.

The following is revenue by service lines for years ending December 31, 1999, 1998 and 1997:

	FOR THE YEAR ENDING DECEMBER 31,		
	1999	1998	1997
Inbound	$251,663	$186,454	$130,469
Interactive	131,720	122,601	138,874
Outbound	179,061	173,768	129,489
TOTAL REVENUE	$562,444	$482,823	$398,832

J. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is the summary of the quarterly results of operations for the two years ended December 31:

	THREE MONTHS ENDED			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
REVENUE	$137,992	$138,085	$143,071	$143,295
Net operating income	21,802	17,612	19,650	20,444
Net income before income taxes	22,180	17,935	19,778	20,464
Net income	13,909	11,066	12,160	12,619
EARNINGS PER COMMON SHARE:				
Basic	$ 0.22	$ 0.17	$ 0.19	$ 0.20
Diluted	$ 0.22	$ 0.17	$ 0.19	$ 0.19

	THREE MONTHS ENDED			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
REVENUE	$116,075	$118,004	$123,294	$125,450
Net operating income	19,985	17,570	18,013	17,923
Net income before income taxes	20,223	17,916	18,438	18,183
Net income	12,412	11,016	11,355	11,208
EARNINGS PER COMMON SHARE:				
Basic	$ 0.20	$ 0.17	$ 0.18	$ 0.18
Diluted	$ 0.20	$ 0.17	$ 0.18	$ 0.18

CORPORATE HEADQUARTERS:

West TeleServices Corporation
11808 Miracle Hills Drive
Omaha, NE 68154
1-402-963-1500

CERTIFIED PUBLIC ACCOUNTANTS:

Deloitte & Touche LLP
2000 First National Center
Omaha, NE 68102

LEGAL COUNSEL:

Erickson & Sederstrom, P.C.
10330 Regency Parkway Drive
Omaha, NE 68114

STOCK TRANSFER AGENT AND REGISTRAR:

First Chicago Trust Company, a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07310

STOCKHOLDER RELATIONS:

West maintains an investor relations program to keep present and potential investors informed about the company. Comments and inquiries can be directed to Carol A. Padon, Vice President – Investor Relations at 1-402-963-1500 or www.west.com.

ANNUAL MEETING:

The West TeleServices Corporation Annual Meeting of Stockholders will be held at 9:00 a.m. (C.S.T.), Wednesday, May 10, 2000, at the Omaha Marriott Hotel, 10220 Regency Circle, Omaha, NE.

STOCK LISTING:

West common stock is traded on the NASDAQ National Market under the symbol WTSC.

AVAILABILITY OF 10-K REPORT:

Stockholders may obtain, without charge, a copy of the Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission. Contact Carol A. Padon, Vice President – Investor Relations at the corporate headquarters.

BOARD OF DIRECTORS

BOARD OF DIRECTORS:
(L to R)

Troy L. Eaden
Co-Chairman of the Board, Compensation Committee Member

Gary L. West
Co-Chairman of the Board, Compensation Committee Member

Mary E. West
Vice Chair of the Board, Secretary

Greg T. Sloma
President & Chief Operating Officer – Data Transmission Network Corp., Compensation Committee Member, Audit Committee Member

Thomas B. Barker
President, Chief Executive Officer

William E. Fisher
Chairman – Transaction Systems Architects, Inc., Compensation Committee Member, Audit Committee Member

1999

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