West Corporation : 2000 Annual Report

West provides customer relationship management solutions to some of the best known companies in the world. These companies and others trust West to help them manage their most important **relationships** – the ones they have with their customers.

Our commitment to operational excellence, our ability to provide a wide range of **world-class solutions**, and our dedication to teamwork make West the premier brand for companies that will not settle for less. We also invest in **best-in-class technology** to support our clients' transactions no matter where they take place, over the telephone or the Internet.

With a team of more than **25,000** service professionals, 780 of whom are dedicated to keeping our technology infrastructure up and running, we deliver services around the clock and around the world.

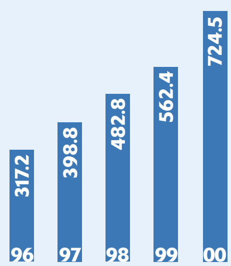
West's dedicated employees are pictured throughout this annual report. Those featured on the front and back cover are as follows: **BACK COVER (L to R): Mark J. Pettay,** Vice President, Information Services; **Mary E. Converse,** Director, Accounting/Controller – San Antonio; **Craig A. Webster,** Vice President, Systems Development

FRONT COVER (L to R): Melinda M. Boles, Vice President, Training; **Donald Lawson,** Director, Operator Teleservices Site Operation – Hampton; **Patricia M. Wiese,** Director, Corporate Communications; **Carol A. Padon,** Vice President, Investor and Public Relations; **Joseph D. Klein,** Director, Corporate Systems and Technology

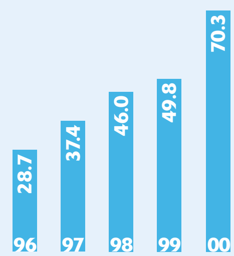
Managing customer relationships

PICTURED ABOVE: Approximately 5,000 dedicated service professionals are located at West's San Antonio Contact Center.

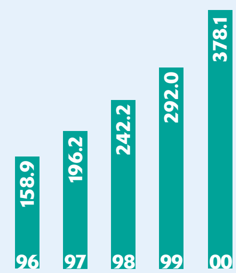
FINANCIAL HIGHLIGHTS



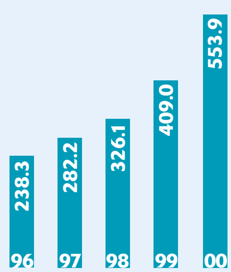
revenue [in millions]



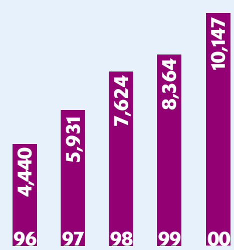
net income [in millions]



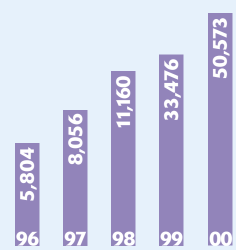
equity [in millions]



assets [in millions]



number of workstations



number of ports

CONTENTS:

We are West – a new name that preserves the high quality associated with our brand and reflects the continuous evolution of the integrated customer care solutions we provide for our clients. We selected this name to emphasize all of the services we provide. We help some of the world's largest premium brand companies acquire, retain and grow their customer relationships.

2000 was an exceptional year for West. Our performance is a reflection of being successful in our clients' eyes and delivering results that contribute to their aggressive growth initiatives. By listening to our clients and working to exceed their expectations every day, we continue to profitably grow this company. During the year, over 85% of our growth came from existing clients. Our clients require a complex blend of technology, human resources,

Letter from

and communication services to address the needs and demands of their customers. Our clients benefited from our end-to-end **integrated** solution set. More than 60% of the company's revenue was derived from our clients utilizing more than one of our services throughout the year.

Our goal last year was to grow the company's revenue by approximately $100 million. We exceeded even our own internal expectations and grew revenues by over $160 million for a total of $724.5 million in revenue for the year, a 28.8% increase over 1999's revenue. We were able to grow this company aggressively while still maintaining the highest profit margins in our industry. Our original goal was to increase the company's net income by almost $11 million. Net income for the year increased by $20.5 million to $70.3 million, an increase of 41.2% over 1999.

Increasing demand for our services leads us to further **expansion** of personnel and facilities. In 2000, we began processing transactions in new customer contact centers in Pennsylvania, Alabama, Oklahoma, and India. Our strategic initiative in India is designed to help West and its clients benefit from India's highly educated and articulate workforce. These types of investments are expected to continue into the future to accommodate the aggressive profitable growth that we anticipate. While the trend towards outsourcing continues to drive additional transactions to West, our growth could not be achieved without the strong contributions of our talented **team** of professionals, our blue chip clients with aggressive plans for growth, and our ability to cross-sell our services. These are important drivers that give us confidence in our ability to continue to grow this company profitably.

One of our strongest competitive advantages is our ability to **cross-sell** our services and provide an integrated solution to our clients. The more successful we are in this endeavor, the more difficult it is to identify distinct revenue streams among our traditional divisions of Inbound, Outbound and Interactive. Beginning in the first quarter of 2001, we will report earnings on a consolidated basis in support of our goal to drive revenue per workstation, while focusing on increasing utilization of assets across all divisions.

the CEO

I believe consolidated reporting keeps the focus where it belongs – on our corporation's **growth** and profitability.

West's success is dependent upon our ability to understand our clients' businesses and the challenges they face. We have included a few case studies in this report which are representative of the many outstanding **partnerships** that exist between West and our clients.

I am proud to thank each and every employee of West for his or her dedicated efforts, which resulted in a truly outstanding year. I want to thank our clients for their continued belief in our ability to manage their customer relationships successfully. Let me also extend my gratitude to our shareholders for their continued support.

We take pride in reflecting upon an exceptional year in 2000 and look forward to forging even stronger partnerships to ensure our growth in the future.

Thomas B. Barker

Thomas B. Barker
President and Chief Executive Officer

West enters the new century with no technology glitches as computer clocks around the world shift from 1999 to 2000.

West begins a series of new contact center openings in **Erie**, PA, **Oklahoma City**, OK, **Huntsville**, AL, and **Mumbai**, India. West currently operates 28 state-of-the-art contact centers and seven interactive automated voice and data processing centers across North America and in India.

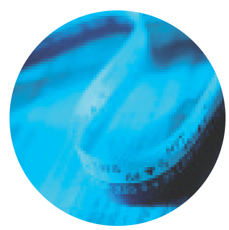
2000 at

YEAR ENDING DECEMBER 1999

$562.4 revenue [millions]

$ 49.8 net income [millions]

West launches **West iCare**, a comprehensive portfolio of services that allows consumers to select online options, such as chat, voice over IP, call-back, e-mail or fax.



Customer Interactions Solutions magazine (formerly *Call Center CRM Solutions*) ranks West as the **Number 1** Interactive and Outbound provider and **Number 3** Inbound provider.

West completes a **secondary stock offering** of 4.5 million shares.

Barron's names West one of **59 top-performing NASDAQ stocks** in June 19, 2000 issue.

west®

WSTC
NASDAQ
LISTED

West changes its name to **West Corporation** to preserve its heritage while more accurately reflecting the broad scope of its customer care services. The company also changes its ticker symbol to **WSTC**.

28.125

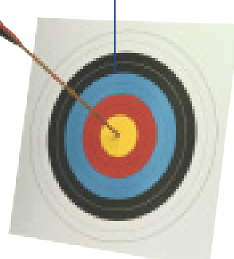
West Corporation stock closes the year at **28⅛**.

a glance

DECEMBER
WEST ENDS 2000

$724.5	revenue [millions]
$ 70.3	net income [millions]

In November, West met **analysts revenue and profit targets for the year.** ($659 million in revenue and $.95 EPS)



West hits a new record in processing more than **six billion transaction minutes**, up from more than four billion in 1999.

West launches plans for a **new headquarters** office campus in Omaha, NE.

Heide Higgins
Account Manager

Jason Burks
Senior Information
Services Analyst

Being entrusted with our clients' customer relationships is no small accomplishment. There's no magic involved; **we simply commit ourselves to being the best.**

Good customer

PICTURED ABOVE: (L to R): **John Johnson,** National Sales Manager; **Tonya Lynn,** Client Services Manager; **John Gudenrath,** Vice President, Client Services; **Sue Loerts,** Vice President, Corporate Human Resources

THE SECRETS TO OUR SUCCESS

Human Capital. People make the difference. West employees go the extra mile and are constantly thinking of new ways to enhance our clients' customer acquisition and care initiatives.

Technology. Information technology, database management, interactive voice response, Internet, and staffing and scheduling systems allow West to manage large-volume, complex programs with ease.

care never rests

PICTURED ABOVE (L to R): **Katherine Nilsson**, Account Manager; **Kim Micek**, Information Services Production Manager; **Debra Shafer**, Lead Account Specialist

Jessica Simpson
Account Manager, Client Services

Katherine Meyers
Manager, Client Services

Telephony. While newer technologies such as the Internet are now part of our everyday lives, the telephone will never go away. The immediacy of a voice at the other end of the phone continues to play a critical role in acquiring and serving our clients' customers.

Operational excellence. At West, we serve as an extension of our clients' businesses. We maintain excellence in all areas of operation. Our strategic approach, proven processes, dedication to training, and investments in facilities and technology guarantee results.

WEST SALES SKILLS PROVIDE EDGE TO AT&T WIRELESS

Selling wireless products is extremely challenging in a non-face-to-face environment, according to Jace Barbin, Vice President of Virtual Channels for AT&T Wireless Services. "The wireless phone is one of the most technology-rich products found in most households," Barbin said. In addition to selling the phone, monthly service charges, airtime rates, and other features and benefits have to be explained – and credit approval must be obtained on the same call.

Qualifying and making such sales over the telephone requires a high level of skill and flexibility. That's why Barbin relies on West to provide dedicated sales representatives for its 800-IMAGINE™ sales line, which is promoted through a variety of mass media. "The callers are responding to a stimulus from our corporate messaging, and we want their first exposure to our company to be a positive experience. Even though the employees work for West, from the customer perspective they're interacting with AT&T Wireless employees."

Exceeding the

AT&T Wireless

"The AT&T Wireless team is easy to do business with, and I am proud of the West team's ability to 'turn on a dime' when critical issues must be addressed. AT&T Wireless and the West team have formulated a partnership that is outstanding and will continue to prove successful in our future endeavors."

Elizabeth Guinn
West Operations
Project Manager

DEDICATED TO YOUR SUCCESS

One of West's strengths is that it gives Barbin and his team direct access to the West employees representing AT&T Wireless. "Some companies try to create a line of demarcation. West is very good about letting us interface with their representatives. We really try to make the West employees feel like part of the AT&T Wireless team," he said. West's solid technology infrastructure is another plus, according to Barbin. "You're going to want a company that knows how to leverage technology and is willing to make the necessary investments."

Last but not least, West's employees make the difference. "The West management team is extremely responsive and focused on the same goals and objectives as my management team. The nice thing for me is I know they run their call centers concentrating on the proper metrics to obtain these goals and objectives," Barbin said.

PICTURED BELOW (L to R): **Tim Hartzog,** Information Services Manager; **Lisa Diekman,** Director, Custom Operator Services Projects; **Charles Houser,** Information Services Team Leader

demands of today's businesses

Michael Milyko
Teleservices Operations Manager

Elizabeth Guinn
Operations Project Manager

Monty Horine
Director, Client Services

Stacey Heldt
Project Manager, Client Services

Your business is

PICTURED ABOVE (L to R): **Brian Neeson,** Information Services Product Support Manager; **Jennifer Friedman,** Client Services Account Manager; **Jason Kroh,** Applications Development Manager; **Chad Vice,** Applications Programmer Analyst; **Dee Nincehelser,** Account Manager

WEST IS A CONTRIBUTOR TO PROVIDIAN IN BUILDING ITS TOP 5 RATING

Providian is the nation's fifth-largest bankcard issuer. The San Francisco-based financial services company relies on West to help it add credit card customers in a highly competitive industry through its television and direct response marketing programs.

These credit card acquisition programs pose unique operational and staffing challenges, because a typical call may take several minutes instead of the few minutes associated with a simple product order. West's ability to handle this level of complexity and high volume was key in earning Providian's business, according to Charles Moore, Senior Vice President of Customer Acquisitions Domestic Card Business for Providian. "West gives us the flexibility to advertise in various media, and allows us to reach our customers when they're most available, any time of the day or night."

our top priority

PROVIDIAN
Financial

"The Providian account is interesting to work on because there's always a new challenge to solve, and we appreciate how they address issues with an analytical approach. I'm proud of my team because they work as a cohesive unit with experts in operations, technical and IVR technology."

Monty Horine
West Director,
Client Services

GOING BEYOND THE CALL OF DUTY

West has several other pluses, according to Moore. They provide both dedicated and non-dedicated environments, which translates to a positive customer experience – a hallmark of Providian's customer-focused business model," Moore said. "Having dedicated West staff means callers get to interact with people who understand our business as well as we do. Having non-dedicated staff available to handle large spikes in volume improves our efficiency."

West's proactive approach also makes the company stand out, Moore said. Employees of both companies recently brainstormed together to find ways to reduce costs, automating additional processes for those customer segments they identified as the most responsive. "Although I don't always take them up on their ideas, I like it that West is constantly thinking of ways to improve my business and coming up with proposals on ways to use additional technology or manage programs. I also like it that West's senior executives are always available when I need them."

2000 financials

MARKET FOR REGISTRANT'S COMMON EQUITY

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 "WSTC." 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
1999		
First Quarter	$ 12.2500	$ 8.5000
Second Quarter	$ 10.6250	$ 7.3750
Third Quarter	$ 12.6250	$ 8.3750
Fourth Quarter	$ 25.0000	$ 11.6250
2000		
First Quarter	$ 26.3125	$ 18.2500
Second Quarter	$ 27.7500	$ 21.0625
Third Quarter	$ 25.2500	$ 22.0000
Fourth Quarter	$ 30.0000	$ 18.1250

As of March 6, 2001, there were 66 holders of record of Common Shares and approximately 2,000 beneficial shareholders. As of the same date, there were a total of 64,807,743 Common Shares issued and 64,705,406 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.

SELECTED FINANCIAL DATA

The following table sets forth, for the periods on and at the dates indicated, selected historical consolidated financial data of West 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, 2000 and 1999, and for the years ended December 31, 2000, 1999 and 1998 and Deloitte & Touche LLP's audit report with respect thereto have been included elsewhere in this Annual Report. This 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.

SELECTED FINANCIAL DATA – (Continued)

	Year ended December 31, (in thousands, except for per share and selected operating data)				
	2000	1999	1998	1997	1996
Income Statement Data:					
Revenue	$ 724,505	$ 562,444	$ 482,823	$ 398,832	$ 317,210
Cost of services	371,549	288,503	256,494	220,858	180,380
Selling, general and administrative expenses	243,573	194,610	152,838	118,878	87,499
Net operating income	109,383	79,331	73,491	59,096	49,331
Other income (expense)	1,539	1,027	1,269	1,716	(3,420)
Income before income tax expense	110,922	80,358	74,760	60,812	45,911
Actual income tax expense	40,663	30,604	28,769	23,402	4,213
Pro Forma Information (1):					
Income tax expense	—	—	—	—	12,950
Net income	$ 70,259	$ 49,754	$ 45,991	$ 37,410	$ 28,748
Earnings per share:					
Basic	$ 1.10	$ 0.79	$ 0.73	$ 0.59	$ 0.52
Diluted	$ 1.03	$ 0.77	$ 0.73	$ 0.59	$ 0.52
Weighted average number of common shares outstanding:					
Basic	64,043	63,330	63,330	63,330	54,891
Diluted	67,950	64,380	63,353	63,346	54,966
Selected Operating Data:					
EBITDA (2)	$ 154,756	$ 117,019	$ 99,909	$ 79,256	$ 61,096
EBITDA margin (3)	21.4%	20.8%	20.7%	19.9%	19.3%
Operating margin (4)	15.1%	14.1%	15.2%	14.8%	15.6%
Net income margin (5)	9.7%	8.9%	9.5%	9.4%	9.1%
Net cash flows from operating activities	111,050	114,221	11,903	45,132	61,404
Number of workstations (at end of period)	10,147	8,364	7,624	5,931	4,440
Number of ports (at end of period)	50,573	33,476	11,160	8,056	5,804

	As of December 31,				
	2000	1999	1998	1997	1996
Balance Sheet Data:					
Working capital	$ 151,006	$ 104,427	$ 70,699	$ 55,320	$ 46,169
Property and equipment, net	197,178	167,934	144,139	111,710	70,608
Total assets	553,907	408,989	326,139	282,150	238,285
Total debt	41,355	45,196	30,952	21,686	22,523
Stockholders' equity	378,125	291,962	242,208	196,217	158,879

(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.

(2) "EBITDA" is defined as income before income taxes, depreciation, interest expense and amortization. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of operating performance or to cash flows as a measure of liquidity. EBITDA is presented as the Company understands that certain investors use it as one measure of a borrower's historical ability to service its debt.

(3) Represents EBITDA as a percentage of revenue.

(4) Represents net operating income as a percentage of revenue.

(5) Represents net income as a percentage of revenue.

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

The Company conducts its business principally through three integrated divisions: Operator Teleservices, Interactive Teleservices and Direct Teleservices. 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 outsourced CRM solutions 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 outsourced CRM solutions to businesses. The Company believes it has established a distinct competitive advantage in its ability to offer a range of integrated services through its three operating divisions (Operator Teleservices, Interactive Teleservices and Direct Teleservices) on a fully integrated basis.

Revenue: Operator Teleservices services represented approximately 49.0% of total revenue for the year ended December 31, 2000. Revenue for Operator Teleservices services is primarily generated at the time calls are answered by an agent based on the number of calls and/or minutes received and processed on behalf of clients. Operator Teleservices services also generates revenue from calls transferred to agents from interactive voice response units and by providing assistance to clients in the design and implementation of new applications.

Interactive Teleservices services represented approximately 19.2% of total revenue for the year ended December 31, 2000. Revenue for Interactive Teleservices services is primarily generated at the time calls are received or sent by automated voice response units and is billed based on call duration.

Direct Teleservices services represented approximately 31.8% of total revenue for the year ended December 31, 2000. Revenue for Direct Teleservices services is generated generally on an hourly and success based rate basis at the time the agents place calls to consumers on behalf of clients. Direct Teleservices services also generate revenue by providing assistance to 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 by seeking new geographic markets which offer attractive labor market characteristics for its Operator Teleservices and Direct Teleservices 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 agents during seasonal fluctuations.

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.

RESULTS OF OPERATIONS

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

	Year Ended December 31,		
	2000	**1999**	**1998**
Revenue	100.0%	100.0%	100.0%
Cost of services	51.3	51.3	53.1
Selling, general and administrative expenses	33.6	34.6	31.7
Net operating income	15.1	14.1	15.2
Other income (expense)	0.2	0.2	0.3
Income before income tax expense	15.3	14.3	15.5
Income tax expense	5.6	5.4	6.0
Net income	9.7%	8.9%	9.5%

Years Ended December 31, 2000 and 1999

Revenue: Revenue increased $162.1 million or 28.8% to $724.5 million in 2000 from $562.4 million in 1999. The increase in revenue included $23.8 million derived from new clients and $138.3 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 2000, the Company provided service to more than 900 clients. Eighty percent of the Company's total revenue was generated by 34 clients. During 2000, AT&T remained the Company's largest client and accounted for 28% of total revenue, down from 32% in 1999.

Cost of Services: Cost of services represents direct labor, telephone expense and other costs directly related to services activities. Costs of services increased $83.0 million or 28.8% for the year ended December 31, 2000 to $371.5 million from $288.5 million for the comparable period of 1999. As a percentage of revenue, cost of services was 51.3% for 2000 and 1999.

Selling, General and Administrative Expenses ("SG&A"): SG&A expenses increased by $49.0 million or 25.2% to $243.6 million for the year ended December 31, 2000, from $194.6 million in 1999. As a percentage of revenue, SG&A expenses decreased to 33.6% for the year ended December 31, 2000, compared to 34.6% in 1999. The decrease can be attributed to higher than expected sales and management's focus on reducing these costs.

Net Operating Income: Net operating income increased by $30.1 million or 38.0% to $109.4 million in 2000 from $79.3 million in 1999. For the year ended December 31, 2000, net operating income as a percentage of revenue increased 1.0% to 15.1% from 14.1% for 1999.

Other Income (Expense): 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, 2000, totaled $1.5 million compared to $1.0 million for 1999. This increase was due primarily to an increase in interest income related to increased balances in cash and cash equivalents.

Net Income: Net income increased by $20.5 million or 41.2% for the year ended December 31, 2000, to $70.3 million from net income of $49.8 million in 1999. Net income includes a provision for income tax expense at a combined effective rate of 36.7% and 38.1% for 2000 and 1999, respectively. The reduction in the effective tax rate is due to maximizing state credits and incentive programs in various state and local tax jurisdictions.

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 was 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.

Cost of Services: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Cost 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 earlier in 1999 and the shift in operating activity from interactive teleservices to direct and operator teleservices divisions. Historically, Interactive Teleservices has higher cost of services to generate revenue.

Selling, General and Administrative Expenses ("SG&A"): SG&A expenses increased by $41.8 million or 27.3% to $194.6 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 under-utilization of assets in Direct Teleservices.

Net Operating Income: Net operating income increased by $5.8 million or 7.9% to $79.3 million in 1999 from $73.5 million in 1998. For the twelve months ended December 31, 1999, net 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 minutes by Direct Teleservices' largest customer, AT&T, but increased to 14.3% in the fourth quarter.

Other Income (Expense): 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, 1999, totaled $1.0 million compared to $1.3 million for 1998. The 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 $46.0 million in 1998. Net income includes a provision for actual income tax expense at a combined effective rate of 38.1% and 38.5% for 1999 and 1998, respectively.

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%. There were no borrowings outstanding under this facility at December 31, 2000. The Company's credit facility contains certain financial covenants and restrictions, which were met at December 31, 2000. The credit facility expires on June 29, 2001. The Company believes it could increase the amount of the facility, if needed.

The Company also has a $1.0 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 bank line are limited to a borrowing base of pledged accounts receivable from certain of the Company's qualified customers which are assigned by the Company to the bank. Borrowings bear interest at 1.0% below the prime rate. There were no borrowings under this credit facility at December 31, 2000. The bank line expires on June 29, 2001. The Company believes it could increase the amount of the facility, if needed.

During the second quarter of 2000, the Company issued a promissory note to a bank for $10.0 million to finance its growth in operations. The note will be paid in 36 monthly installments of approximately $278,000 plus interest. The note bears interest at 1% less than the prime rate.

Throughout 2000, the Company purchased $74.3 million of furniture and telephone and computer equipment financed through working capital and notes payable to vendors and banks and capital leases over three years which bear interest from 6.11% to 10.65%.

Net cash flow from operating activities was $111.1 million for the year ended December 31, 2000, compared to net cash flow from operating activities of $114.2 and $11.9 million for the years ended December 31, 1999 and 1998, respectively. The decrease from 1999 was due principally to increases in accounts receivable and other assets offset by increased earnings.

Net cash flow used in investing activities was $68.5 million for the year ended December 31, 2000, compared to $51.6 million and $43.5 million, for the comparable periods of 1999 and 1998, 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.

Net cash flows from financing activities were $3.7 million for the year ended December 31, 2000, compared to net cash flows used for financing activities of $7.7 million and $1.3 million, for the comparable periods of 1999 and 1998, respectively. In the year ended December 31, 2000, net cash flows used in financing activities were primarily for payments of debt and capital lease obligations. The cash used was offset by $15.9 million of proceeds from the exercise of stock options to purchase Common Shares, including the tax benefit associated with the optionee's gain on the exercise of stock options and $10.0 million of proceeds from the promissory note issued to the bank referenced above. The net cash flow used in financing activities for the year ended December 31, 1999, was due primarily to payments on capital lease obligations. 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 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 the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report, 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, results of operations, or cash flows.

CAPITAL EXPENDITURES

The Company's operations will continue to require significant capital expenditures for real estate and capacity/expansion upgrades. Capital expenditures were $74.3 million for the year ended December 31, 2000. Capital expenditures for 2000 consisted primarily of furniture, telephone and computer equipment purchases associated with the addition of four new call centers. The Company currently projects its capital expenditures for 2001 to be approximately $50 million to $60 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.

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 outsourced CRM solutions 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 $41.4 million of long-term obligations and $26.0 million of credit facilities with variable interest rates. There were no borrowings outstanding under these credit facilities at December 31, 2000. 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 financial position, results of operations, or cash flows given the Company's currently existing obligations under such long-term obligations and credit facilities.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
West Corporation
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of West Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Company as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP

Omaha, Nebraska
February 6, 2001

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of West 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

WEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	December 31, 2000	December 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 108,113	$ 61,865
Accounts receivable, net of allowance for doubtful accounts of $6,611 and $4,717	129,695	88,056
Notes receivable	2,153	4,208
Accounts receivable – financing	19,154	14,663
Other	24,550	16,348
Total current assets	283,665	185,140
PROPERTY AND EQUIPMENT		
Land and improvements	5,392	5,355
Buildings	30,678	29,908
Telephone and computer equipment	188,775	164,691
Office furniture and equipment	35,100	30,748
Leasehold improvements	56,724	41,372
Construction in process	17,243	6,731
Total property and equipment	333,912	278,805
Accumulated depreciation and amortization	(136,734)	(110,871)
Total property and equipment, net	197,178	167,934
GOODWILL, net of accumulated amortization of $6,906 and $5,222	43,627	45,311
NOTES RECEIVABLE AND OTHER ASSETS	29,437	10,604
TOTAL ASSETS	$ 553,907	$ 408,989
LIABILITES AND STOCKHOLDERS' EQUITY		
CURRENT LIABLITIES:		
Accounts payable	$ 46,132	$ 33,745
Customer deposits and holdbacks	22,007	9,273
Accrued wages and benefits	13,353	7,411
Accrued phone expense	8,767	5,245
Other current liabilities	22,820	10,157
Current maturities of long-term obligations	19,580	14,882
Total current liabilities	132,659	80,713
LONG-TERM OBLIGATIONS, less current maturities	21,775	30,314
DEFERRED INCOME TAXES	5,884	6,000
OTHER LONG-TERM LIABILITIES	663	–
MINORITY INTEREST	14,801	–
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, 64,547 shares issued and 64,445 outstanding and 63,330 shares issued and outstanding	645	633
Additional paid-in capital	176,200	157,647
Retained earnings	203,941	133,682
Treasury stock at cost (102 shares)	(2,661)	–
Total stockholders' equity	378,125	291,962
TOAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 553,907	$ 408,989

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

WEST CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Years Ended December 31,		
	2000	**1999**	**1998**
REVENUE	$ 724,505	$ 562,444	$ 482,823
COST OF SERVICES	371,549	288,503	256,494
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	243,573	194,610	152,838
NET OPERATING INCOME	109,383	79,331	73,491
OTHER INCOME (EXPENSE):			
Interest Income	4,440	3,231	3,762
Interest expense – including interest expense – financing of $184, $490 and $772	(3,107)	(2,549)	(1,627)
Other, net	206	345	(866)
Other income (expense)	1,539	1,027	1,269
INCOME BEFORE INCOME TAX EXPENSE	110,922	80,358	74,760
INCOME TAX EXPENSE			
Current income tax expense	41,466	31,476	27,340
Deferred income tax expense (benefit)	(803)	(872)	1,429
Income tax expense	40,663	30,604	28,769
NET INCOME	$ 70,259	$ 49,754	$ 45,991
EARNINGS PER COMMON SHARE:			
Basic	$ 1.10	$ 0.79	$ 0.73
Diluted	$ 1.03	$ 0.77	$ 0.73
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic common shares	64,043	63,330	63,330
Dilutive impact of potential common shares from stock options	3,907	1,050	23
Diluted common shares	67,950	64,380	63,353

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
BALANCE, January 1, 1998	$ 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
Net income	—	—	70,259	—	70,259
Stock options exercised including related tax benefits (1,217 shares)	12	18,553	—	—	18,565
Treasury stock (102 shares)	—	—	—	(2,661)	(2,661)
BALANCE, December 31, 2000	$ 645	$ 176,200	$203,941	$ (2,661)	$ 378,125

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

WEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	Years Ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES:	**2000**	**1999**	**1998**
Net income	$ 70,259	$ 49,754	$ 45,991
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	45,167	37,343	27,284
Loss on sale of equipment	723	170	58
Deferred income tax expense (benefit)	(803)	(872)	1,429
Changes in operating assets and liabilities:			
Accounts receivable	(42,062)	8,244	(36,699)
Other assets	(10,145)	(1,610)	(11,139)
Accounts payable	12,387	20,888	(6,091)
Other liabilities and accrued expenses	21,527	3,200	(637)
Income tax payable	1,263	1,307	706
Customer deposits and holdbacks	12,734	(4,203)	(8,999)
Net cash flows from operating activities	111,050	114,221	11,903
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(70,436)	(38,953)	(44,551)
Proceeds from disposal of property and equipment	1,425	1,285	1,684
Issuance of notes receivable	—	(15,401)	(6,990)
Proceeds from payments of notes receivable	497	1,471	6,338
Net cash flows from investing activities	(68,514)	(51,598)	(43,519)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	10,000	6,000	—
Payments of long-term obligations	(17,701)	(13,712)	(5,954)
Net change in line of credit agreement	—	(2,000)	2,000
Net change in accounts receivable financing and notes payable financing	(4,491)	2,026	2,678
Proceeds from stock options exercised including related tax benefits	15,904	—	—
Net cash flows from financing activities	3,712	(7,686)	(1,276)
NET CHANGE IN CASH AND CASH EQUIVALENTS	46,248	54,937	(32,892)
CASH AND CASH EQUIVALENTS, Beginning of period	61,865	6,928	39,820
CASH AND CASH EQUIVALENTS, End of period	$ 108,113	$ 61,865	$ 6,928
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 3,580	$ 3,092	$ 1,627
Cash paid during the period for income taxes	$ 32,961	$ 29,842	$ 26,366
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:			
Acquisition of property through assumption of long-term obligations	$ 3,860	$ 21,956	$ 15,220
Transfer of accounts receivable to notes receivable	$ 423	$ 2,000	$ 2,724
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:			
Acquisition of patent through issuance of preferred stock of subsidiary	$ 14,666	$ —	$ —
Treasury stock acquired in exchange for stock options exercised	$ 2,661	$ —	$ —

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description — West Corporation (the "Company"), formerly known as West TeleServices Corporation, is one of the largest independent providers of outsourced customer relationship management, or CRM, solutions in the United States. The Company enables its clients to completely outsource a full range of services, including processing of customer initiated contacts, automated voice response services and direct marketing services. The Company offers its services over the telephone and the Internet. The Company's services minimize its clients' cost of managing their customer relationships, improve their customers' overall experience and provide its clients an opportunity to leverage its customer data.

The Company provides its CRM solutions to Fortune 500 companies, leading Internet oriented companies and e-commerce companies. These services help its clients acquire customers, provide customer support and generate repeat sales. The Company operates a national network of 28 state-of-the-art customer contact centers and seven automated voice and data processing centers throughout North America and in India.

Basis of Consolidation — The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Use of Estimates — The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, 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 — Operator Teleservices revenue is recognized at the time calls are answered by an agent based on the number of calls and/or minutes received and processed on behalf of clients. Interactive Teleservices revenue is recognized at the time calls are received or sent by automated voice response units and is billed based on call duration. Direct Teleservices revenue is generally recognized on an hourly and success based rate basis at the time the agents place calls to consumers on behalf of clients. The customer is obligated to pay for these services when these activities have been performed. Both Operator Teleservices and Direct Teleservices also generate revenue by providing assistance to their clients in the design and programming of customized applications which are generally recognized on an hourly basis at the time the services are provided. Other revenues are recognized during the period services are provided. The Company defers revenues during the period in which customer refund obligations exist. Deferred revenue at December 31, 2000 and 1999 was $8,257 and $-0- respectively.

Cost of Services — Cost of services includes labor, telephone and other expense directly related to services 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 original 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 receivable, 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 notes with similar terms and remaining maturities are used to estimate fair values of the notes receivable, 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 30.5 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 stockholders upon their exchange of stock in certain subsidiaries 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.

Notes Receivable — Notes receivable and other assets are presented net of an allowance for doubtful accounts of $2,768 in 2000 and $-0- in 1999.

Customer Deposits and Holdbacks — The Company obtains directly from the billing and collection agent, revenue generated from its 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 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 therefor. 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.

Minority Interest — The Company exercised an option to acquire, develop and commercialize an innovative new technology that is the subject of a patent issued on April 25, 2000. The technology relates to a process that the Company believes could have applications in the teleservices industry and a wide range of other industries. In order to incentivize certain of the Company's executive officers to develop and pursue this opportunity, an equity interest was granted to those executives in the new company. The Company's venture partner and patent developer was granted 500 shares of convertible preferred stock in the new company. The venture partner has the option during the first 18 months of the venture to surrender those shares of convertible preferred stock in the new company in exchange for $12 million in cash plus an option to acquire 325,000 shares of the Company's common stock, exercisable at the average market price on the 15 days prior to the date of the agreement ($26.03 per share). Alternatively, the venture partner has the option to convert the 500 shares of convertible preferred stock into 5% of the common stock of the new company. The Company utilized the Black-Scholes pricing model to value the 325,000 options. The sum of that calculation and the $12 million in cash resulted in the valuation of the patent at $14.7 million, which is being amortized over the life of the patent, 17 years.

Recent Accounting Pronouncements — In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Financial Instruments and Hedging Activities*, (SFAS No. 133). This statement, which is effective for the Company beginning on January 1, 2001, requires recognition of all derivative financial instruments as either assets or liabilities in the balance sheet and measurement of those instruments at fair value. Management has determined that the adoption of SFAS No. 133 will not have a material effect on the Company's financial statements.

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 $1,000. Outstanding borrowings were $ -0- at December 31, 2000 and 1999. Borrowings bear interest at 1.0% below the prime rate (actual rate 8.5% at December 31, 2000) to fund customer advances. Substantially all current assets of a subsidiary are pledged as collateral on the line of credit, which expires June 28, 2001. The Company had advances to customers through its accounts receivable financing programs aggregating $19,154 and $14,663 at December 31, 2000 and 1999, 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 12.5% at December 31, 2000).

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 8.5% at December 31, 2000). The revolving credit facility expires on June 29, 2001. Outstanding borrowings under the revolving credit facility totaled $-0- at December 31, 2000 and 1999, 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, 2000.

Long-term obligations consisted of the following:

	December 31, 2000	December 31, 1999
Mortgage note payable to bank, due in monthly installments of $102 including interest at 7.63% with a balloon payment at maturity on February 1, 2003	$ 11,633	$ 11,977
Notes payable to bank, due in monthly installments of $278, interest is variable at 1% less than the prime rate maturing June 30, 2003	8,333	—
Notes payable to bank, due in monthly installments of $185, including interest at 6.75% maturing April 1, 2002	2,885	4,780
Notes payable to bank, due in monthly installments of $176, including interest at 6.20% maturing October 28, 2001	1,875	3,802
Notes payable to vendor, due in monthly installments of $141, including interest from 3.54% to 5.40% maturing from March 1, 2001 to January 1, 2002	1,272	3,098
Capital lease obligations (See Note D)	15,357	21,539
	41,355	45,196
Less current maturities:		
Debt	8,792	5,771
Capital lease obligations (See Note D)	10,788	9,111
Current maturities of long-term obligations	19,580	14,882
Long-term obligations	$ 21,775	$ 30,314

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. The financial covenants were met at December 31, 2000.

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

Year Ending December 31,	
2001	$ 8,792
2002	4,625
2003	12,581

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 $6,730, $4,595 and $4,190 for the years ended December 31, 2000, 1999 and 1998, 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, 2000	December 31, 1999
Assets under capital leases consisted of:		
Telephone and computer equipment	$ 26,403	$ 24,490
Office furniture and equipment	3,328	2,361
Lease/building improvements	336	633
Total cost	30,067	27,484
Accumulated depreciation	(10,428)	(6,621)
Net book value	$ 19,639	$ 20,863

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

	Operating Leases	Capital Leases
Year Ending December 31,		
2001	$ 8,214	$ 11,557
2002	7,497	4,545
2003	6,511	257
2004	3,824	—
2005	3,242	—
2006 and thereafter	1,977	—
Total minimum obligations	$ 31,265	16,359
Less interest at 6.11% to 10.65%		1,002
Present value of net minimum lease payments		15,357
Less current portion		10,788
		$ 4,569

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,	
2001	$ 921
2002	976
2003	1,035
2004	717

Lease expense was $869, $820 and $773 for the years ended December 31, 2000, 1999 and 1998, respectively.

F. INCOME TAXES

Components of the actual income tax expense were as follows:

	Year Ended December 31,		
	2000	1999	1998
Current income tax expense:			
Federal	$ 39,134	$ 29,582	$ 24,450
State	2,332	1,894	2,890
	41,466	31,476	27,340
Deferred income tax expense (benefit):			
Federal	(707)	(687)	1,088
State	(96)	(185)	341
	(803)	(872)	1,429
	$ 40,663	$ 30,604	$ 28,769

A reconciliation of income tax expense computed at statutory tax rates compared to effective income tax rates was as follows:

	2000	1999	1998
Statutory rate	35.0%	35.0%	35.0%
State income tax effect	1.4%	2.5%	2.3%
Other	0.3%	0.6%	1.2%
	36.7%	38.1%	38.5%

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

	December 31,	
	2000	1999
Deferred tax assets:		
Allowance for doubtful accounts	$ 2,479	$ 1,792
Deferred tax liabilities:		
Depreciation	5,884	6,000
Net deferred tax liability	$ 3,405	$ 4,208

The deferred tax asset at December 31, 2000 and 1999 was included in other current assets.

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 employer contributions under the plan were $1,614, $1,390 and $1,076 for the years ended December 31, 2000, 1999 and 1998, respectively.

During 2000, the Company established a grantor trust under the West Corporation Executive Retirement Savings Plan ("Trust"). The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of plan participants and general creditors. Participation in the Trust is voluntary and is restricted to highly compensated individuals as defined by the Internal Revenue Service. The Company will match 50% of employee contributions, limited to the same maximums as those of the 401(k) plan. Total employer contributions under the plan were $221 for the year ended December 31, 2000.

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 four-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 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.

The following table presents the activity of the stock options for each of the fiscal years ended December 31, 2000, 1999 and 1998 and the stock options outstanding at the end of the respective fiscal years.

	Stock Option Shares	Weighted Average Exercise Price
OUTSTANDING AT JANUARY 1, 1998	4,558,300	$15.6381
Granted	7,760,800	10.2726
Surrendered and replaced by plan amendment	(5,185,700)	15.6361
Canceled	(137,700)	15.6250
OUTSTANDING AT DECEMBER 31, 1998	6,995,700	9.6875
Granted	515,000	10.7693
Canceled	(499,300)	9.7443
OUTSTANDING AT DECEMBER 31, 1999	7,011,400	9.7634
Granted	145,000	24.0054
Canceled	(60,780)	9.8268
Exercised	(1,182,995)	9.7268
OUTSTANDING AT DECEMBER 31, 2000	5,912,625	$10.1194
Shares available for future grants at December 31, 2000	2,403,880	

The following table summarizes information about the Company's stock options outstanding at December 31, 2000:

Exercise Price	Stock Option Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Stock Option Shares Exercisable
$ 8.0000	8,000	8.36	$ 8.0000	2,000
$ 9.6875	5,325,895	7.95	$ 9.6875	899,270
$ 10.8130	433,730	8.58	$ 10.8130	79,730
$ 21.1250	10,000	9.36	$ 21.1250	—
$ 23.1250	67,500	9.58	$ 23.1250	—
$ 25.3125	67,500	9.84	$ 25.3125	—
	5,912,625	8.04	$ 10.1194	981,000

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, 2000, 1999 and 1998.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. 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*, 2000, 1999 and 1998 net income and earnings per share would have been reduced to the following pro forma amounts:

	Year ended December 31,		
	2000	**1999**	**1998**
Net Income:			
As reported	$ 70,259	$ 49,754	$ 45,991
Pro forma	$ 64,840	$ 41,782	$ 39,885
Earnings per common share:			
Basic as reported	$ 1.10	$ 0.79	$ 0.73
Diluted as reported	$ 1.03	$ 0.77	$ 0.73
Pro forma basic	$ 1.01	$ 0.66	$ 0.63
Pro forma diluted	$ 0.95	$ 0.65	$ 0.63

The weighted average fair value per share of options granted in 2000, 1999, and 1998 was $14.18, $6.80 and $3.45, 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:

	2000	1999	1998
Risk-free interest rate	6.2%	5.3%	4.7%
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	75.0%	60.0%	55.0%
Expected life (years)	4.0	4.1	4.1

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 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 ($25.3125 at July 3, 2000). 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 1,965,532 shares.

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, results of operations or cash flows.

Richard Carney, et al. v. West TeleServices, Inc., et al. 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. A partial summary judgment was granted to the defendants on March 8, 2000 on breach of express contract and civil theft and on all claims against the individual defendants. On May 12, 2000, the court certified a class of plaintiffs and other similarly situated hourly employees of the Company and several of its subsidiaries that allege they had not been paid for all compensable work performed during their employment. On July 7, 2000, defendants filed a brief for an interlocutory appeal of the certification order. On November 1, 2000, the San Antonio Court of Appeals reversed and remanded the certification order back to the district court for further proceedings. The plaintiffs also amended their petition to allege on quantum meruit as a theory of recovery. On November 21, 2000, the district court entered an order modifying its May 12, 2000 order granting class certification. The Company filed a notice of appeal of the amended order, which remains pending. No claims remain in the lawsuit that allow for an award of punitive damages under Texas law.

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 the Company's subsidiary, West Telemarketing Corporation Outbound ("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 bids, 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. On November 19, 1999, the Company's motion for summary judgment was granted in full. On December 9, 1999, the plaintiffs appealed this summary judgment order to the U.S. Fifth Circuit Court of Appeals for the Fifth Circuit. Plaintiffs filed their brief on April 12, 2000 and the defendants filed their brief on June 16, 2000. The Court heard oral argument on December 6, 2000, but has not yet ruled. A ruling is expected in the first half of 2001.

Outbound is a defendant in three cases which have been consolidated into one proceeding entitled *Bone, Zarella, et al. Individually and on behalf of a class of all other persons similarly situated vs. 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. The plaintiffs in these cases alleged they were marketed AT&T long-distance calling plans, and did not receive the full benefits of the marketed plans. Outbound provided telemarketing services to AT&T in connection with AT&T's marketing of these plans. The Federal judge referred the consolidated case to the FCC, and on March 10, 2000, the plaintiffs filed a Motion Seeking Conditional Certification of the Settlement Class, Preliminary Approval of a Settlement, and Approval and Order for Class Notice to be Given. Outbound and the co-defendants concurred in the motion. On March 23, 2000, the Federal judge approved the plaintiffs' motion and conditionally certified a class settlement and preliminarily approved the settlement. Under the proposed settlement AT&T will pay the entire settlement amount and neither Outbound nor the Company will be responsible for any such costs. On November 9, 2000, the court held that the settlement was fair and reasonable and the settlement was approved. Outbound has been released from all class action claims.

I. SIGNIFICANT CUSTOMERS AND SERVICE LINES

For the years ended December 31, 2000, through December 31, 1998, the Company had 34 to 46 major customers who accounted for approximately 80% of total revenues. The Company had one customer who accounted for 28% of total revenue for the year ended December 31, 2000 and 32% and 33% of total revenue for the years ended December 31, 1999 and 1998, respectively. On December 31, 2000 the Company had no material revenue or assets outside the United States.

The following is revenue by service lines for years ending December 31, 2000, 1999 and 1998:

	For the Year Ending December 31,		
	2000	**1999**	**1998**
Operator Teleservices	$ 354,861	$ 251,663	$ 186,454
Interactive Teleservices	138,903	131,720	122,601
Direct Teleservices	230,741	179,061	173,768
Total revenue	$ 724,505	$ 562,444	$ 482,823

J. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is the summary of the quarterly results of operations for the two years ended December 31, 2000 and 1999. Certain reclassifications between other income (expense) and selling, general and administrative expenses have been made to the Company's quarterly financial statements to conform to the current year presentation primarily for the classification of sales and use taxes and the gain or loss on sale of equipment:

	Three Months Ended			
	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Revenue	$ 170,059	$ 171,537	$ 189,513	$ 193,396
Cost of services	86,198	89,223	98,593	97,535
Selling, general and administrative expenses	57,427	58,239	62,320	65,587
Net operating income	26,434	24,075	28,600	30,274
Other income (expense)	466	867	460	(254)
Income before income tax expense	26,900	24,942	29,060	30,020
Income tax expense	9,872	9,222	10,704	10,865
Net income	$ 17,028	$ 15,720	$ 18,356	$ 19,155
Earnings per common share:				
Basic	$ 0.27	$ 0.24	$ 0.29	$ 0.30
Diluted	$ 0.25	$ 0.23	$ 0.27	$ 0.28

	Three Months Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
Revenue	$ 137,992	$ 138,086	$ 143,071	$ 143,295
Cost of services	71,729	71,452	73,176	72,146
Selling, general and administrative expenses	45,340	49,195	50,472	49,603
Net operating income	20,923	17,439	19,423	21,546
Other income (expense)	1,257	497	355	(1,082)
Income before income tax expense	22,180	17,936	19,778	20,464
Income tax expense	8,271	6,870	7,618	7,845
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

GENERAL INFORMATION

CORPORATE HEADQUARTERS:
West Corporation
11808 Miracle Hills Drive
Omaha, NE 68154
1.402.963.1200 or www.west.com

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 of New York
c/o EquiServe
150 Royall Street
Canton, MA 02021
1.877.282.1168 or www.EquiServe.com

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 and Public Relations at 1.402.963.1200 or www.west.com.

ANNUAL MEETING:
The West Corporation Annual Meeting of Stockholders will be held at 9:00 a.m. (C.S.T.), Tuesday, May 15, 2001, 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 WSTC.

AVAILABILITY OF 10-K REPORT:
Stockholders may obtain, without charge, a copy of the Annual Report or Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission. Contact Carol A. Padon, Vice President, Investor and Public Relations at the corporate headquarters.

EXECUTIVE OFFICERS: (L to R)

Steven M. Stangl
President –
Interactive Teleservices

Michael M. Sturgeon
Executive Vice President –
Sales and Marketing

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

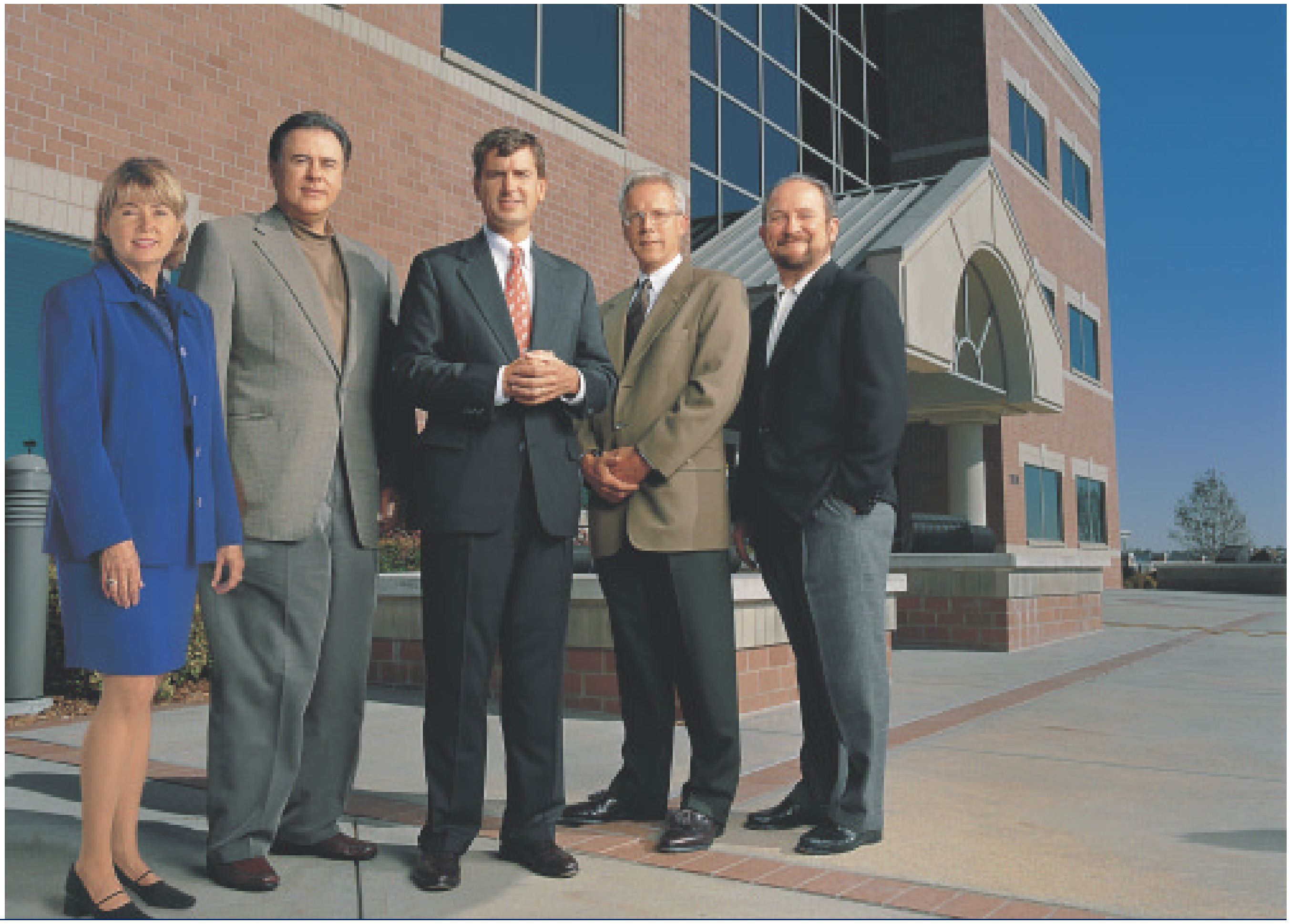
Michael E. Mazour
Executive Vice President –
Direct Teleservices

Jon R. Hanson
Executive Vice President –
Corporate Administration and
Chief Administrative Officer

Nancee Shannon Berger
Chief Operating Officer

Thomas B. Barker
President and Chief
Executive Officer

Mark V. Lavin
President – Operator
Teleservices



BOARD OF DIRECTORS: (L to R)

Mary E. West
Vice Chair of the Board, Secretary

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

Thomas B. Barker
President and Chief Executive Officer

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

William E. Fisher
Chairman and Chief Executive Officer –
Transaction Systems Architects, Inc.,
Compensation Committee Member,
Audit Committee Member

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