



FOR IMMEDIATE RELEASE at 5:00 a.m. ET

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### STARTEK INC. REPORTS FIRST QUARTER RESULTS

#### *Gross Margins Improve Sequentially; Makes Progress Toward New Plan*

**DENVER - May 4, 2007** - StarTek, Inc. (NYSE:SRT) today announced results for the first quarter of 2007. Revenue for the first quarter was \$57.6 million, a decline of 2.5% from the fourth quarter of 2006, with a net loss of \$0.2 million, or \$0.01 per diluted share. Despite the decline in revenue, the company improved its gross margins and increased revenue from key clients.

Compared to the fourth quarter of 2006, revenue declined \$1.5 million, driven by the closure of the Petersburg, Virginia facility and a decline in revenue from the company's second largest client. These declines were partially offset by increases in revenue from all other clients, including the company's largest client, which increased from the prior quarter by 4%.

Gross margin for the first quarter of 2007 increased to 15.5% from 14.3% in the fourth quarter of 2006 driven by increased productivity, lower production attrition, and improved client pricing. In addition, in the fourth quarter of 2006, gross margins benefited from approximately \$1.2 million of incentive grants from local municipalities and other one-time items.

Selling, general and administrative expenses increased \$1.6 million compared to the prior quarter due to one-time severance charges of \$0.8 million as well as certain recurring expenses. Cash, cash equivalents and investments for the period declined \$3.9 million from the prior quarter to \$35.4 million due to the timing of cash receipts and cash payments.

Compared to the first quarter of 2006, first quarter 2007 revenue increased 1% and gross margin declined from 17.1% to 15.5%. A net loss of \$0.2 million in the quarter resulted in a net loss per diluted share of \$0.01, down from net earnings per diluted share of \$0.14 during the first quarter of 2006.

"While first quarter financial results were disappointing, we are pleased with the progress we have made on the plan announced in February. We have secured several new programs from existing clients, improved margins by increasing productivity, lowering production attrition and improving client pricing, and have strengthened the executive team in preparation for future growth," said Larry Jones, StarTek's President and Chief Executive Officer. "We expect to see improved revenue sequential growth and profitability throughout the rest of the year as we see the impact of the programs initiated this quarter."

#### CONFERENCE CALL

The Company will host a conference call on May 4, 2007, to discuss the Company's financial results. The call will begin at 6:30 a.m. Mountain Time (8:30 a.m. Eastern Time) and can be accessed as follows:

USA: 800.901.5247

International: 617.786.4501

Passcode: 76862127

Conference Host: Larry Jones



A dial-in replay will be available from May 4, 2007, at 10:30 a.m. Mountain Time through May 10, 2007, and can be accessed as follows:

<b>USA:</b>	<b>888.286.8010</b>
<b>International:</b>	<b>617.801.6888</b>
<b>Passcode:</b>	<b>26111724</b>

A web-based replay will be available on May 7, 2007, and accessible from the Company's website at [www.startek.com](http://www.startek.com).

## COMPANY PROFILE

StarTek, Inc. (NYSE: SRT) is a leading provider of high value business process outsourcing services to the communications industry. Since 1987 StarTek has partnered with their clients to solve strategic business challenges so that fast-moving businesses can improve customer retention, increase revenue and reduce costs through an improved customer experience. These robust solutions leverage industry knowledge, best business practices, highly skilled agents, proven operational excellence and flexible technology. The StarTek comprehensive service suite includes customer care, sales support, complex order processing, accounts receivable management, technical support and other industry-specific processes. Headquartered in Denver, Colorado, StarTek provides these services from 19 operational facilities in the US and Canada. For more information visit the Company's website at [www.StarTek.com](http://www.StarTek.com) or contact us at 800-541-1130.

## FORWARD LOOKING STATEMENTS

The matters regarding the future discussed in this news release include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to a number of risks and uncertainties.

The following are important risks and uncertainties relating to StarTek's business that could cause StarTek's actual results to differ materially from those expressed or implied by any such forward-looking statements. These factors include, but are not limited to, risks relating to our revenue from our principal clients, concentration of our client base in the communications industry, consolidation in the communications industry, trend of communications companies to out-source non-core services, management turnover, dependence on and requirement to recruit qualified employees, labor costs, need to add key management personnel and specialized sales personnel, considerable pricing pressure, capacity utilization of our facilities, collection of note receivable from sale of Supply Chain Management Services platform, inability to utilize current capital loss carry-forwards, defense and outcome of pending class action lawsuit, lack of success of our clients' products or services, risks related to our contracts, decreases in numbers of vendors used by clients or potential clients, inability to effectively manage growth, risks associated with advanced technologies, highly competitive markets, foreign exchange risks and other risks relating to conducting business in Canada, lack of a significant international presence, potentially significant influence on corporate actions by our largest stockholder, volatility of our stock price, geopolitical military conditions, interruption to our business, increasing costs of or interruptions in telephone and data services, compliance with SEC rules, inability to renew or replace sources of capital funding, fluctuations in the value of our investment securities portfolio, and variability of quarterly operating results. Readers are encouraged to review Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors and all other disclosures appearing in the Company's Form 10-K for the year ended December 31, 2006, and subsequent filings with the Securities and Exchange Commission.



## STARTEK, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
Revenue	\$57,647	\$57,105
Cost of services	48,737	47,333
Gross profit	8,910	9,772
Selling, general and administrative expenses	9,392	7,573
Operating (loss) profit	(482)	2,199
Net interest and other income	188	533
(Loss) income from operations before income taxes	(294)	2,732
Income tax benefit (expense)	105	(596)
Net (loss) income	\$(189)	\$2,136
Net (loss) income per share:		
Basic	\$(0.01)	\$0.15
Diluted	\$(0.01)	\$0.14
Dividends declared per common share	\$-	\$0.36
Weighted average shares outstanding		
Basic	14,696	14,636
Diluted	14,696	14,823



**STARTEK, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**

(Dollars in thousands)

	<b>As of March 31, 2007</b>	<b>As of December 31, 2006</b>
	Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$19,377	\$33,437
Investments	16,070	5,933
Trade accounts receivable, less allowance for doubtful accounts of \$10 and \$16, respectively	49,211	46,364
Income tax receivable	1,811	1,281
Prepaid expenses and other current assets	2,640	3,009
Total current assets	<u>89,109</u>	<u>90,024</u>
Property, plant and equipment, net	58,630	60,101
Long-term deferred tax assets	4,925	4,444
Other assets	1,171	1,166
Total assets	<u><u>\$153,835</u></u>	<u><u>\$155,735</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$3,400	\$6,061
Accrued liabilities:		
Accrued payroll	6,730	6,798
Accrued compensated absences	4,980	4,146
Accrued health insurance	164	77
Other accrued liabilities	660	338
Current portion of long-term debt	5,518	5,654
Short-term deferred income tax liabilities	1,321	754
Grant advances	923	173
Other current liabilities	335	329
Total current liabilities	<u>24,031</u>	<u>24,330</u>
Long-term debt, less current portion	9,148	10,314
Other liabilities	1,927	2,709
Total liabilities	<u>35,106</u>	<u>37,353</u>
Stockholders' equity:		
Common stock, 32,000,000 non-convertible shares, \$0.01 par value, authorized; 14,725,791 and 14,695,791 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	147	147
Additional paid-in capital	61,858	61,669
Cumulative translation adjustment	1,346	1,222
Unrealized (loss) gain on investments available for sale	(13)	1
Unrealized gain (loss) on derivative instruments	2	(235)
Retained earnings	55,389	55,578
Total stockholders' equity	<u>118,729</u>	<u>118,382</u>
Total liabilities and stockholders' equity	<u><u>\$153,835</u></u>	<u><u>\$155,735</u></u>

**STARTEK, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**

(Dollars in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
	(Unaudited)	
<b>Operating Activities</b>		
Net (loss) income	\$(189)	\$2,136
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation	4,227	3,895
Non-cash compensation cost	189	54
Deferred income taxes	(127)	130
Realized loss (gain) on investments	1	(21)
Gain on sale of assets	-	(123)
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(2,681)	(3,237)
Prepaid expenses and other assets	368	(805)
Accounts payable	(2,283)	1,851
Income taxes receivable, net	(531)	982
Accrued and other liabilities	1,151	(2,384)
Net cash provided by operating activities	<u>125</u>	<u>2,478</u>
<b>Investing Activities</b>		
Purchases of investments available for sale	(11,250)	(62,100)
Proceeds from disposition of investments available for sale	1,090	70,602
Purchases of property, plant and equipment	(2,567)	(7,531)
Proceeds from disposition of property, plant and equipment	-	343
Net cash (used in) provided by investing activities	<u>(12,727)</u>	<u>1,314</u>
<b>Financing Activities</b>		
Proceeds from stock option exercises	-	823
Principal payments on borrowings	(1,381)	(624)
Dividend payments	-	(5,268)
Net cash used in financing activities	<u>(1,381)</u>	<u>(5,069)</u>
Effect of exchange rate changes on cash	(77)	48
Net decrease in cash and cash equivalents	<u>(14,060)</u>	<u>(1,229)</u>
Cash and cash equivalents at beginning of period	33,437	17,425
Cash and cash equivalents at end of period	<u>\$19,377</u>	<u>\$16,196</u>