SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/10/03 for the Period Ending 09/30/03

Address	400 NORTH ASHLEY DRIVE
	TAMPA, FL 33602
Telephone	8132741000
CIK	0001010612
Symbol	SYKE
SIC Code	7373 - Computer Integrated Systems Design
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/10/2003 For Period Ending 9/30/2003

Address	100 NORTH TAMPA ST STE 3900
	TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

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

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2003.

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from
________________ to ________________

Commission File No. 0-28274

Sykes Enterprises, Incorporated

(Exact name of Registrant as specified in its charter)

Florida	**56-1383460**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

400 North Ashley Drive, Tampa, FL 33602

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(813) 274-1000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes [X] No [ ]

As of November 6, 2003, there were 40,198,689 outstanding shares of common stock.

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SIGNATURE

Financial Information Letter

Ex-31.1 Section 302 CEO Certification

Ex-31.2 Section 302 CFO Certification

Ex-32.1 Section 906 CEO Certification

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PART I – FINANCIAL INFORMATION.

Item 1 – Financial Statements and Independent Accountants' Report.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except per share data)

	September 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 77,914	$ 79,480
Receivables	82,822	74,303
Prepaid expenses and other current assets	12,008	9,724
Total current assets	172,744	163,507
Property and equipment, net	105,130	109,618
Goodwill, net	5,088	4,834
Deferred charges and other assets	18,075	17,585
	$301,037	$295,544
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	$ 27	$ 52
Accounts payable	11,063	12,200
Accrued employee compensation and benefits	33,094	33,792
Other accrued expenses and current liabilities	13,669	16,348
Total current liabilities	57,853	62,392
Deferred grants	30,930	35,067
Deferred revenue	18,637	15,739
Other long-term liabilities	3	1
Total liabilities	107,423	113,199
Contingencies		
Shareholders' 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; 43,622 and 43,491 issued	436	435
Additional paid-in capital	162,575	162,117
Retained earnings	78,880	72,208
Accumulated other comprehensive loss	(4,984)	(11,101)
	236,907	223,659
Treasury stock at cost; 3,437 shares and 3,099 shares	(43,293)	(41,314)
Total shareholders' equity	193,614	182,345
	$301,037	$295,544

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2003 and September 30, 2002
(Unaudited)

(in thousands, except for per share data)	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Revenues	$119,912	$109,658	$356,147	$339,230
Operating expenses:				
Direct salaries and related costs	76,506	69,910	230,370	212,788
General and administrative	39,862	37,585	118,644	114,993
Net gain on disposal of property and equipment	(1,736)	(1,197)	(1,548)	(945)
Reversal of restructuring and other charges	(200)	—	(200)	—
Total operating expenses	114,432	106,298	347,266	326,836
Income from operations	5,480	3,360	8,881	12,394
Other income (expense):				
Litigation settlement	—	(13,800)	—	(13,800)
Interest, net	340	323	977	334
Other	150	11	264	(29)
Total other income (expense)	490	(13,466)	1,241	(13,495)
Income (loss) before provision (benefit) for income taxes	5,970	(10,106)	10,122	(1,101)
Provision (benefit) for income taxes	2,039	(3,436)	3,450	(374)
Net income (loss)	$ 3,931	$ (6,670)	$ 6,672	$ (727)
Net income (loss) per share:				
Basic	$ 0.10	$ (0.17)	$ 0.17	$ (0.02)
Diluted	$ 0.10	$ (0.17)	$ 0.17	$ (0.02)
Weighted average shares:				
Basic	40,307	40,411	40,341	40,404
Diluted	40,491	40,411	40,426	40,404

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2002, Three Months Ended December 31, 2002 and
Nine Months Ended September 30, 2003
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2002	43,300	$433	$160,907	$ 90,839	$(20,212)	$(40,755)	$191,212
Issuance of common stock	170	2	907	—	—	—	909
Purchase of treasury stock	—	—	—	—	—	(468)	(468)
Comprehensive income:							
Net loss for the nine months ended September 30, 2002	—	—	—	(727)	—	—	(727)
Foreign currency translation adjustment	—	—	—	—	6,093	—	6,093
Total							5,366
Balance at September 30, 2002	43,470	435	161,814	90,112	(14,119)	(41,223)	197,019
Issuance of common stock	21	—	77	—	—	—	77
Purchase of treasury stock	—	—	—	—	—	(91)	(91)
Tax benefit of non-qualified exercise of stock options	—	—	226	—	—	—	226
Comprehensive loss:							
Net loss for the three months ended December 31, 2002	—	—	—	(17,904)	—	—	(17,904)
Foreign currency translation adjustment	—	—	—	—	3,018	—	3,018
Total							(14,886)
Balance at December 31, 2002	43,491	435	162,117	72,208	(11,101)	(41,314)	182,345
Issuance of common stock	131	1	458	—	—	—	459
Purchase of treasury stock	—	—	—	—	—	(1,979)	(1,979)
Comprehensive income:							
Net income for the nine months ended September 30, 2003	—	—	—	6,672	—	—	6,672
Foreign currency translation adjustment	—	—	—	—	6,117	—	6,117
Total							12,789
Balance at September 30, 2003	43,622	$436	$162,575	$ 78,880	$ (4,984)	$(43,293)	$193,614

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

(in thousands)	2003	2002
Cash flows from operating activities :		
Net income (loss)	$ 6,672	$ (727)
Depreciation and amortization	22,965	25,082
Deferred income tax provision (benefit)	465	(4,291)
Litigation settlement	—	13,800
Net gain on sale of facilities	(1,940)	(1,599)
Loss on disposal of property and equipment	392	654
Reversal of restructuring and other charges	(200)	—
Changes in assets and liabilities:		
Receivables	(12,075)	20,195
Prepaid expenses and other current assets	(2,103)	1,017
Deferred charges and other assets	(557)	(370)
Accounts payable	(1,418)	(463)
Income taxes payable	7,419	7,758
Accrued employee compensation and benefits	(1,955)	(1,848)
Other accrued expenses and current liabilities	(3,106)	(2,836)
Deferred revenue	(641)	(2,897)
Other long-term liabilities	2	(91)
Net cash provided by operating activities	13,920	53,384
Cash flows from investing activities:		
Capital expenditures	(20,611)	(15,942)
Acquisition of intangible assets	—	(1,860)
Proceeds from sale of facilities	2,000	2,000
Proceeds from sale of property and equipment	31	200
Other	(3)	—
Net cash used for investing activities	(18,583)	(15,602)
Cash flows from financing activities:		
Paydowns under revolving line of credit agreements	(1,600)	—
Borrowings under revolving line of credit agreements	1,600	—
Payments of long-term debt	(32)	(33)
Proceeds from issuance of stock	459	909
Purchase of treasury stock	(1,979)	(468)
Net cash (used for) provided by financing activities	(1,552)	408
Effects of exchange rates on cash	4,649	2,957
Net (decrease) increase in cash and cash equivalents	(1,566)	41,147
Cash and cash equivalents – beginning	79,480	50,002
Cash and cash equivalents – ending	$ 77,914	$ 91,149
Supplemental disclosures of cash flow information:		
Cash paid during period for:		
Interest	$ 383	$ 857
Income taxes	$ 7,877	$ 7,248

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries ("Sykes" or the "Company") provides customer management solutions and services to companies primarily in the technology, consumer, communications, financial services, and the transportation and leisure industries. Sykes provides flexible, high quality customer support outsourcing solutions with an emphasis on inbound technical support and customer service. Utilizing Sykes' integrated onshore/offshore global delivery model, Sykes provides its services through multiple communication channels encompassing phone, e-mail, web and chat. Sykes complements its customer support outsourcing services with technical staffing (in the United States) and fulfillment services (in Europe) designed to deliver solutions to meet each company's unique customer management needs. The Company has operations in two geographic regions entitled (1) the Americas, which includes the United States, Canada, Latin America, India and the Asia Pacific Rim and (2) EMEA, which includes Europe, the Middle East, and Africa. The Company includes Latin America, India and the Asia Pacific Rim in the Americas region as the client base is primarily U.S. based companies that are using the Company's services in these locations to support their customer management needs.

Note 1 – Basis of Presentation, Stock-Based Compensation, Long-Lived Assets, Foreign Currency Translation, Recent Accounting Pronouncements and Reclassifications

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. In addition, certain reclassifications have been made for consistent presentation. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2003. For further information, refer to the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission (SEC).

Stock-Based Compensation - The Company has adopted the disclosure only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *"Accounting for Stock-Based Compensation"* ("SFAS No. 123"). Under SFAS No. 123, companies have the option to continue measuring compensation costs for stock options using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees"* ("APB No. 25"). Under APB No. 25, compensation expense is generally not recognized when both the exercise price is the same as the market price and the number of shares to be issued is set on the date the employee stock option is granted. Since employee stock options are granted on this basis and the Company has chosen to use the intrinsic value method, no compensation expense is recognized for stock option grants.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Note 1 – Basis of Presentation, Stock-Based Compensation, Long-Lived Assets, Foreign Currency Translation, Recent Accounting Pronouncements and Reclassifications - (continued)

Stock-Based Compensation (continued)

If the Company had elected to recognize compensation expense for the issuance of options to employees of the Company based on the fair value method of accounting prescribed by SFAS No. 123, net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net Income (Loss):				
Reported net income (loss)	$3,931	$ (6,670)	$ 6,672	$ (727)
Add stock-based employee compensation expense, included in reported net income (loss), net of tax	—	—	—	—
Deduct stock-based employee compensation expense determined under fair value method, net of tax benefit	(134)	(3,973)	(1,275)	(10,189)
Pro forma net income (loss)	$3,797	$(10,643)	$ 5,397	$(10,916)
Net Income (Loss) Per Share:				
Basic, as reported	$ 0.10	$ (0.17)	$ 0.17	$ (0.02)
Basic, pro forma	$ 0.09	$ (0.26)	$ 0.13	$ (0.27)
Diluted, as reported	$ 0.10	$ (0.17)	$ 0.17	$ (0.02)
Diluted, pro forma	$ 0.09	$ (0.26)	$ 0.13	$ (0.27)

Long-Lived Assets - The carrying value of long-lived assets to be held and used, including identifiable intangible assets, are evaluated for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets,"* and SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"*. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value, which is generally determined based on appraisals or sales prices of comparable assets.

Currently, the Company has two U.S. customer support centers that were closed in connection with the 2002 and 2001 restructuring plans and expects it may close additional U.S. customer support centers as a result of client migration offshore to Latin America, India and the Asia Pacific Rim. As of September 30, 2003, the Company determined that its long-lived assets, including those at the two aforementioned customer support centers, are not impaired.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Note 1 – Basis of Presentation, Stock-Based Compensation, Long-Lived Assets, Foreign Currency Translation, Recent Accounting Pronouncements and Reclassifications - (continued)

Long-Lived Assets (continued)

On September 30, 2003, the Company sold the land and building related to its Scottsbluff, Nebraska facility, which was closed in connection with the 2002 restructuring plan, for $2.0 million cash, resulting in a pre-tax gain of $1.9 million. The net book value of the facility of $1.9 million was offset by the related deferred grants of $1.8 million previously provided by governmental agencies to assist in developing the facility. The net pre-tax gain on the sale of the Scottsbluff facility of $1.9 million is included in “Net gain on disposal of property and equipment” in the accompanying Condensed Consolidated Statements of Operations.

Foreign Currency Translation - The assets and liabilities of the Company’s foreign subsidiaries, whose functional currency is other than the U.S. Dollar, are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is included in accumulated other comprehensive income (loss), which is reflected as a separate component of shareholders’ equity. Foreign currency transactional gains and losses are included in determining net income. Such gains and losses are not material for any period presented and are included in other income (expense) in the accompanying Condensed Consolidated Statements of Operations.

Recent Accounting Pronouncements - In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, *“Accounting for Asset Retirement Obligations,”* which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, and development and (or) normal use of the asset. The Company implemented the provisions of SFAS No. 143 effective January 1, 2003. The impact of this adoption did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

In April 2002, the FASB issued SFAS No. 145, *“Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.”* Among other provisions, SFAS No. 145 rescinds SFAS No. 4 *“Reporting Gains and Losses from Extinguishment of Debt.”* Accordingly, gains or losses from extinguishment of debt are no longer reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria of APB Opinion No. 30, *“Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.”* Gains or losses from extinguishment of debt that do not meet the criteria of APB No. 30 must be reclassified to income from continuing operations in all prior periods presented. The Company implemented the provisions of SFAS No. 145 effective January 1, 2003. The adoption of this statement had no impact on the financial condition, results of operations, or cash flows of the Company.

In July 2002, the FASB issued SFAS No. 146, *“Accounting for Costs Associated with Exit or Disposal Activities,”* which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, facilities closing, or other exit or disposal activity initiated after December 31, 2002. The statement requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 will be applied to exit or disposal activities initiated on or after January 1, 2003.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Note 1 – Basis of Presentation, Stock-Based Compensation, Long-Lived Assets, Foreign Currency Translation, Recent Accounting Pronouncements and Reclassifications - (continued)

Recent Accounting Pronouncements (continued)

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS No. 123."* This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of SFAS No. 123 and APB Opinion No. 28, *"Interim Financial Reporting,"* to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company implemented SFAS No. 148 effective January 1, 2003 regarding disclosure requirements for condensed financial statements for interim periods. The Company has not yet determined whether it will voluntarily change to the fair value based method of accounting for stock-based employee compensation.

In April 2003, the FASB issued SFAS No. 149, *"Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities."* SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, *"Accounting for Derivative Instruments and Hedging Activities."* SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

In May 2003, the FASB issued SFAS No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."* SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF No. 00-21, *"Revenue Arrangements with Multiple Deliverables,"* providing further guidance on how to account for multiple element contracts. This consensus requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria. In addition, arrangement consideration must be allocated among the separate units of accounting based on their relative fair values, with certain limitations. EITF No. 00-21 is effective for all arrangements entered into after June 30, 2003. The adoption of this guidance did not have a material impact on the financial condition, results of operations, or the cash flows of the Company.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Direct Guarantees of Indebtedness of Others."* This interpretation requires the Company to record, at the inception of a guarantee, the fair value of the guarantee as a liability, with the offsetting entry being recorded based on the circumstances in which the guarantee was issued. Funding under the guarantee is to be recorded as a reduction of the liability. After funding has ceased, the remaining liability is recognized in the income statement on a straight-line basis over the remaining term of the guarantee. The Company adopted the disclosure provisions of FIN No. 45 in the fourth quarter of 2002 and the initial recognition and initial measurement provisions on a prospective basis for all guarantees issued after December 31, 2002. This interpretation did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Note 1 – Basis of Presentation, Stock-Based Compensation, Long-Lived Assets, Foreign Currency Translation, Recent Accounting Pronouncements and Reclassifications - (continued)

Recent Accounting Pronouncements (continued)

In January 2003, the FASB issued FIN No. 46, *"Consolidation of Variable Interest Entities,"* in an effort to expand upon existing accounting guidance that addresses when a company should consolidate the financial results of another entity. FIN No. 46 requires "variable interest entities", as defined, to be consolidated by a company if that company is subject to a majority of expected losses of the entity or is entitled to receive a majority of expected residual returns of the entity, or both. A company that is required to consolidate a variable interest entity is referred to as the entity's primary beneficiary. The interpretation also requires certain disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest.

The consolidation and disclosure requirements apply immediately to variable interest entities created after January 31, 2003. The Company is not the primary beneficiary of any variable interest entity created after January 31, 2003 nor does the Company have a significant variable interest in a variable interest entity created after January 31, 2003.

For variable interest entities that existed before February 1, 2003, the consolidation requirements were initially effective for reporting periods beginning after June 15, 2003. On October 9, 2003, the FASB Staff issued Position No. FIN No. 46-6 which delayed the effective date of consolidation provisions of FIN No. 46 for variable interest entities created before February 1, 2003 to financial statements for periods ending after December 15, 2003, if the reporting entity had not yet issued financial statements reporting the variable interest entities in accordance with the consolidation provisions of FIN No. 46. The Company does not believe that the adoption of the provisions of FIN No. 46 to variable interest entities created before February 1, 2003 will have a material impact on the Company's results of operations, financial position or cash flows.

Reclassifications - Certain amounts from prior periods have been reclassified to conform to the current period's presentation.

Note 2 – Contingencies

During 2002, a consolidated class action lawsuit against the Company was pending in the United States District Court for the Middle District of Florida, Tampa Division, captioned: *In re Sykes Enterprises, Inc. Securities Litigation* (hereinafter the "Class Action Litigation"). The plaintiffs purported to assert claims on behalf of a class of purchasers of the Company's common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleged that during 2000, 1999 and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claimed that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated action sought compensatory and other damages, and costs and expenses associated with the litigation. Although the Company denied the plaintiff's allegations and has defended the action vigorously, due to the extremely high costs and risks of litigation, as well as the drain on management time and attention, the Company agreed to a settlement of the Class Action Litigation with the plaintiffs. The settlement resulted in a cash payment of $30.0 million. Insurance amounts, after payment of litigation expenses, covered $16.6 million of the settlement and the Company paid the remaining amount of $13.4 million. The Company recorded a $13.8 million charge for the uninsured portion of the Class Action Litigation settlement and associated legal costs during the third quarter of 2002. The settlement was approved by the court and the Class Action Litigation was dismissed on March 7, 2003.

During 2002, two shareholder derivative lawsuits were pending in the Hillsborough County, Florida, Circuit Court against certain current and former members of the Company's Board of Directors and Officers. These suits were

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2003 and September 30, 2002
(Unaudited)

Note 2 – Contingencies (continued)

captioned *Clarence S. Gurerra v. Sykes Enterprises, Incorporated, et. al.* , and *James Bunde v. Sykes Enterprises, Incorporated, et. al.* While the Company was a nominal defendant in these suits, both were purportedly instituted by shareholders of the Company on the Company's behalf, and no damages or other relief were sought from the Company. Both suits alleged breach of fiduciary duties and mismanagement by the defendant directors and officers arising out of the facts and circumstances alleged in the Class Action Litigation. The *Bunde* lawsuit also named Ernst & Young, LLP, the Company's former accountants, as a defendant and alleged breach of contract and negligence by Ernst & Young arising out of the facts and circumstances alleged in the Class Action Litigation. The suits sought, on behalf of the Company, disgorgement of profits allegedly made by certain officers and directors through the sale of Company stock while in possession of inside information and other unspecified damages and relief. The plaintiffs voluntarily dismissed the *Bunde* case on February 11, 2003 and the *Gurerra* case was dismissed by the court on April 22, 2003.

The Company from time to time is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that it has adequate legal defenses and/or has provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on the Company's future financial position or results of operations.

Note 3 – Accumulated Other Comprehensive Income (Loss)

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with SFAS No. 130, *"Reporting Comprehensive Income."* SFAS No. 130 establishes rules for the reporting of comprehensive income and its components. Total comprehensive income (loss) was $4.3 million and ($6.7) million for the three months ended September 30, 2003 and 2002, respectively, and $12.8 million and $5.4 million for the nine months ended September 30, 2003 and 2002, respectively.

Note 4 – Restructuring and Other Charges

2002 Charges

In October 2002, the Company approved a restructuring plan to close and consolidate two U.S. and three European customer support centers, to reduce capacity within the European fulfillment operations and to write-off certain specialized e-commerce assets primarily in response to the October 2002 notification of the contractual expiration of two technology client programs in March 2003 with approximate annual revenues of $25.0 million. The restructuring plan was designed to reduce costs and bring the Company's infrastructure in-line with the current business environment. Related to these actions, the Company recorded restructuring and other charges in the fourth quarter of 2002 of $20.8 million primarily for the write-off of certain assets, lease termination and severance costs. In connection with the 2002 restructuring, the Company reduced the number of employees by 470 during 2002 and by 310 during the first nine months of 2003 and expects to reduce the number of employees pursuant to the restructuring by an additional 12 during the remainder of 2003. The plan is expected to be completed by the fourth quarter of 2003.

In connection with the contractual expiration of the two technology client contracts previously mentioned, the Company also recorded additional depreciation expense of $1.2 million in the fourth quarter of 2002 and $1.3 million in the first quarter of 2003 primarily related to a specialized technology platform which was no longer utilized upon the expiration of the contracts in March 2003.

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Note 4 – Restructuring and Other Charges (continued)

2002 Charges (continued)

The following tables summarize the 2002 plan accrued liability for restructuring and other charges and related activity in 2003 (none in the comparable 2002 period) (in thousands):

	Balance at July 1, 2003	Cash Outlays	Other Non-Cash Changes (2)	Balance at September 30, 2003 (1)
Three Months Ended September 30, 2003:				
Severance and related costs	$1,472	$ (440)	$ —	$1,032
Lease termination costs	1,049	(589)	—	460
Other restructuring costs	928	(429)	(23)	476
Total	$3,449	$(1,458)	$(23)	$1,968

	Balance at January 1, 2003	Cash Outlays	Other Non-Cash Changes (2)	Balance at September 30, 2003 (1)
Nine Months Ended September 30, 2003:				
Severance and related costs	$4,696	$(3,664)	$ —	$1,032
Lease termination costs	1,827	(1,367)	—	460
Other restructuring costs	1,852	(1,353)	(23)	476
Total	$8,375	$(6,384)	$(23)	$1,968

(1) Included in “Other accrued expenses and current liabilities” in the accompanying Condensed Consolidated Balance Sheets, except $1.0 million of severance and related costs which is included in “Accrued employee compensation and benefits”.

(2) Reversal of the remaining site closure costs for the Scottsbluff, Nebraska facility sold on September 30, 2003.

2001 Charges

In December 2001, in response to the economic slowdown and increasing demand for the Company’s offshore capabilities, the Company approved a cost reduction plan designed to improve efficiencies in its core business. As a result of the Company’s cost reduction plan, the Company recorded $16.1 million in restructuring, other and impairment charges during the fourth quarter of 2001. This included $14.6 million in charges related to the closure and consolidation of two U.S. customer support centers, two U.S. technical staffing offices, one European fulfillment center; the elimination of redundant property, leasehold improvements and equipment; lease termination costs associated with vacated properties and equipment; and severance and related costs. In connection with the fourth quarter 2001 restructuring, the Company reduced the number of employees by 230 during the first quarter of 2002. The restructuring charge also included $1.4 million for future lease obligations related to closed facilities. In connection with this restructuring, the Company also recorded a $1.5 million impairment charge related to the write-off of certain non-performing assets, including software and equipment no longer used by the Company.

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Note 4 – Restructuring and Other Charges (continued)

2001 Charges (continued)

The following tables summarize the 2001 plan accrued liability for restructuring and other charges and related activity in 2003 and 2002 (in thousands):

	Balance at July 1, 2003	Cash Outlays	Other Non-Cash Changes (3)	Balance at September 30, 2003
Three Months Ended September 30, 2003:				
Severance and related costs	$103	$(103)	$ —	$—
Lease termination costs	40	—	(40)	—
Other restructuring costs	32	(15)	(17)	—
Total	$175	$(118)	$(57)	$—

	Balance at January 1, 2003	Cash Outlays	Other Non-Cash Changes (3)	Balance at September 30, 2003
Nine Months Ended September 30, 2003:				
Severance and related costs	$153	$(153)	$ —	$—
Lease termination costs	161	(121)	(40)	—
Other restructuring costs	32	(15)	(17)	—
Total	$346	$(289)	$(57)	$—

	Balance at July 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Three Months Ended September 30, 2002:				
Severance and related costs	$ 514	$ (75)	$ —	$439 (1)
Lease termination costs	912	(821)	192 (4)	283 (2)
Other restructuring costs	97	(97)	—	—
Total	$1,523	$(993)	$192	$722

	Balance at January 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Nine Months Ended September 30, 2002:				
Severance and related costs	$1,423	$ (984)	$ —	$439 (1)
Lease termination costs	1,355	(1,264)	192 (4)	283 (2)
Write-down of property, equipment, and capitalized costs	3,220	—	(3,220)	—
Other restructuring costs	292	(292)	—	—
Total	$6,290	$(2,540)	$(3,028)	$722

(1) Included in “Accrued employee compensation and benefits” in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in “Other accrued expenses and current liabilities” in the accompanying Condensed Consolidated Balance Sheets.

(3) Reversal of certain accruals related to final settlement of lease termination and other costs.

(4) Additional lease termination costs related to one of the European customer support centers.

Sykes Enterprises, Incorporated and Subsidiaries
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Note 4 – Restructuring and Other Charges (continued)

2000 Charges

The Company recorded restructuring and other charges during the second and fourth quarters of 2000 approximating $30.5 million. The second quarter 2000 restructuring and other charges approximating $9.6 million resulted from the Company's consolidation of several European and one U.S. fulfillment center and the closing or consolidation of six technical staffing offices. Included in the second quarter 2000 restructuring and other charges was a $3.5 million lease termination payment related to the corporate aircraft. As a result of the second quarter 2000 restructuring, the Company reduced the number of employees by 157 during 2000 and satisfied the remaining lease obligations related to the closed facilities during 2001.

The Company also announced, after a comprehensive review of operations, its decision to exit certain non-core, lower margin businesses to reduce costs, improve operating efficiencies and focus on its core competencies of technical support, customer service and consulting solutions. As a result, the Company recorded $20.9 million in restructuring and other charges during the fourth quarter of 2000 related to the closure of its U.S. fulfillment operations, the consolidation of its Tampa, Florida technical support center and the exit of its worldwide localization operations. Included in the fourth quarter 2000 restructuring and other charges is a $2.4 million severance payment related to the employment contract of the Company's former President. In connection with the fourth quarter 2000 restructuring, the Company reduced the number of employees by 245 during the first half of 2001 and satisfied a significant portion of the remaining lease obligations related to the closed facilities during 2001.

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Note 4 – Restructuring and Other Charges (continued)

2000 Charges (continued)

The following tables summarize the 2000 plan accrued liability for restructuring and other charges and related activity in 2003 and 2002 (in thousands):

	Balance at July 1, 2003	Cash Outlays	Other Non-Cash Changes (3)	Balance at September 30, 2003
Three Months Ended September 30, 2003:				
Severance and related costs	$825	$(107)	$ —	$718(1)
Lease termination costs	120	—	(120)	—
Total	$945	$(107)	$(120)	$718

	Balance at January 1, 2003	Cash Outlays	Other Non-Cash Changes (3)	Balance at September 30, 2003
Nine Months Ended September, 2003:				
Severance and related costs	$1,053	$(335)	$ —	$718(1)
Lease termination costs	120	—	(120)	—
Total	$1,173	$(335)	$(120)	$718

	Balance at July 1, 2002	Cash Outlays	Other Non-Cash Changes (4)	Balance at September 30, 2002
Three Months September 30, 2002:				
Severance and related costs	$1,074	$(185)	$214	$1,103(1)
Lease termination costs	120	—	—	120(2)
Total	$1,194	$(185)	$214	$1,223

	Balance at January 1, 2002	Cash Outlays	Other Non-Cash Changes (4)	Balance at September 30, 2002
Nine Months ended September 30, 2002:				
Severance and related costs	$1,485	$(596)	$214	$1,103(1)
Lease termination costs	143	(23)	—	120(2)
Total	$1,628	$(619)	$214	$1,223

(1) Included in "Accrued employee compensation and benefits" in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheets.

(3) Reversal of accruals related to final settlement of lease termination costs.

(4) Additional severance and related costs primarily due to delays in closing a U.S. fulfillment center, which increased the cash outlay requirements for severance.

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Note 5 – Borrowings

The Company amended its $40.0 million revolving credit facility with a group of lenders (the "Amended Credit Facility"), effective as of June 30, 2003, to eliminate the quarterly capital expenditures limitation of $7.5 million in 2003 and to increase the cumulative four quarter maximum capital expenditures limitation to $35.0 million beginning with the quarter ended June 30, 2003 (previously $25.0 million). The Amended Credit Facility includes a $10.0 million swingline subfacility, a $15.0 million letter of credit subfacility and a $25.0 million multi-currency subfacility. Borrowings under the Amended Credit Facility are restricted to 85% of eligible accounts receivable. Absent the amendment and even though there were no outstanding balances on the existing revolving credit facility as of June 30, 2003, the Company would have been in violation of the capital expenditures limitation of $7.5 million for the quarter ended June 30, 2003.

The Amended Credit Facility, which is subject to certain financial covenants and borrowing limitations, may be used to provide working capital and for general corporate purposes and to fund future acquisitions. The Amended Credit Facility accrues interest, at the Company's option, at (a) the lender's base rate plus an applicable margin up to 1.5%, (b) the London Interbank Offered Rate ("LIBOR") plus an applicable margin up to 2.5%, or (c) the Interbank Offered Rate ("IBOR") plus an applicable margin up to 2.5% that varies with the Company's debt levels and certain financial ratios. In addition, a commitment fee of up to 0.75% is charged on the unused portion of the Amended Credit Facility on a quarterly basis. The borrowings under the Amended Credit Facility, which terminates May 31, 2005, are guaranteed by a pledge of all of the common stock of each of the Company's domestic material subsidiaries and 65% of the stock of each of the Company's direct foreign material subsidiaries. The Amended Credit Facility prohibits, without the consent of the lenders, the Company from incurring additional indebtedness, limits certain investment advances or loans and restricts substantial asset sales, capital expenditures, stock repurchases and dividends. The Amended Credit Facility also includes a maximum judgment limitation of $2.5 million and other unsecured indebtedness of $2.0 million, requires cash and cash equivalents of $40.0 million and a minimum of eligible accounts receivable of $23.8 million. There were no outstanding balances on the Amended Credit Facility as of September 30, 2003. At September 30, 2003, the Company had approximately $32.1 million of availability under the Amended Credit Facility.

Note 6 – Income Taxes

The Company's effective tax rate was 34.1% for the nine months ended September 30, 2003 and 34.0% for the comparable 2002 period. The Company's effective tax rate differs from the statutory federal income tax rate of 35.0% primarily due to the effects of non-deductible intangibles and other permanent differences, state income taxes, varying foreign income tax rates and requisite valuation allowances.

Earnings associated with the Company's investments in its foreign subsidiaries are considered to be permanently invested and no provision for United States federal and state income taxes on those earnings or translation adjustments has been provided.

Certain German subsidiaries of the Company are under examination by the German tax authorities for a period covering January 1, 1997 through December 31, 2000. In addition, the Company is currently under examination by several states for sales and use taxes and franchise taxes for various periods. In the opinion of management, any liability that may arise from the prior periods as a result of these examinations is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

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Note 7 – Earnings Per Share

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the respective periods and the further dilutive effect, if any, from stock options using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Basic:				
Weighted average common shares outstanding	40,307	40,411	40,341	40,404
Diluted:				
Dilutive effect of stock options	184	—	85	—
Total weighted average diluted shares outstanding	40,491	40,411	40,426	40,404

On August 5, 2002, the Company's Board of Directors authorized the purchase of up to an additional three million shares of its outstanding common stock. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price and general market conditions. The Company's revolving credit facility (see Note 5 "Borrowings") limits the dollar amount of stock that may be repurchased by the Company. As of September 30, 2003, the Company had repurchased 338 thousand common shares at prices ranging between $3.11 to $7.58 per share for a total cost of $2.0 million.

Note 8 – Termination of the Employee Stock Purchase Plan

Effective June 30, 2003, the Company's Board of Directors decided to terminate the Company's Employee Stock Purchase Plan (the "Plan") due to limited employee participation and costs associated with administrating the Plan. Accordingly, the remaining 0.8 million shares of the Company's common stock previously reserved are no longer available for future issuance under the Plan as of June 30, 2003.

Note 9 – Segment Reporting and Major Clients

The Company operates within two regions, the "Americas" and "EMEA" which represented 68.6% and 31.4%, respectively, of the Company's consolidated revenues for the three months ended September 30, 2003 and 67.1% and 32.9%, respectively, of the Company's consolidated revenues for the nine months ended September 30, 2003. In the comparable 2002 periods, the Americas and EMEA regions represented 64.1% and 35.9%, respectively, of the Company's consolidated revenues for the three months ended September 30, 2002 and 66.6% and 33.4%, respectively, of the Company's consolidated revenues for the nine months ended September 30, 2002. Each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligned its business into these two segments to more effectively manage the business and support the customer care needs of every client and to respond to the changing demands of the Company's global customers and the implementation of the customer centric model. The customer centric model reflects the philosophy throughout the organization and was formally implemented in connection with the Company's continued efforts to concentrate resources on its core competencies and focus on the needs of its clients. In the first quarter of 2003, the Company began to evaluate the performance of its reportable segments before allocation of corporate resources, primarily its corporate headquarters costs. Accordingly, effective January 1, 2003,

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Note 9 – Segment Reporting and Major Clients (continued)

these costs are no longer included in the income (loss) from operations for each of the reportable segments. The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, India and the Asia Pacific Rim, and provides customer outsourcing solutions (with an emphasis on technical support and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East and Africa, and provides customer outsourcing solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, India and the Asia Pacific Rim are included in the Americas region given the nature of the business and client profile, which is primarily made up of U.S. based companies that are using the Company's services in these locations to support their customer management needs.

Information about the Company's reportable segments for the three months ended September 30, 2003 compared to the corresponding prior year period, as revised to reflect the change in segments to exclude corporate resources no longer allocated to the segments, is as follows (in thousands):

	Americas	EMEA	Other [1]	Consolidated Total
Three Months Ended September 30, 2003:				
Revenues	$82,257	$37,655		$119,912
Depreciation and amortization	4,879	1,840		6,719
Income (loss) from operations	$10,464	$ 425	$ (5,409)	$ 5,480
Other income			490	490
Provision for income taxes			2,039	2,039
Net income				$ 3,931
Three Months Ended September 30, 2002:				
Revenues	$70,339	$39,319		$109,658
Depreciation and amortization	5,406	3,441		8,847
Income (loss) from operations	$ 7,742	$ (644)	$ (3,738)	$ 3,360
Other expense			(13,466)	(13,466)
Benefit for income taxes			(3,436)	(3,436)
Net loss				$ (6,670)

[1] Other items (including corporate costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the table above. The accounting policies of the reportable segments are the same as those described in Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2002. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenue and income from operations, and does not include segment assets or other items for management reporting purposes.

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Note 9 – Segment Reporting and Major Clients (continued)

Information about the Company's reportable segments for the nine months ended September 30, 2003 compared to the corresponding prior year period, as revised to reflect the change in segments to exclude corporate resources no longer allocated to the segments, is as follows (in thousands):

	Americas	EMEA	Other [(1)]	Consolidated Total
Nine Months Ended September 30, 2003:				
Revenues	$239,015	$117,132		$356,147
Depreciation and amortization	16,012	6,953		22,965
Income (loss) from operations	$ 24,859	$ 849	$(16,827)	$ 8,881
Other income			1,241	1,241
Provision for income taxes			3,450	3,450
Net income				$ 6,672

	Americas	EMEA	Other [(1)]	Consolidated Total
Nine Months Ended September 30, 2002:				
Revenues	$225,895	$113,335		$339,230
Depreciation and amortization	16,789	8,293		25,082
Income (loss) from operations	$ 25,684	$ 2,840	$(16,130)	$ 12,394
Other expense			(13,495)	(13,495)
Benefit for income taxes			(374)	(374)
Net loss				$ (727)

[(1)] Other items (including corporate costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the table above. The accounting policies of the reportable segments are the same as those described in Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2002. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenue and income from operations, and does not include segment assets or other items for management reporting purposes.

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Note 9 – Segment Reporting and Major Clients (continued)

Information about the Company's reportable segments for each of the four quarters ended December 31, 2002 and the year ended December 31, 2002, as revised to reflect the change in segments to exclude corporate resources no longer allocated to the segments, is as follows (in thousands):

	Americas	EMEA	Other [1]	Consolidated Total
Three Months Ended March 31, 2002:				
Revenues	$80,705	$36,038		$116,743
Depreciation and amortization	5,623	2,342		7,965
Income (loss) from operations	$ 9,477	$ 1,892	$ (6,723)	$ 4,646
Other income			88	88
Provision for income taxes			1,515	1,515
Net income				$ 3,219
Three Months Ended June 30, 2002:				
Revenues	$74,851	$37,978		$112,829
Depreciation and amortization	5,760	2,510		8,270
Income (loss) from operations	$ 8,465	$ 1,592	$ (5,669)	$ 4,388
Other expense			(117)	(117)
Provision for income taxes			1,547	1,547
Net income				$ 2,724
Three Months Ended September 30, 2002:				
Revenues	$70,339	$39,319		$109,658
Depreciation and amortization	5,406	3,441		8,847
Income (loss) from operations	$ 7,742	$ (644)	$ (3,738)	$ 3,360
Other expense			(13,466)	(13,466)
Benefit for income taxes			(3,436)	(3,436)
Net loss				$ (6,670)
Three Months Ended December 31, 2002:				
Revenues	$73,290	$40,217		$113,507
Depreciation and amortization	6,356	2,900		9,256
Income (loss) from operations before restructuring and other charges and impairment of long-lived assets	$ 3,943	$ (439)	$ (4,904)	$ (1,400)
Restructuring and other charges			(20,814)	(20,814)
Impairment of long-lived assets			(1,475)	(1,475)
Income (loss) from operations				(23,689)
Other income			344	344
Benefit for income taxes			(5,441)	(5,441)
Net loss				$ (17,904)

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Note 9 – Segment Reporting and Major Clients (continued)

	Americas	EMEA	Other (1)	Consolidated Total
Year Ended December 31, 2002:				
Revenues	$299,185	$153,552		$452,737
Depreciation and amortization	23,145	11,193		34,338
Income (loss) from operations before restructuring and other charges and impairment of long-lived assets	$ 29,627	$ 2,401	$(21,034)	$ 10,994
Restructuring and other charges			(20,814)	(20,814)
Impairment of long-lived assets			(1,475)	(1,475)
Income (loss) from operations				(11,295)
Other expense			(13,151)	(13,151)
Benefit for income taxes			(5,815)	(5,815)
Net loss				$ (18,631)

(1) Other items (including corporate costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the table above. The accounting policies of the reportable segments are the same as those described in Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2002. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenue and income from operations, and does not include segment assets or other items for management reporting purposes.

The Americas' revenues included $22.1 million, or 18.5% of consolidated revenues, and $61.7 million, or 17.3% of consolidated revenues, for the three and nine months ended September 30, 2003, respectively, from a leading systems integrator ("Systems Integrator") that represents a major provider of communication services for which the Company (Sykes) provides various customer support services. Effective May 1, 2003, the Company entered into a subcontractor services agreement (the "Agreement") with the Systems Integrator following the execution of a primary services agreement between the major provider of communication services and the Systems Integrator. The revenues for the comparable period as it relates to this relationship were $21.2 million, or 19.3% of consolidated revenues, and $52.3 million, or 15.4% of consolidated revenues, for the three and nine months ended September 30, 2002, respectively. Under the terms of this three year Agreement, the Company will continue to provide the products and services necessary to support and assist the Systems Integrator in the management and performance of its primary services agreement.

In addition, total consolidated revenues included $15.4 million, or 12.8% of consolidated revenues and $45.9 million, or 12.9% of consolidated revenues, for the three and nine months ended September 30, 2003, respectively, from a leading software and services provider. This included $15.4 million in revenue from the Americas for the three months ended September 30, 2003 and $45.4 million in revenue from the Americas and $0.5 million in revenue from EMEA for the nine months ended September 30, 2003. In the comparable 2002 periods, this provider represented $12.3 million, or 11.2% of consolidated revenues, and $39.3 million, or 11.6% of consolidated revenues, for the three and nine months ended September 30, 2002, respectively. This included $11.7 million in revenue from the Americas and $0.6 million in revenue from EMEA for the three months ended September 30, 2002 and $37.6 million in revenue from the Americas and $1.7 million in revenue from EMEA for the nine months ended September 30, 2002.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated:

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of September 30, 2003, and the related condensed consolidated statements of operations for the three- and nine-month periods ended September 30, 2003 and 2002, of changes in shareholders' equity for the nine-month periods ended September 30, 2003 and 2002 and for the three-month period ended December 31, 2002, and of cash flows for the nine-month periods ended September 30, 2003 and 2002. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2002, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 10, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Certified Public Accountants

Tampa, Florida
November 10, 2003

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and in the Sykes Enterprises, Incorporated ("Sykes," "our", "we" or "us") Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Securities and Exchange Commission.

Our discussion and analysis may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about Sykes, our beliefs, and assumptions made by us. In addition, other written or oral statements, which constitute forward-looking statements, may be made from time to time by us. Words such as "believe," "estimate," "project," "expect," "intend," "may," "anticipate," "plan," "seek," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: (i) the timing of significant orders for our products and services, (ii) variations in the terms and the elements of services offered under our standardized contract including those for future bundled service offerings, (iii) changes in applicable accounting principles or interpretations of such principles, (iv) difficulties or delays in implementing our bundled service offerings, (v) failure to achieve sales, marketing and other objectives, (vi) construction delays of new technical and customer support centers, (vii) delays in our ability to develop new products and services and market acceptance of new products and services, (viii) rapid technological change, (ix) loss or addition of significant clients, (x) risks inherent in conducting business abroad, (xi) currency fluctuations, (xii) fluctuations in business conditions and the economy, (xiii) our ability to attract and retain key management personnel, (xiv) our ability to continue the growth of our support service revenues through additional technical and customer service centers, (xv) our ability to further penetrate into vertically integrated markets, (xvi) our ability to expand our global presence through strategic alliances and selective acquisitions, (xvii) our ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xviii) the ultimate outcome of any lawsuits, (xix) our ability to recognize deferred revenue through delivery of products or satisfactory performance of services, (xx) our dependence on trend toward outsourcing, (xxi) risk of emergency interruption of technical and customer support center operations, (xxii) the existence of substantial competition, (xxiii) the early termination of contracts by clients and (xxiv) other risk factors listed from time to time in our registration statements and reports as filed with the Securities and Exchange Commission.

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Results of Operations

The following table sets forth, for the periods indicated, certain data derived from our Condensed Consolidated Statements of Operations and certain of such data expressed as a percentage of revenues (in thousands, except percentage amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues	$119,912	$109,658	$356,147	$339,230
Direct salaries and related costs	$ 76,506	$ 69,910	$230,370	$212,788
Percentage of revenues	63.8%	63.8%	64.7%	62.7%
General and administrative expenses	$ 39,862	$ 37,585	$118,644	$114,993
Percentage of revenues	33.2%	34.3%	33.3%	33.9%
Net gain on sale of property and equipment	$ (1,736)	$ (1,197)	$ (1,548)	$ (945)
Percentage of revenues	(1.5%)	(1.1%)	(0.4%)	(0.2%)
Reversal of restructuring and other charges	$ (200)	—	$ (200)	—
Percentage of revenues	(0.1%)	—	(0.1%)	—
Income from operations	$ 5,480	$ 3,360	$ 8,881	$ 12,394
Percentage of revenues	4.6%	3.0%	2.5%	3.6%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Americas	$ 82,257	$ 70,339	$239,015	$225,895
EMEA	37,655	39,319	117,132	113,335
Consolidated	$119,912	$109,658	$356,147	$339,230

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Revenues

For the three months ended September 30, 2003, we recorded consolidated revenues of $119.9 million, an increase of $10.2 million or 9.3% from $109.7 million of consolidated revenues for the comparable 2002 period.

On a geographic segmentation basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 68.6%, or $82.2 million for the three months ended September 30, 2003 compared to 64.1%, or $70.3 million for the comparable 2002 period. Revenues from the EMEA region, including Europe, the Middle East and Africa, represented 31.4%, or $37.7 million for the three months ended September 30, 2003 compared to 35.9%, or $39.4 million for the comparable 2002 period.

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Results of Operations (continued)

Revenues (continued)

The increase in the Americas' revenue of $11.9 million, or 16.9%, for the three months ended September 30, 2003 was primarily attributable to an increase in revenues from our offshore markets, including Latin America, India and the Asia Pacific Rim operations, resulting from the continued acceleration in demand for a lower cost solution, and further diversification into new vertical markets, including financial services and the transportation and leisure industry. These offshore operations represented 17.7% of consolidated revenues for the three months ended September 30, 2003 compared to 9.4% for the comparable 2002 period.

The decrease in EMEA's revenue of $1.7 million, or 4.2% for the three months ended September 30, 2003, was primarily related to the continued softness in customer call volumes resulting from the weak European economy. Without the foreign currency benefit of the strengthening Euro, which positively impacted revenues for the three months ended September 30, 2003 by approximately $4.7 million compared to the Euro in the same period in 2002, EMEA's revenues would have declined $6.4 million compared with last year.

Direct Salaries and Related Costs

Direct salaries and related costs increased $6.6 million or 9.4% to $76.5 million for the three months ended September 30, 2003, from $69.9 million in the comparable 2002 period. This increase was primarily attributable to an increase in staffing and training costs associated with the ramp-up of new business in our offshore markets. Although the strengthening Euro positively impacted revenues, it increased direct salaries and related costs for the three months ended September 30, 2003 by approximately $3.1 million compared to the Euro in the same period of 2002. As a percentage of revenues, direct salaries and related costs for the three months ended September 30, 2003 remained unchanged from the comparable 2002 period at 63.8%.

General and Administrative

General and administrative expenses increased $2.3 million or 6.1% to $39.9 million for the three months ended September 30, 2003, from $37.6 million in the comparable 2002 period. As a percentage of revenues, general and administrative expenses decreased to 33.2% in 2003 from 34.3% for the comparable 2002 period. This decrease in general and administrative expenses as a percentage of revenues was principally attributable to lower depreciation partially offset by higher lease costs associated with the expansion of offshore facilities and higher insurance costs. Like the negative effect on direct salaries and related costs, the strengthening Euro also increased general and administrative expenses for the three months ended September 30, 2003 by approximately $1.6 million compared to the Euro in the same period of 2002.

Net Gain on Disposal of Property and Equipment

The net gain on disposal of property and equipment of $1.7 million for the three months ended September 30, 2003 includes a $1.9 million net gain on the sale of our Scottsbluff, Nebraska customer support center, which was closed in connection with the 2002 restructuring plan, offset by a $0.2 million loss on disposal of property and equipment. This compares to a $1.2 million net gain on disposal of property and equipment for the three months ended September 30, 2002, which includes a $1.8 million net gain on the sale of our Bismarck, North Dakota customer support center offset by a $0.2 million net loss on the sale of certain assets of the print facilities in Galashiels, Scotland and a $0.4 million loss on disposal of property and equipment.

Results of Operations (continued)

Reversal of Restructuring and Other Charges

The reversal of restructuring and other charges of $0.2 million for the three months ended September 30, 2003 includes the reversal of the remaining site closure costs for the Scottsbluff, Nebraska facility sold on September 30, 2003 and the reversal of certain accruals in connection with the 2001 and 2000 restructuring plans related to the final settlement of lease termination and other costs in the third quarter of 2003.

Other Income and Expense

Other income was $0.5 million for the three months ended September 30, 2003, compared to other expense of $13.5 million during the comparable 2002 period. This change of $14.0 million was primarily attributable to a $13.8 million charge in the third quarter of 2002 for the uninsured portion of the class action litigation settlement related to the class action suits filed against Sykes in 2000.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes increased $5.4 million to $2.0 million for the three months ended September 30, 2003 from ($3.4) million for the comparable 2002 period. This increase was primarily attributable to the increase in income for the three months ended September 30, 2003.

Net Income (Loss)

As a result of the foregoing, income from operations for the three months ended September 30, 2003 of $5.5 million increased $2.1 million from the comparable 2002 period. As previously discussed, this increase was principally attributable to a $10.2 million increase in revenues in the third quarter of 2003 compared to the same period in 2002, a $0.5 million increase in net gain on disposal of property and equipment and a $0.2 million credit from the reversal of restructuring and other charges offset by a $6.6 million increase in direct salaries and related costs and a $2.3 million increase in general and administrative costs. The $2.1 million increase in income from operations and decrease in other expense of $14.0 million was offset by a $5.4 million higher tax provision resulting in net income of $3.9 million for the three months ended September 30, 2003, an increase of $10.6 million compared to the same period in 2002.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Revenues

For the nine months ended September 30, 2003, we recorded consolidated revenues of $356.1 million, an increase of $16.9 million or 5.0% from $339.2 million of consolidated revenues for the comparable 2002 period.

On a geographic segmentation basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 67.1%, or $239.0 million for the nine months ended September 30, 2003 compared to 66.6%, or $255.9 million for the comparable 2002 period. Revenues from the EMEA region, including Europe, the Middle East and Africa, represented 32.9%, or $117.1 million for the nine months ended September 30, 2003 compared to 33.4% or $113.3 million for the comparable 2002 period.

The increase in Americas' revenue of $13.1 million, or 5.8%, for the nine months ended September 30, 2003 was primarily attributable to an increase in revenues from our offshore markets, including Latin America, India and the Asia Pacific Rim operations, resulting from the continued acceleration in demand for a lower cost solution. These operations represented 15.7% of consolidated revenues for the nine months ended September 30, 2003 compared to 8.6% for the comparable 2002 period. The increase in the Americas' revenue was partially offset by the overall

Results of Operations (continued)

Revenues (continued)

reduction in client call volumes resulting from the economic downturn and the phasing out of two U.S. based original equipment manufacturer (“OEM”) technology clients.

The increase in EMEA’s revenue of $3.8 million, or 3.4%, for the nine months ended September 30, 2003 was primarily related to the strengthening Euro, which positively impacted revenues for the nine months ended September 30, 2003 by approximately $19.5 million compared to the Euro in the same period in 2002. Without this foreign currency benefit, EMEA’s revenues would have declined $15.7 million compared with last year due to the continued softness in customer call volumes resulting from the weak European economy.

Direct Salaries and Related Costs

Direct salaries and related costs increased $17.6 million or 8.3% to $230.4 million for the nine months ended September 30, 2003, from $212.8 million in the comparable 2002 period. As a percentage of revenues, direct salaries and related costs increased to 64.7% in 2003 from 62.7% for the comparable 2002 period. This increase was primarily attributable to an increase in staffing and training costs associated with the ramp-up of new business in our offshore markets, lower call volumes in the United States and European markets and lower margin European centers that were closed in the first quarter of 2003 in connection with our 2002 restructuring plan. Although the strengthening Euro positively impacted revenues, it increased direct salaries and related costs for the nine months ended September 30, 2003 by approximately $12.8 million compared to the Euro in the same period of 2002.

General and Administrative

General and administrative expenses increased $3.6 million or 3.2% to $118.6 million for the nine months ended September 30, 2003, from $115.0 million in the comparable 2002 period. As a percentage of revenues, general and administrative expenses decreased to 33.3% in 2003 from 33.9% for the comparable 2002 period. This decrease was principally attributable to lower depreciation partially offset by higher insurance costs and higher lease and travel costs associated with the expansion of offshore facilities. Like the negative effect on direct salaries and related costs, the strengthening Euro also increased general and administrative expenses for the nine months ended September 30, 2003 by approximately $6.6 million compared to the Euro in the same period of 2002.

Net Gain on Disposal of Property and Equipment

The net gain on disposal of property and equipment of $1.6 million for the nine months ended September 30, 2003 includes a $1.9 million net gain on the sale of our Scottsbluff, Nebraska customer support center, which was closed in connection with the 2002 restructuring plan, offset by a $0.4 million loss on disposal of property and equipment. This compares to a $1.0 million net gain on disposal of property and equipment for the nine months ended September 30, 2002, which includes a $1.8 million net gain on the sale of our Bismarck, North Dakota customer support center offset by a $0.2 million net loss on the sale of certain assets of the print facilities in Galashiels, Scotland and a $0.6 million loss on disposal of property and equipment.

Reversal of Restructuring and Other Charges

The reversal of restructuring and other charges of $0.2 million for the nine months ended September 30, 2003 includes the reversal of the remaining site closure costs for the Scottsbluff, Nebraska facility sold on September 30, 2003 and the reversal of certain accruals in connection with the 2001 and 2000 restructuring plans related to the final settlement of lease termination and other costs in the third quarter of 2003.

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Results of Operations (continued)

Other Income and Expense

Other income was $1.2 million during the nine months ended September 30, 2003, compared to other expense of $13.5 million during the comparable 2002 period. This change of $14.7 million was primarily attributable to a $13.8 million charge for the uninsured portion of the class action settlement, a $0.7 million increase in interest earned on cash and cash equivalents net of interest expense, and a charge of $0.2 million for the amortization of loan fees related to the cancellation and replacement of our revolving credit facility in April 2002.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes increased $3.8 million to $3.5 million for the nine months ended September 30, 2003 from ($0.4) million for the comparable 2002 period. This increase was primarily attributable to the increase in income for the nine months ended September 30, 2003. The effective tax rate for the nine months ended September 30, 2003 remained unchanged from the comparable 2002 period at 34.0%. The effective tax rate differs from the statutory federal income tax rate of 35.0% primarily due to the effects of non-deductible intangibles and other permanent differences, state income taxes, varying foreign income tax rates and requisite valuation allowances.

Net Income (Loss)

As a result of the foregoing, income from operations for the nine months ended September 30, 2003 of $8.9 million decreased $3.5 million from the comparable 2002 period. As previously discussed, this decrease was principally attributable to a $17.6 million increase in direct salaries and related costs and a $3.6 million increase in general and administrative costs offset by a $16.9 million increase in revenues, a $0.6 million increase in net gain on disposal of property and equipment and a $0.2 million credit from the reversal of restructuring and other charges. The $3.5 million decrease in income from operations and $3.8 million higher tax provision were offset by a decrease in other expense of $14.7 million resulting in net income of $6.7 million for the nine months ended September 30, 2003, an increase of $7.4 million compared to the same period in 2002.

Liquidity and Capital Resources

Our primary sources of liquidity are generally cash flows generated from operations and from available borrowings under our revolving credit facilities. We have utilized our capital resources to make capital expenditures associated primarily with our customer support services, invest in technology applications and tools to further develop our service offerings and for working capital and other general corporate purposes, including repurchase of our common stock in the open market and to fund possible acquisitions. In future periods, we intend similar uses of these funds.

In the first nine months of 2003, we generated $13.9 million in cash from operating activities, $2.0 million in cash from the sale of facilities and $0.5 million in cash from issuance of stock; used $20.6 million in funds for investments in capital expenditures and $2.0 million to repurchase stock in the open market resulting in a $1.6 million decrease in available cash (net of the effects of international currency exchange rates on cash of $4.6 million).

Net cash flows provided by operating activities for the nine months ended September 30, 2003 were $13.9 million compared to net cash flows provided by operating activities of $53.4 million for the comparable 2002 period. The $39.5 million decrease in net cash flows from operating activities was due to a net decrease in non-cash expenses of $12.0 million and a net increase in assets and liabilities of $34.9 million offset by an increase in net income of $7.4 million. The net increase in assets and liabilities of $34.9 million was due to a $32.3 million increase in receivables, an increase in other assets of $3.3 million, a decrease in accounts payable and other accrued accounts of $1.2 million

Results of Operations (continued)

Liquidity and Capital Resources (continued)

and a decrease in income taxes payable of $0.4 million (net of an increase in income tax refunds of $3.0 million) offset by an increase in deferred revenue of $2.3 million. The increase in receivables was primarily due to an increase in revenues.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under our credit facilities, were $20.6 million for the nine months ended September 30, 2003 compared to $15.9 million for the comparable 2002 period, an increase of $4.7 million. In the nine months ended September 30, 2003, approximately 89% of the capital expenditures were the result of investing in new and existing customer support centers, primarily offshore, and 11% was expended primarily for maintenance and systems infrastructure. In 2003, we anticipate capital expenditures in the range of $28.0 million to $33.0 million.

The primary sources of cash flows from financing activities are from borrowings under our $40.0 million revolving credit facility. We amended our $40.0 million revolving credit facility with a group of lenders (the "Amended Credit Facility"), effective as of June 30, 2003, to eliminate the quarterly capital expenditures limitation of $7.5 million in 2003 and to increase the cumulative four quarter maximum capital expenditures limitation to $35.0 million beginning with the quarter ended June 30, 2003 (previously $25.0 million). The Amended Credit Facility includes a $10.0 million swingline subfacility, a $15.0 million letter of credit subfacility and a $25.0 million multi-currency subfacility. Borrowings under the Amended Credit Facility are restricted to 85% of eligible accounts receivable. Absent the amendment and even though there were no outstanding balances on the existing revolving credit facility as of June 30, 2003, we would have been in violation of the capital expenditures limitation of $7.5 million for the quarter ended June 30, 2003.

The Amended Credit Facility, which is subject to certain financial covenants and borrowing limitations, may be used to provide working capital and for general corporate purposes and to fund future acquisitions. The Amended Credit Facility accrues interest, at our option, at (a) the lender's base rate plus an applicable margin up to 1.5%, (b) the London Interbank Offered Rate ("LIBOR") plus an applicable margin up to 2.5%, or (c) the Interbank Offered Rate ("IBOR") plus an applicable margin up to 2.5% that varies with debt levels and certain financial ratios. In addition, a commitment fee of up to 0.75% is charged on the unused portion of the Amended Credit Facility on a quarterly basis. The borrowings under the Amended Credit Facility, which terminates May 31, 2005, are guaranteed by a pledge of all of the common stock of each of our domestic material subsidiaries and 65% of the stock of each of our direct foreign material subsidiaries. The Amended Credit Facility prohibits, without the consent of the lenders, Sykes from incurring additional indebtedness, limits certain investment advances or loans and restricts substantial asset sales, capital expenditures, stock repurchases and dividends. The Amended Credit Facility also includes a maximum judgment limitation of $2.5 million and other unsecured indebtedness of $2.0 million, requires cash and cash equivalents of $40.0 million and a minimum of eligible accounts receivable of $23.8 million. There were no outstanding balances on the Amended Credit Facility as of September 30, 2003. At September 30, 2003, we were in compliance with all loan requirements of the Amended Credit Facility. At September 30, 2003, we had $77.9 million in cash and approximately $32.1 million of availability under our Amended Credit Facility. Approximately $60.3 million of the cash balances at September 30, 2003 were held in international operations and may be subject to additional taxes if repatriated to the United States. We intend to reinvest this cash into our international operations and have no current plans to repatriate the cash to the United States.

We believe that our current cash levels, accessible funds under our credit facilities and cash flows from future operations will be adequate to meet anticipated working capital needs, our future debt repayment requirements (if any), continued expansion objectives and anticipated levels of capital expenditures for the foreseeable future.

Results of Operations (continued)

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires estimations and assumptions that affect the reported amounts of assets and liabilities and the 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. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of our financial condition and operating results:

- We recognize revenue associated with the grants of land and the cash grants for the acquisition of property, buildings and equipment for customer support centers over the corresponding useful lives of the related assets. Should the useful lives of these assets change for reasons such as the sale or disposal of the property, the amount of revenue recognized would be adjusted accordingly. Deferred grants totaled $30.9 million at September 30, 2003. Income from operations included amortization of the deferred grants of $0.7 million and $2.2 million for the three and nine months ended September 30, 2003, respectively.

- We maintained allowances for doubtful accounts of $5.7 million at September 30, 2003 or 6.5% of receivables, for estimated losses arising from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in a reduced ability to make payments, additional allowances may be required which would reduce income from operations.

- We maintain a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence for each respective tax jurisdiction, it is more likely than not that some portion or all of such deferred tax assets will not be realized. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, our estimate of future taxable income and any applicable tax-planning strategies.

- We hold a minority interest in SHPS, Incorporated as a result of the sale of a 93.5% ownership interest in June 2000. We account for this remaining interest at cost, which was $2.1 million at September 30, 2003. We will record an impairment charge or loss if we believe the investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment; and therefore, might require an impairment charge in the future.

- We review long-lived assets, which had a total carrying value of $110.2 million at September 30, 2003, including goodwill, for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Upon determination that the carrying value of the asset is impaired, we would record an impairment charge or loss. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment; and therefore, might require an impairment charge in the future.

- Self-insurance related liabilities of $2.0 million at September 30, 2003 include estimates for, among other things, projected settlements for known and anticipated claims for worker's compensation and employee health insurance. Key variables in determining such estimates include past claims history, number of covered employees and projected future claims. We periodically evaluate and, if necessary, adjust the estimates based on information currently available. Revisions to these estimates, which could result in adjustments to the liability and additional charges, would be recorded in the period when such adjustments or charges are known.

Results of Operations (continued)

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") SFAS No. 143, *"Accounting for Asset Retirement Obligations"*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, and development and (or) normal use of the asset. We implemented the provisions of SFAS No. 143 effective January 1, 2003. The impact of this adoption did not have a material effect on our financial condition, results of operations, or cash flows.

In April 2002, the FASB issued SFAS No. 145, *"Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections."* Among other provisions, SFAS No. 145 rescinds SFAS No. 4 *"Reporting Gains and Losses from Extinguishment of Debt."* Accordingly, gains or losses from extinguishment of debt are no longer reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria of APB No. 30, *"Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."* Gains or losses from extinguishment of debt that do not meet the criteria of APB No. 30 must be reclassified to income from continuing operations in all prior periods presented. We implemented the provisions of SFAS No. 145 effective January 1, 2003. The adoption of this statement had no impact on our financial condition, results of operations, or cash flows.

In July 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities,"* which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, facilities closing, or other exit or disposal activity initiated after December 31, 2002. The statement requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 will be applied to exit or disposal activities initiated on or after January 1, 2003.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS No. 123."* This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of SFAS No. 123 and Accounting Principles Board ("APB") Opinion No. 28, *"Interim Financial Reporting,"* to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We implemented SFAS No. 148 effective January 1, 2003 regarding disclosure requirements for condensed financial statements for interim periods. We have not yet determined whether we will voluntarily change to the fair value based method of accounting for stock-based employee compensation.

In April 2003, the FASB issued SFAS No. 149, *"Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities."* SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, *"Accounting for Derivative Instruments and Hedging Activities."* SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

In May 2003, the FASB issued SFAS No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity."* SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy

Results of Operations (continued)

Recent Accounting Pronouncements (continued)

back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement did not have a material effect on the financial condition, results of operations, or cash flows of the Company.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF No. 00-21, *"Revenue Arrangements with Multiple Deliverables,"* providing further guidance on how to account for multiple element contracts. This consensus requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria. In addition, arrangement consideration must be allocated among the separate units of accounting based on their relative fair values, with certain limitations. EITF No. 00-21 is effective for all arrangements entered into after June 30, 2003. The adoption of this guidance did not have a material impact on the financial condition, results of operations, or the cash flows of the Company.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Direct Guarantees of Indebtedness of Others."* This interpretation requires us to record, at the inception of a guarantee, the fair value of the guarantee as a liability, with the offsetting entry being recorded based on the circumstances in which the guarantee was issued. Funding under the guarantee is to be recorded as a reduction of the liability. After funding has ceased, the remaining liability is recognized in the income statement on a straight-line basis over the remaining term of the guarantee. We adopted the disclosure provisions of FIN No. 45 in the fourth quarter of 2002 and the initial recognition and initial measurement provisions on a prospective basis for all guarantees issued after December 31, 2002. This interpretation did not have a material effect on our financial condition, results of operations, or cash flows.

In January 2003, the FASB issued FIN No. 46, *"Consolidation of Variable Interest Entities,"* in an effort to expand upon existing accounting guidance that addresses when a company should consolidate the financial results of another entity. FIN No. 46 requires "variable interest entities", as defined, to be consolidated by a company if that company is subject to a majority of expected losses of the entity or is entitled to receive a majority of expected residual returns of the entity, or both. A company that is required to consolidate a variable interest entity is referred to as the entity's primary beneficiary. The interpretation also requires certain disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest.

The consolidation and disclosure requirements apply immediately to variable interest entities created after January 31, 2003. We are not the primary beneficiary of any variable interest entity created after January 31, 2003 nor do we have a significant variable interest in a variable interest entity created after January 31, 2003.

For variable interest entities that existed before February 1, 2003, the consolidation requirements were initially effective for reporting periods beginning after June 15, 2003. On October 9, 2003, the FASB Staff issued Position No. FIN No. 46-6 which delayed the effective date of consolidation provisions of FIN No. 46 for variable interest entities created before February 1, 2003 to financial statements for periods ending after December 15, 2003, if the reporting entity had not yet issued financial statements reporting the variable interest entities in accordance with the consolidation provisions of FIN No. 46. We do not believe that the adoption of the provisions of FIN No. 46 to variable interest entities created before February 1, 2003 will have a material impact on our results of operations, financial position or cash flows.

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency and Interest Rate Risk

Our earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. We are exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated other comprehensive loss in shareholders' equity. Movements in non-U.S. currency exchange rates may affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors. Under our current policy, we do not use non-U.S. exchange derivative instruments to manage exposure to changes in non-U.S. currency exchange rates.

Our exposure to interest rate risk results from variable debt outstanding under our revolving credit facilities. Based on our level of variable rate debt outstanding during the nine-month period ended September 30, 2003, a one-point increase in the weighted average interest rate, which generally equals the LIBOR rate plus an applicable margin, would not have had a material impact on our annual interest expense. At September 30, 2003, we had no debt outstanding at variable interest rates. We have not historically used derivative instruments to manage exposure to changes in interest rates.

Fluctuations in Quarterly Results

For the year ended December 31, 2002, quarterly revenues as a percentage of total consolidated annual revenues were approximately 26%, 25%, 24% and 25%, respectively, for each of the respective quarters of the year. We have experienced and anticipate that in the future we will continue to experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing of the expenses incurred to support new business, the timing and frequency of client spending for customer support services, non-U.S. currency fluctuations, and the seasonal pattern of technical and customer support, and fulfillment services.

Item 4 - Controls and Procedures

As of September 30, 2003, under direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures and internal controls over financial reporting and concluded that (i) our disclosure controls and procedures were effective as of September 30, 2003, and (ii) no changes occurred during the quarter ended September 30, 2003, that materially affected, or are reasonably likely to materially affect, such internal controls.

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Part II – OTHER INFORMATION.

Item 6 – Exhibits and Reports on Form 8-K.

(a) Exhibits

The following documents are filed as an exhibit to this Report:

15	Letter regarding unaudited interim financial information.
31.1	Certification of Chief Executive Officer, pursuant to 15 U.S.C. §7241.
31.2	Certification of Chief Financial Officer, pursuant to 15 U.S.C. §7241.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. §1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350.

(b) Reports on Form 8-K

We filed a current report on Form 8-K, dated July 28, 2003, with the Securities and Exchange Commission on July 29, 2003, reporting, under Item 12, the filing of a press release announcing our financial results for the quarter ended June 30, 2003.

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2003

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

Date: November 10, 2003

By: /s/ W. Michael Kipphut

W. Michael Kipphut
Group Executive, Senior Vice President – Finance
(Principal Financial and Accounting Officer)

EXHIBIT 15

November 10, 2003

Board of Directors
Sykes Enterprises, Incorporated
400 N. Ashley Drive
Tampa, FL 33602

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial information of Sykes Enterprises, Incorporated and subsidiaries for the periods ended September 30, 2003 and 2002, as indicated in our report dated November 10, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, 333-88359, and 333-73260 on Forms S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Tampa, Florida

Exhibit 31.1

CERTIFICATION

I, John H. Sykes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2003

/s/ John H. Sykes

John H. Sykes, Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, W. Michael Kipphut, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2003

/s/ W. Michael Kipphut

W. Michael Kipphut, Group Executive, Senior Vice President - Finance

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Sykes, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2003	*By: /s/ John H. Sykes*
	John H. Sykes
	Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Michael Kipphut, Group Executive, Senior Vice President - Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2003

By: /s/ W. Michael Kipphut

W. Michael Kipphut
Group Executive, Senior Vice President - Finance
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
