

SYKES ENTERPRISES INC

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2014

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
(State or other jurisdiction of
incorporation or organization)

56-1383460
(IRS Employer
Identification No.)

400 North Ashley Drive, Suite 2800, 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 29, 2014, there were 43,288,873 outstanding shares of common stock.

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Sykes Enterprises, Incorporated and Subsidiaries

Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share data)

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 209,609	\$ 211,985
Receivables, net	283,032	264,916
Prepaid expenses	17,689	15,710
Other current assets	24,799	20,672
Total current assets	<u>535,129</u>	<u>513,283</u>
Property and equipment, net	112,304	117,549
Goodwill, net	195,734	199,802
Intangibles, net	64,532	76,055
Deferred charges and other assets	30,575	43,572
	<u>\$ 938,274</u>	<u>\$ 950,261</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,718	\$ 25,540
Accrued employee compensation and benefits	84,594	81,064
Current deferred income tax liabilities	252	84
Income taxes payable	2,272	1,274
Deferred revenue	36,337	35,025
Other accrued expenses and current liabilities	24,870	30,393
Total current liabilities	<u>173,043</u>	<u>173,380</u>
Deferred grants	5,641	6,637
Long-term debt	79,000	98,000
Long-term income tax liabilities	20,000	24,647
Other long-term liabilities	10,280	11,893
Total liabilities	<u>287,964</u>	<u>314,557</u>
Commitments and loss contingency (Note 13)		
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; 43,789 and 43,997 shares issued, respectively	438	440
Additional paid-in capital	282,429	279,513
Retained earnings	383,312	349,366
Accumulated other comprehensive income (loss)	(11,313)	7,997
Treasury stock at cost: 269 and 122 shares, respectively	(4,556)	(1,612)
Total shareholders' equity	<u>650,310</u>	<u>635,704</u>
	<u>\$ 938,274</u>	<u>\$ 950,261</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands, except per share data)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 332,671	\$ 322,143	\$ 977,598	\$ 928,122
Operating expenses:				
Direct salaries and related costs	221,598	215,001	664,308	628,848
General and administrative	73,868	73,987	221,250	222,967
Depreciation, net	11,516	10,677	34,136	30,863
Amortization of intangibles	3,597	3,699	10,907	11,171
Total operating expenses	<u>310,579</u>	<u>303,364</u>	<u>930,601</u>	<u>893,849</u>
Income from operations	<u>22,092</u>	<u>18,779</u>	<u>46,997</u>	<u>34,273</u>
Other income (expense):				
Interest income	249	216	717	648
Interest (expense)	(464)	(630)	(1,515)	(1,716)
Other income (expense)	(406)	356	(142)	142
Total other income (expense)	<u>(621)</u>	<u>(58)</u>	<u>(940)</u>	<u>(926)</u>
Income before income taxes	21,471	18,721	46,057	33,347
Income taxes	4,833	4,575	10,769	7,087
Net income	<u>\$ 16,638</u>	<u>\$ 14,146</u>	<u>\$ 35,288</u>	<u>\$ 26,260</u>
Net income per common share:				
Basic	<u>\$ 0.39</u>	<u>\$ 0.33</u>	<u>\$ 0.83</u>	<u>\$ 0.61</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.33</u>	<u>\$ 0.82</u>	<u>\$ 0.61</u>
Weighted average common shares outstanding:				
Basic	42,704	42,785	42,721	42,918
Diluted	42,837	42,836	42,844	42,948

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(in thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net income	<u>\$ 16,638</u>	<u>\$ 14,146</u>	<u>\$ 35,288</u>	<u>\$ 26,260</u>
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss), net of taxes	(20,744)	7,200	(22,823)	(2,905)
Unrealized gain (loss) on net investment hedge, net of taxes	2,600	(797)	2,705	(774)
Unrealized actuarial gain (loss) related to pension liability, net of taxes	(47)	(27)	(26)	(123)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	(469)	827	818	(1,351)
Unrealized gain (loss) on postretirement obligation, net of taxes	(2)	(95)	16	(184)
Other comprehensive income (loss), net of taxes	<u>(18,662)</u>	<u>7,108</u>	<u>(19,310)</u>	<u>(5,337)</u>
Comprehensive income (loss)	<u>\$ (2,024)</u>	<u>\$ 21,254</u>	<u>\$ 15,978</u>	<u>\$ 20,923</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2014
(Unaudited)

(in thousands)	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Treasury Stock</u>	<u>Total</u>
	<u>Shares Issued</u>	<u>Amount</u>					
Balance at December 31, 2013	43,997	\$ 440	\$ 279,513	\$349,366	\$ 7,997	\$(1,612)	\$635,704
Stock-based compensation expense	—	—	4,429	—	—	—	4,429
Excess tax benefit (deficiency) from stock-based compensation	—	—	(30)	—	—	—	(30)
Net vesting (forfeitures) of common stock and restricted stock under equity award plans	(78)	(1)	(221)	—	—	(199)	(421)
Repurchase of common stock	—	—	—	—	—	(5,350)	(5,350)
Retirement of treasury stock	(130)	(1)	(1,262)	(1,342)	—	2,605	—
Comprehensive income (loss)	—	—	—	35,288	(19,310)	—	15,978
Balance at September 30, 2014	<u>43,789</u>	<u>\$ 438</u>	<u>\$ 282,429</u>	<u>\$383,312</u>	<u>\$ (11,313)</u>	<u>\$(4,556)</u>	<u>\$650,310</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities :		
Net income	\$ 35,288	\$ 26,260
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	34,832	31,620
Amortization of intangibles	10,907	11,171
Amortization of deferred grants	(1,082)	(859)
Unrealized foreign currency transaction (gains) losses, net	(1,257)	4,496
Stock-based compensation expense	4,429	3,581
Deferred income tax provision (benefit)	2,224	(801)
Net (gain) loss on disposal of property and equipment	195	60
Bad debt expense (reversals)	(490)	398
Unrealized (gains) losses on financial instruments, net	2,416	201
Amortization of deferred loan fees	194	194
Other	(546)	74
Changes in assets and liabilities:		
Receivables	(24,651)	(25,912)
Prepaid expenses	(2,276)	(4,723)
Other current assets	(7,291)	(2,000)
Deferred charges and other assets	7,654	(938)
Accounts payable	3,191	(1,958)
Income taxes receivable / payable	(115)	(2,080)
Accrued employee compensation and benefits	6,136	6,304
Other accrued expenses and current liabilities	(3,438)	337
Deferred revenue	2,931	4,011
Other long-term liabilities	(2,561)	1,086
Net cash provided by (used for) operating activities	<u>66,690</u>	<u>50,522</u>
Cash flows from investing activities:		
Capital expenditures	(35,669)	(45,647)
Proceeds from sale of property and equipment	83	89
Investment in restricted cash	(3)	(262)
Release of restricted cash	168	—
Net cash (used for) investing activities	<u>(35,421)</u>	<u>(45,820)</u>

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Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Continued)

(in thousands)	Nine Months Ended September 30,	
	2014	2013
Cash flows from financing activities:		
Payments of long-term debt	(19,000)	(18,000)
Proceeds from issuance of long-term debt	—	32,000
Proceeds from issuance of common stock	—	59
Cash paid for repurchase of common stock	(5,350)	(5,479)
Proceeds from grants	181	151
Shares repurchased for minimum tax withholding on equity awards	(421)	(93)
Net cash provided by (used for) financing activities	<u>(24,590)</u>	<u>8,638</u>
Effects of exchange rates on cash and cash equivalents	<u>(9,055)</u>	<u>(3,927)</u>
Net increase (decrease) in cash and cash equivalents	(2,376)	9,413
Cash and cash equivalents – beginning	<u>211,985</u>	<u>187,322</u>
Cash and cash equivalents – ending	<u>\$ 209,609</u>	<u>\$ 196,735</u>
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	\$ 1,323	\$ 1,593
Cash paid during period for income taxes	\$ 12,439	\$ 12,304
Non-cash transactions:		
Property and equipment additions in accounts payable	\$ 2,768	\$ 4,433
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	\$ 16	\$ (184)

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2014 and 2013
(Unaudited)

Note 1. Overview and Basis of Presentation

Business — Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES” or the “Company”) provides comprehensive outsourced customer contact management solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, and healthcare industries. SYKES provides flexible, high-quality outsourced customer contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to its clients’ customers. Utilizing SYKES’ integrated onshore/offshore global delivery model, SYKES provides its services through multiple communication channels encompassing phone, e-mail, social media, text messaging and chat. SYKES complements its outsourced customer contact management services with various enterprise support services in the United States that encompass services for a company’s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling. The Company has operations in two reportable segments entitled (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, in which the client base is primarily companies in the United States that are using the Company’s services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East and Africa.

Basis of Presentation — 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” or “U.S. GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. 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. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2014. 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, 2013, as filed with the Securities and Exchange Commission (“SEC”) on February 20, 2014.

Principles of Consolidation — The condensed consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates — The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — Subsequent events or transactions have been evaluated through the date and time of issuance of the condensed consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the accompanying condensed consolidated financial statements, except as disclosed in Note 19, Subsequent Event.

Goodwill — The Company accounts for goodwill and other intangible assets under Accounting Standards Codification (“ASC”) 350 “*Intangibles — Goodwill and Other*” (“ASC 350”). The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. For goodwill and other intangible assets with indefinite lives not subject to amortization, the Company reviews goodwill and intangible assets for impairment at least annually in the third quarter, and more frequently in the presence of certain circumstances. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it

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is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Company concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the Company is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any.

The Company elected to forgo the option to first assess qualitative factors and completed its annual two-step goodwill impairment test during the three months ended September 30, 2014. Under ASC 350, the carrying value of assets is calculated at the reporting unit level. The quantitative assessment of goodwill includes comparing a reporting unit's calculated fair value to its carrying value. The calculation of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the useful life over which cash flows will occur and determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. If the fair value of the reporting unit is less than its carrying value, goodwill is considered impaired and an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. As of July 31, 2014, the Company concluded that the fair value of each reporting unit was substantially in excess of its carrying value and goodwill was not impaired.

New Accounting Standards Not Yet Adopted

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08 "*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*" ("ASU 2014-08"). The amendments in ASU 2014-08 indicate that only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations presentation. The amendments should be applied to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The Company does not expect the adoption of ASU 2014-08 to materially impact its financial condition, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09 "*Revenue from Contracts with Customers (Topic 606)*" ("ASU 2014-09"). The amendments in ASU 2014-09 outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and indicate that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the impact that the adoption of ASU 2014-09 may have on its financial condition, results of operations and cash flows.

In June 2014, the FASB issued ASU 2014-12 "*Compensation – Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*" ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification Topic 718, "*Compensation – Stock Compensation*" ("ASC 718"), as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2014-12 to materially impact its financial condition, results of operations and cash flows.

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New Accounting Standards Recently Adopted

In March 2013, the FASB issued ASU 2013-05 “*Foreign Currency Matters (Topic 830) – Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*” (“ASU 2013-05”). The amendments in ASU 2013-05 indicate that a cumulative translation adjustment (“CTA”) is attached to the parent’s investment in a foreign entity and should be released in a manner consistent with the derecognition guidance on investments in entities. Thus, the entire amount of the CTA associated with the foreign entity would be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, a loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated), or a step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. The amendments in ASU 2013-05 are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. The adoption of ASU 2013-05 on January 1, 2014 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In July 2013, the FASB issued ASU 2013-11 “*Income Taxes (Topic 740) – Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*” (“ASU 2013-11”). The amendments in ASU 2013-11 indicate that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of ASU 2013-11 on January 1, 2014 resulted in a \$3.1 million reclassification of a portion of the Company’s unrecognized tax benefits from “Long-term income tax liabilities” to “Deferred charges and other assets.” See Note 11, Income Taxes, for further information.

Note 2. Costs Associated with Exit or Disposal Activities

Fourth Quarter 2011 Exit Plan

During 2011, the Company announced a plan to rationalize seats in certain U.S. sites and close certain locations in EMEA (the “Fourth Quarter 2011 Exit Plan”). The details are described below, by segment.

Americas

During 2011, as part of an on-going effort to streamline excess capacity related to the integration of the ICT Group, Inc. (“ICT”) acquisition and align it with the needs of the market, the Company announced a plan to rationalize approximately 900 seats in the U.S., some of which were revenue generating, and migrated the associated revenues to other locations within the U.S. Approximately 300 employees were affected and the Company has completed the actions associated with the Fourth Quarter 2011 Exit Plan in the Americas.

The major costs incurred as a result of these actions are program transfer costs, facility-related costs (primarily consisting of those costs associated with the real estate leases), and impairments of long-lived assets (primarily leasehold improvements and equipment) estimated at \$1.9 million as of September 30, 2014 (\$1.9 million at December 31, 2013). The Company recorded \$0.5 million of the costs associated with these actions as non-cash impairment charges, while approximately \$1.4 million represents cash expenditures for program transfer and facility-related costs, including obligations under the leases, the last of which ends in February 2017. The Company has paid \$1.0 million in cash through September 30, 2014 under the Fourth Quarter 2011 Exit Plan in the Americas.

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The following tables summarize the accrued liability associated with the Americas Fourth Quarter 2011 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at July 1, 2014	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2014
		2014	Cash Payments		
Lease obligations and facility exit costs	\$ 428	\$ —	\$ (44)	\$ —	\$ 384

	Beginning Accrual at July 1, 2013	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2013
		2013	Cash Payments		
Lease obligations and facility exit costs	\$ 606	\$ —	\$ (53)	\$ —	\$ 553

The following tables summarize the accrued liability associated with the Americas Fourth Quarter 2011 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2014
		2014	Cash Payments		
Lease obligations and facility exit costs	\$ 512	\$ —	\$ (128)	\$ —	\$ 384

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2013
		2013	Cash Payments		
Lease obligations and facility exit costs	\$ 682	\$ —	\$ (129)	\$ —	\$ 553

EMEA

During 2011, to improve the Company's overall profitability and improve its cost structure in the EMEA region by optimizing its capacity utilization, the Company committed to close a customer contact management center in South Africa and a customer contact management center in Ireland, as well as some capacity rationalization in the Netherlands, all components of the EMEA segment. While the Company migrated approximately \$3.2 million of annualized call volumes of the Ireland facility to other facilities within EMEA, the Company did not migrate the remaining call volume in Ireland or any of the annualized revenue from the Netherlands or South Africa facilities, which was \$18.8 million for 2011, to other facilities within the region. The number of seats rationalized across the EMEA region approximated 900 with approximately 500 employees affected by the actions. The Company closed these facilities and substantially completed the actions associated with the EMEA plan on September 30, 2012.

The major costs incurred as a result of these actions are facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs estimated at \$6.6 million as of September 30, 2014 (\$6.7 million as of December 31, 2013). The Company recorded \$0.5 million of the costs associated with these actions as non-cash impairment charges, while approximately \$6.1 million represents cash expenditures for severance and related costs and facility-related costs, primarily rent obligations to be paid through the remainder of the noncancelable term of the leases, the last of which ended in March 2013. The Company has paid \$5.9 million in cash through September 30, 2014, the date at which the Fourth Quarter 2011 Exit Plan in EMEA concluded.

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The following tables summarize the accrued liability associated with EMEA's Fourth Quarter 2011 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at July 1, 2014	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes ⁽²⁾	Ending Accrual at September 30, 2014
		2014 ⁽¹⁾			
		Cash Payments			
Severance and related costs	\$ 131	\$ (129)	\$ —	\$ (2)	\$ —
Legal-related costs	—	—	—	—	—
	<u>\$ 131</u>	<u>\$ (129)</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ —</u>

	Beginning Accrual at July 1, 2013	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes ⁽²⁾	Ending Accrual at September 30, 2013
		2013 ⁽¹⁾			
		Cash Payments			
Severance and related costs	\$ 184	\$ (62)	\$ —	\$ 7	\$ 129
Legal-related costs	5	(5)	—	—	—
	<u>\$ 189</u>	<u>\$ (67)</u>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ 129</u>

(1) During 2014, the Company reversed accruals related to the final settlement of severance and related costs for the Ireland site, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations. During 2013, the Company reversed accruals related to the final settlement of severance and related costs and legal-related costs for the Amsterdam site, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations.

(2) Effect of foreign currency translation.

The following tables summarize the accrued liability associated with EMEA's Fourth Quarter 2011 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes ⁽²⁾	Ending Accrual at September 30, 2014
		2014 ⁽¹⁾			
		Cash Payments			
Severance and related costs	\$ 131	\$ (129)	\$ —	\$ (2)	\$ —
Legal-related costs	—	—	—	—	—
	<u>\$ 131</u>	<u>\$ (129)</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ —</u>

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes ⁽²⁾	Ending Accrual at September 30, 2013
		2013 ⁽¹⁾			
		Cash Payments			
Severance and related costs	\$ 187	\$ (56)	\$ (8)	\$ 6	\$ 129
Legal-related costs	10	(1)	(10)	1	—
	<u>\$ 197</u>	<u>\$ (57)</u>	<u>\$ (18)</u>	<u>\$ 7</u>	<u>\$ 129</u>

(1) During 2014, the Company reversed accruals related to the final settlement of severance and related costs for the Ireland site, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations. During 2013, the Company reversed accruals related to the final settlement of severance and related costs and legal-related costs for the Amsterdam site, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations.

(2) Effect of foreign currency translation.

Fourth Quarter 2010 Exit Plan

During 2010, in furtherance of the Company's long-term goals to manage and optimize capacity utilization, the Company committed to and closed a customer contact management center in the United Kingdom and a customer contact management center in Ireland, both components of the EMEA segment (the "Fourth Quarter 2010 Exit Plan"). These actions were substantially completed by January 31, 2011.

The major costs incurred as a result of these actions were facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs totaling \$2.3 million as of September 30, 2014 (\$2.5 million as of December 31, 2013). The Company recorded \$0.2 million of the costs associated with these actions as non-cash impairment charges, while approximately \$1.9 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ended in March 2014, and \$0.2 million represents cash expenditures for severance-related costs. The Fourth Quarter 2010 Exit Plan was settled during the three months ended September 30, 2014. The Company paid \$2.0 million in cash through September 30, 2014, the date at which the Fourth Quarter 2010 Exit Plan concluded.

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The following tables summarize the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges during the three months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual	Charges (Reversals) for the Three Months		Other Non-Cash	Ending Accrual
	at July 1, 2014	Ended September 30, 2014	Cash Payments	Changes	at September 30, 2014
	Lease obligations and facility exit costs	\$ —	\$ —	\$ —	\$ —

	Beginning Accrual	Charges (Reversals) for the Three Months		Other Non-Cash	Ending Accrual
	at July 1, 2013	Ended September 30, 2013	Cash Payments	Changes ⁽¹⁾	at September 30, 2013
	Lease obligations and facility exit costs	\$ 356	\$ —	\$ (145)	\$ 9

⁽¹⁾ Effect of foreign currency translation.

The following tables summarize the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges during the nine months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual	Charges (Reversals) for the Nine Months		Other Non-Cash	Ending Accrual
	at January 1, 2014	Ended September 30, 2014 ⁽¹⁾	Cash Payments	Changes ⁽²⁾	at September 30, 2014
	Lease obligations and facility exit costs	\$ 538	\$ (185)	\$ (348)	\$ (5)

	Beginning Accrual	Charges (Reversals) for the Nine Months		Other Non-Cash	Ending Accrual
	at January 1, 2013	Ended September 30, 2013	Cash Payments	Changes ⁽²⁾	at September 30, 2013
	Lease obligations and facility exit costs	\$ 539	\$ —	\$ (325)	\$ 6

⁽¹⁾ During 2014, the Company reversed accruals related to the final settlement of lease obligations and facility exit costs related to the Ireland site, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations.

⁽²⁾ Effect of foreign currency translation.

Third Quarter 2010 Exit Plan

During 2010, consistent with the Company's long-term goals to manage and optimize capacity utilization, the Company closed or committed to close four customer contact management centers in The Philippines and consolidated or committed to consolidate leased space in our Wilmington, Delaware and Newtown, Pennsylvania locations (the "Third Quarter 2010 Exit Plan"). These actions were substantially completed by January 31, 2011.

The major costs incurred as a result of these actions were impairments of long-lived assets (primarily leasehold improvements) and facility-related costs (primarily consisting of those costs associated with the real estate leases) estimated at \$10.5 million as of September 30, 2014 (\$10.5 million as of December 31, 2013), all of which are in the Americas segment. The Company recorded \$3.8 million of the costs associated with these actions as non-cash impairment charges, while approximately \$6.7 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ends in February 2017. The Company has paid \$5.3 million in cash through September 30, 2014 under the Third Quarter 2010 Exit Plan.

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The following tables summarize the accrued liability associated with the Third Quarter 2010 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at July 1, 2014	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2014
		2014	Cash Payments		
		Lease obligations and facility exit costs	\$ 1,552		

	Beginning Accrual at July 1, 2013	Charges (Reversals) for the Three Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2013
		2013	Cash Payments		
		Lease obligations and facility exit costs	\$ 2,165		

The following tables summarize the accrued liability associated with the Third Quarter 2010 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes	Ending Accrual at September 30, 2014
		2014	Cash Payments		
		Lease obligations and facility exit costs	\$ 1,793		

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Nine Months Ended September 30,		Other Non-Cash Changes ⁽¹⁾	Ending Accrual at September 30, 2013
		2013	Cash Payments		
		Lease obligations and facility exit costs	\$ 2,551		

⁽¹⁾ Effect of foreign currency translation.

Restructuring Liability Classification

The following table summarizes the Company's short-term and long-term accrued liabilities associated with its exit and disposal activities, by plan, as of September 30, 2014 and December 31, 2013 (in thousands):

	Americas Fourth Quarter 2011	EMEA Fourth Quarter 2011	Fourth Quarter 2010 Exit	Third Quarter 2010 Exit	Total
	Exit Plan	Exit Plan	Plan	Plan	
September 30, 2014					
Short-term accrued restructuring liability ⁽¹⁾	\$ 138	\$ —	\$ —	\$ 518	\$ 656
Long-term accrued restructuring liability ⁽²⁾	246	—	—	886	1,132
Ending accrual at September 30, 2014	\$ 384	\$ —	\$ —	\$ 1,404	\$1,788
December 31, 2013					
Short-term accrued restructuring liability ⁽¹⁾	\$ 136	\$ 131	\$ 538	\$ 440	\$1,245
Long-term accrued restructuring liability ⁽²⁾	376	—	—	1,353	1,729
Ending accrual at December 31, 2013	\$ 512	\$ 131	\$ 538	\$ 1,793	\$2,974

⁽¹⁾ Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheets.

⁽²⁾ Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheets.

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Note 3. Fair Value

ASC 820 “ *Fair Value Measurements and Disclosures* ” (“ASC 820”) requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable .

Fair Value of Financial Instruments — The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- Cash, Short-Term and Other Investments, Investments Held in Rabbi Trust and Accounts Payable — The carrying values for cash, short-term and other investments, investments held in rabbi trust and accounts payable approximate their fair values.
- Foreign Currency Forward Contracts and Options — Foreign currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.
- Long-Term Debt — The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates.

Fair Value Measurements — ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10-20 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 825 “ *Financial Instruments* ” (“ASC 825”) permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option permitted under ASC 825 for any of its financial assets and financial liabilities that are not already recorded at fair value.

Determination of Fair Value — The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

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The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value on a recurring basis, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

Money Market and Open-End Mutual Funds— The Company uses quoted market prices in active markets to determine the fair value of money market and open-end mutual funds, which are classified in Level 1 of the fair value hierarchy.

Foreign Currency Forward Contracts and Options— The Company enters into foreign currency forward contracts and options over the counter and values such contracts using quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk. The key inputs include forward or option foreign currency exchange rates and interest rates. These items are classified in Level 2 of the fair value hierarchy.

Investments Held in Rabbi Trust— The investment assets of the rabbi trust are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 6, Investments Held in Rabbi Trust, and Note 15, Stock-Based Compensation.

Guaranteed Investment Certificates— Guaranteed investment certificates, with variable interest rates linked to the prime rate, approximate fair value due to the automatic ability to re-price with changes in the market; such items are classified in Level 2 of the fair value hierarchy.

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The Company's assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following (in thousands):

		Balance at September 30, 2014	Fair Value Measurements at September 30, 2014 Using:		
			Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
			Level (1)	Level (2)	Level (3)
Assets:					
Money market funds and open-end mutual funds included in "Cash and cash equivalents"	(1)	\$ 80,154	\$ 80,154	\$ —	\$ —
Money market funds and open-end mutual funds included in "Deferred charges and other assets"	(1)	10	10	—	—
Foreign currency forward and option contracts included in "Other current assets"	(2)	1,081	—	1,081	—
Foreign currency forward contracts included in "Deferred charges and other assets"	(2)	1,877	—	1,877	—
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(3)	5,719	5,719	—	—
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(3)	1,380	1,380	—	—
Guaranteed investment certificates	(4)	79	—	79	—
		<u>\$ 90,300</u>	<u>\$ 87,263</u>	<u>\$ 3,037</u>	<u>\$ —</u>

Liabilities:

Long-term debt	(5)	\$ 79,000	\$ —	\$ 79,000	\$ —
Foreign currency forward and option contracts included in "Other accrued expenses and current liabilities"	(2)	2,459	—	2,459	—
Foreign currency forward and option contracts included in "Other long-term liabilities"	(2)	28	—	28	—
		<u>\$ 81,487</u>	<u>\$ —</u>	<u>\$ 81,487</u>	<u>\$ —</u>

		Balance at December 31, 2013	Fair Value Measurements at December 31, 2013 Using:		
			Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
			Level (1)	Level (2)	Level (3)
Assets:					
Money market funds and open-end mutual funds included in "Cash and cash equivalents"	(1)	\$ 50,627	\$ 50,627	\$ —	\$ —
Money market funds and open-end mutual funds included in "Deferred charges and other assets"	(1)	11	11	—	—
Foreign currency forward and option contracts included in "Other current assets"	(2)	2,240	—	2,240	—
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(3)	5,251	5,251	—	—
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(3)	1,170	1,170	—	—
Guaranteed investment certificates	(4)	80	—	80	—
		<u>\$ 59,379</u>	<u>\$ 57,059</u>	<u>\$ 2,320</u>	<u>\$ —</u>

Liabilities:

Long-term debt	(5)	\$	98,000	\$	—	\$	98,000	\$	—
Foreign currency forward and option contracts included in “Other accrued expenses and current liabilities”	(2)		5,063		—		5,063		—
		\$	<u>103,063</u>	\$	<u>—</u>	\$	<u>103,063</u>	\$	<u>—</u>

(1) In the accompanying Condensed Consolidated Balance Sheet.

(2) In the accompanying Condensed Consolidated Balance Sheet. See Note 5, Financial Derivatives.

(3) Included in “Other current assets” in the accompanying Condensed Consolidated Balance Sheet. See Note 6, Investments Held in Rabbi Trust.

(4) Included in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheet.

(5) The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates. See Note 9, Borrowings.

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Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, like those associated with acquired businesses, including goodwill, other intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if these assets were determined to be impaired. The adjusted carrying values for assets measured at fair value on a nonrecurring basis (no liabilities) subject to the requirements of ASC 820 were not material at September 30, 2014 and December 31, 2013.

Note 4. Intangible Assets

The following table presents the Company's purchased intangible assets as of September 30, 2014 (in thousands):

	Accumulated			Weighted Average
	Gross Intangibles	Amortization	Net Intangibles	Amortization Period (years)
Customer relationships	\$ 101,626	\$ (44,897)	\$ 56,729	8
Trade name	11,600	(3,797)	7,803	8
Non-compete agreements	1,213	(1,213)	—	2
Proprietary software	850	(850)	—	2
Favorable lease agreement	449	(449)	—	2
	<u>\$ 115,738</u>	<u>\$ (51,206)</u>	<u>\$ 64,532</u>	8

The following table presents the Company's purchased intangible assets as of December 31, 2013 (in thousands):

	Accumulated			Weighted Average
	Gross Intangibles	Amortization	Net Intangibles	Amortization Period (years)
Customer relationships	\$ 102,774	\$ (35,873)	\$ 66,901	8
Trade name	11,600	(2,803)	8,797	8
Non-compete agreements	1,220	(1,009)	211	2
Proprietary software	850	(847)	3	2
Favorable lease agreement	449	(306)	143	2
	<u>\$ 116,893</u>	<u>\$ (40,838)</u>	<u>\$ 76,055</u>	8

The Company's estimated future amortization expense for the succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to September 30, 2014, is as follows (in thousands):

Years Ending December 31,	Amount
2014 (remaining three months)	\$ 3,445
2015	13,997
2016	13,997
2017	13,997
2018	7,596
2019	6,985
2020 and thereafter	4,515

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Note 5. Financial Derivatives

Cash Flow Hedges – The Company has derivative assets and liabilities relating to outstanding forward contracts and options, designated as cash flow hedges, as defined under ASC 815 “*Derivatives and Hedging*” (“ASC 815”), consisting of Philippine Peso, Costa Rican Colon, Hungarian Forint and Romanian Leu contracts. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

The deferred gains (losses) and related taxes on the Company’s cash flow hedges recorded in “Accumulated other comprehensive income (loss)” (“AOCI”) in the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Deferred gains (losses) in AOCI	\$ (1,739)	\$ (2,704)
Tax on deferred gains (losses) in AOCI	22	169
Deferred gains (losses) in AOCI, net of taxes	<u>\$ (1,717)</u>	<u>\$ (2,535)</u>
Deferred gains (losses) expected to be reclassified to “Revenues” from AOCI during the next twelve months	<u>\$ (1,625)</u>	

Deferred gains (losses) and other future reclassifications from AOCI will fluctuate with movements in the underlying market price of the forward contracts and options.

Net Investment Hedge – During the nine months ended September 30, 2014 and 2013, the Company entered into foreign exchange forward contracts to hedge its net investment in a foreign operation, as defined under ASC 815. The purpose of these derivative instruments is to protect the Company’s interests against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to the Company’s foreign currency-based investments in these subsidiaries.

Non-Designated Hedges – The Company also periodically enters into foreign currency hedge contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to protect the Company’s interests against adverse foreign currency moves pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than the Company’s subsidiaries’ functional currencies. These contracts generally do not exceed 180 days in duration.

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The Company had the following outstanding foreign currency forward contracts and options (in thousands):

Contract Type	As of September 30, 2014		As of December 31, 2013	
	Notional Amount in	Settle Through Date	Notional Amount in	Settle Through Date
	USD		USD	
Cash flow hedges: ⁽¹⁾				
Options:				
Philippine Pesos	\$ 87,000	December 2015	\$ 59,000	December 2014
Forwards:				
Philippine Pesos	9,000	March 2015	63,300	July 2014
Costa Rican Colones	45,500	August 2015	41,600	October 2014
Hungarian Forints	852	December 2014	550	January 2014
Romanian Leis	2,050	December 2014	619	January 2014
Net investment hedges: ⁽²⁾				
Forwards:				
Euros	51,648	March 2016	32,657	September 2014
Non-designated hedges: ⁽³⁾				
Forwards	64,516	January 2015	59,207	June 2014

- (1) Cash flow hedge as defined under ASC 815. Purpose is to protect against the risk that eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.
- (2) Net investment hedge as defined under ASC 815. Purpose is to protect against the risk that the net assets of certain of our international subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to our foreign currency-based investments in these subsidiaries.
- (3) Foreign currency hedge contract not designated as a hedge as defined under ASC 815. Purpose is to reduce the effects on the Company's operating results and cash flows from fluctuations caused by volatility in currency exchange rates, primarily related to intercompany loan payments and cash held in non-functional currencies.

Master netting agreements exist with each respective counterparty to reduce credit risk by permitting net settlement of derivative positions. In the event of default by the Company or one of its counterparties, these agreements include a set-off clause that provides the non-defaulting party the right to net settle all derivative transactions, regardless of the currency and settlement date. The maximum amount of loss due to credit risk that, based on gross fair value, the Company would incur if parties to the derivative transactions that make up the concentration failed to perform according to the terms of the contracts was \$3.0 million and \$2.0 million as of September 30, 2014 and December 31, 2013, respectively. After consideration of these netting arrangements and offsetting positions by counterparty, the total net settlement amount as it relates to these positions are asset positions of \$1.6 million and \$0.4 million, and liability positions of \$1.1 million and \$3.3 million as of September 30, 2014 and December 31, 2013, respectively.

Although legally enforceable master netting arrangements exist between the Company and each counterparty, the Company has elected to present the derivative assets and derivative liabilities on a gross basis in the accompanying Condensed Consolidated Balance Sheets. Additionally, the Company is not required to pledge, nor is it entitled to receive, cash collateral related to these derivative transactions.

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The following tables present the fair value of the Company's derivative instruments included in the accompanying Condensed Consolidated Balance Sheets (in thousands):

	Derivative Assets	
	September 30, 2014 Fair Value	December 31, 2013 Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts ⁽¹⁾	\$ 512	\$ 862
Derivatives designated as net investment hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽²⁾	1,877	—
	<u>2,389</u>	<u>862</u>
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽¹⁾	569	1,378
Total derivative assets	<u>\$ 2,958</u>	<u>\$ 2,240</u>
	Derivative Liabilities	
	September 30, 2014 Fair Value	December 31, 2013 Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts ⁽³⁾	\$ 1,378	\$ 2,997
Foreign currency forward and option contracts ⁽⁴⁾	28	—
	<u>1,406</u>	<u>2,997</u>
Derivatives designated as net investment hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽³⁾	—	1,720
	<u>1,406</u>	<u>4,717</u>
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽³⁾	1,081	346
Total derivative liabilities	<u>\$ 2,487</u>	<u>\$ 5,063</u>

(1) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheets.

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

(4) Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheets.

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The following tables present the effect of the Company's derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the three months ended September 30, 2014 and 2013 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		Gain (Loss) Reclassified From Accumulated AOCI Into "Revenues" (Effective Portion)		Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion)	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	\$ (1,280)	\$ 145	\$ (652)	\$ (795)	\$ (1)	\$ 125
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	<u>3,999</u>	<u>(1,227)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Foreign currency forward and option contracts	<u>\$ 2,719</u>	<u>\$ (1,082)</u>	<u>\$ (652)</u>	<u>\$ (795)</u>	<u>\$ (1)</u>	<u>\$ 125</u>
			Gain (Loss) Recognized in "Other income and (expense)" on Derivatives			
			September 30,			
			2014	2013		
Derivatives not designated as hedging instruments under ASC 815:						
Foreign currency forward contracts			<u>\$ (386)</u>	<u>\$ 546</u>		

The following tables present the effect of the Company's derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the nine months ended September 30, 2014 and 2013 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		Gain (Loss) Reclassified From Accumulated AOCI Into "Revenues" (Effective Portion)		Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion)	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	\$ (3,823)	\$ (1,599)	\$ (4,781)	\$ 4	\$ (5)	\$ 100
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	<u>4,161</u>	<u>(1,191)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Foreign currency forward and option contracts	<u>\$ 338</u>	<u>\$ (2,790)</u>	<u>\$ (4,781)</u>	<u>\$ 4</u>	<u>\$ (5)</u>	<u>\$ 100</u>
			Gain (Loss) Recognized in "Other income and (expense)" on Derivatives			
			September 30,			
			2014	2013		
Derivatives not designated as hedging instruments under ASC 815:						
Foreign currency forward contracts			<u>\$ (994)</u>	<u>\$ 2,776</u>		

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Note 6. Investments Held in Rabbi Trust

The Company's investments held in rabbi trust, classified as trading securities and included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	September 30, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	<u>\$ 5,413</u>	<u>\$ 7,099</u>	<u>\$4,749</u>	<u>\$ 6,421</u>

The mutual funds held in the rabbi trusts were 81% equity-based and 19% debt-based as of September 30, 2014. Net investment income (losses), included in "Other income (expense)" in the accompanying Condensed Consolidated Statements of Operations consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Gross realized gains from sale of trading securities	\$ 153	\$ 27	\$ 156	\$ 139
Gross realized (losses) from sale of trading securities	—	—	—	(8)
Dividend and interest income	9	(12)	27	6
Net unrealized holding gains (losses)	(308)	293	(29)	489
Net investment income (losses)	<u>\$ (146)</u>	<u>\$ 308</u>	<u>\$ 154</u>	<u>\$ 626</u>

Note 7. Deferred Revenue

The components of deferred revenue consist of the following (in thousands):

	September 30, 2014	December 31, 2013
Future service	\$ 26,061	\$ 25,102
Estimated potential penalties and holdbacks	10,276	9,923
	<u>\$ 36,337</u>	<u>\$ 35,025</u>

Note 8. Deferred Grants

The components of deferred grants, net of accumulated amortization, consist of the following (in thousands):

	September 30, 2014	December 31, 2013
Property grants	\$ 5,641	\$ 6,643
Employment grants	212	146
Total deferred grants	5,853	6,789
Less: Property grants - short-term ⁽¹⁾	—	(6)
Less: Employment grants - short-term ⁽¹⁾	(212)	(146)
Total long-term deferred grants ⁽²⁾	<u>\$ 5,641</u>	<u>\$ 6,637</u>

⁽¹⁾ Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheets.

⁽²⁾ Included in "Deferred grants" in the accompanying Condensed Consolidated Balance Sheets.

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Note 9. Borrowings

On May 3, 2012, the Company entered into a \$245 million revolving credit facility (the “2012 Credit Agreement”) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent (“KeyBank”). The 2012 Credit Agreement replaced the Company’s previous \$75 million revolving credit facility (the “2010 Credit Agreement”) dated February 2, 2010, as amended, which agreement was terminated simultaneous with entering into the 2012 Credit Agreement. The 2012 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. The Company borrowed \$108.0 million under the 2012 Credit Agreement’s revolving credit facility on August 20, 2012 in connection with the acquisition of Alpine Access, Inc. on such date.

The 2012 Credit Agreement includes a \$184 million alternate-currency sub-facility, a \$10 million swingline sub-facility and a \$35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. The Company is not currently aware of any inability of its lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment of the financial institutions.

Borrowings consist of the following (in thousands):

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Revolving credit facility	\$ 79,000	\$ 98,000
Less: Current portion	—	—
Total long-term debt	<u>\$ 79,000</u>	<u>\$ 98,000</u>

The 2012 Credit Agreement matures on May 2, 2017 and has no varying installments due.

Borrowings under the 2012 Credit Agreement will bear interest at the rates set forth in the Credit Agreement. In addition, the Company is required to pay certain customary fees, including a commitment fee of 0.175%, which is due quarterly in arrears and calculated on the average unused amount of the 2012 Credit Agreement.

The 2012 Credit Agreement is guaranteed by all of the Company’s existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct foreign subsidiaries of the Company and those of the guarantors.

In May 2012, the Company paid an underwriting fee of \$0.9 million for the 2012 Credit Agreement, which is deferred and amortized over the term of the loan.

The 2012 Credit Agreement had \$79.0 million of outstanding borrowings as of September 30, 2014, with an average daily utilization of \$79.0 million and \$110.4 million during the three months ended September 30, 2014 and 2013, respectively, and \$88.5 million and \$102.5 million during the nine months ended September 30, 2014 and 2013, respectively. During the three months ended September 30, 2014 and 2013, the related interest expense, excluding amortization of deferred loan fees, under our credit agreement was \$0.3 million and \$0.4 million, respectively, which represented weighted average interest rates of 1.3% and 1.5%, respectively. During the nine months ended September 30, 2014 and 2013, the related interest expense, excluding amortization of deferred loan fees, under our credit agreement was \$0.9 million and \$1.1 million, respectively, which represented weighted average interest rates of 1.3% and 1.5%, respectively.

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Note 10. Accumulated Other Comprehensive Income (Loss)

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with ASC 220 "Comprehensive Income" ("ASC 220"). ASC 220 establishes rules for the reporting of comprehensive income (loss) and its components. The components of accumulated other comprehensive income (loss) consist of the following (in thousands):

	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedge	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
Balance at January 1, 2013	\$ 16,083	\$ (2,565)	\$ 1,413	\$ (570)	\$ 495	\$ 14,856
Pre-tax amount	(3,465)	(1,720)	(136)	(2,704)	(127)	(8,152)
Tax (provision) benefit	—	602	16	449	—	1,067
Reclassification of (gain) loss to net income	—	—	(41)	321	(54)	226
Foreign currency translation	133	—	(102)	(31)	—	—
Balance at December 31, 2013	12,751	(3,683)	1,150	(2,535)	314	7,997
Pre-tax amount	(22,833)	4,161	25	(3,828)	52	(22,423)
Tax (provision) benefit	—	(1,456)	—	(36)	—	(1,492)
Reclassification of (gain) loss to net income	—	—	(37)	4,678	(36)	4,605
Foreign currency translation	10	—	(14)	4	—	—
Balance at September 30, 2014	<u>\$ (10,072)</u>	<u>\$ (978)</u>	<u>\$ 1,124</u>	<u>\$ (1,717)</u>	<u>\$ 330</u>	<u>\$ (11,313)</u>

The following table summarizes the amounts reclassified to net income from accumulated other comprehensive income (loss) and the associated line item in the accompanying Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Statements of Operations Location
	2014	2013	2014	2013	
Actuarial Gain (Loss) Related to Pension Liability: ⁽¹⁾					
Pre-tax amount	\$ 12	\$ 16	\$ 37	\$ 45	Direct salaries and related costs
Tax (provision) benefit	—	—	—	—	Income taxes
Reclassification to net income	12	16	37	45	
Gain (Loss) on Cash Flow Hedging Instruments: ⁽²⁾					
Pre-tax amount	(653)	(670)	(4,786)	104	Revenues
Tax (provision) benefit	(5)	125	108	113	Income taxes
Reclassification to net income	(658)	(545)	(4,678)	217	
Gain (Loss) on Post Retirement Obligation: ⁽¹⁾					
Pre-tax amount	13	14	36	44	General and administrative
Tax (provision) benefit	—	—	—	—	Income taxes
Reclassification to net income	13	14	36	44	
Total reclassification of gain (loss) to net income	<u>\$ (633)</u>	<u>\$ (515)</u>	<u>\$ (4,605)</u>	<u>\$ 306</u>	

⁽¹⁾ See Note 14, Defined Benefit Pension Plan and Postretirement Benefits, for further information.

⁽²⁾ See Note 5, Financial Derivatives, for further information.

Except as discussed in Note 11, Income Taxes, earnings associated with the Company's investments in its foreign subsidiaries are considered to be indefinitely reinvested and no provision for income taxes on those earnings or translation adjustments have been provided.

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Note 11. Income Taxes

The Company's effective tax rate was 22.5% and 24.4% for the three months ended September 30, 2014 and 2013, respectively. The decrease in the effective tax rate is due to several factors, including fluctuations in earnings among the various jurisdictions in which the Company operates, none of which are individually material. The difference between the Company's effective tax rate of 22.5% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions, changes in unrecognized tax positions, adjustments of valuation allowances and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

The Company's effective tax rate was 23.4% and 21.3% for the nine months ended September 30, 2014 and 2013, respectively. The increase in the effective tax rate is due to several factors, including fluctuations in earnings among the various jurisdictions in which the Company operates, none of which are individually material. This increase was partially offset by the recognition in 2013 of the retroactive tax impact of The American Taxpayer Relief Act of 2012. The difference between the Company's effective tax rate of 23.4% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions, changes in unrecognized tax positions, adjustments of valuation allowances and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

The Company has accrued \$14.0 million and \$15.0 million as of September 30, 2014 and December 31, 2013, respectively, excluding penalties and interest, for the liability for unrecognized tax benefits. As of September 30, 2014, \$4.0 million of unrecognized tax benefits have been recorded to "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheet in accordance with ASU 2013-11. The remaining \$10.0 million of the unrecognized tax benefits at September 30, 2014 and the \$15.0 million at December 31, 2013 are recorded in "Long-term income tax liabilities" in the accompanying Condensed Consolidated Balance Sheets.

Earnings associated with the investments in the Company's foreign subsidiaries are considered to be indefinitely reinvested outside of the U.S. Therefore, a U.S. provision for income taxes on those earnings or translation adjustments has not been recorded, as permitted by criterion outlined in ASC 740 "Income Taxes." Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in duration is not practicable due to the inherent complexity of the multi-national tax environment in which the Company operates.

In 2013, the Company executed offshore cash movements to take advantage of The American Taxpayer Relief Act of 2012 (the "Act") passed on January 2, 2013. While the 2013 cash movements related to the Act are not taxable in the U.S., related foreign withholding taxes of \$2.6 million were included in the provision for income taxes in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2013.

The U.S. Department of the Treasury released the "General Explanations of the Administration's Fiscal Year 2015 Revenue Proposals" in March 2014. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. The Company continues to monitor these proposals and is currently evaluating the potential impact on its financial condition, results of operations and cash flows.

The Company is currently under audit in several tax jurisdictions. The Company has received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and the Company paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of fluctuations in the foreign exchange rate, are \$16.4 million and \$17.3 million as of September 30, 2014 and December 31, 2013, respectively, and are included in "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, the Company believes it is adequately reserved for these audits and resolution is not expected to have a material impact on its financial condition and results of operations.

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The significant tax jurisdictions currently under audit are as follows:

<u>Tax Jurisdiction</u>	<u>Tax Year Ended</u>
Canada	2003 to 2009
Philippines	2009 and 2010
United States	2011 and 2012

Note 12. 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 appreciation rights, restricted stock, restricted stock units and shares held in a rabbi trust using the treasury stock method.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Basic:				
Weighted average common shares outstanding	42,704	42,785	42,721	42,918
Diluted:				
Dilutive effect of stock appreciation rights, restricted stock, restricted stock units and shares held in a rabbi trust	133	51	123	30
Total weighted average diluted shares outstanding	42,837	42,836	42,844	42,948
Anti-dilutive shares excluded from the diluted earnings per share calculation	30	56	4	18

On August 18, 2011, the Company's Board authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the "2011 Share Repurchase Program"). A total of 3.6 million shares have been repurchased under the 2011 Share Repurchase Program since inception. 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, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

The shares repurchased under the Company's share repurchase programs were as follows (in thousands, except per share amounts):

	<u>Total Number of Shares Repurchased</u>	<u>Range of Prices Paid Per Share</u>		<u>Total Cost of Shares Repurchased</u>
		<u>Low</u>	<u>High</u>	
Three Months Ended:				
September 30, 2014	138	\$ 19.82	\$ 20.00	\$ 2,745
September 30, 2013	69	\$ 16.91	\$ 16.99	\$ 1,185
Nine Months Ended:				
September 30, 2014	268	\$ 19.82	\$ 20.00	\$ 5,350
September 30, 2013	341	\$ 15.61	\$ 16.99	\$ 5,479

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Note 13. Commitments and Loss Contingency

Commitments

During the nine months ended September 30, 2014, the Company entered into several leases in the ordinary course of business. The following is a schedule of future minimum rental payments required under operating leases that have noncancelable lease terms as of September 30, 2014 (in thousands):

	<u>Amount</u>
2014 (remaining three months)	\$ 552
2015	3,688
2016	3,601
2017	3,019
2018	3,274
2019	2,528
2020 and thereafter	<u>5,549</u>
Total minimum payments required	<u>\$22,211</u>

During the nine months ended September 30, 2014, the Company entered into agreements with third-party vendors in the ordinary course of business whereby the Company committed to purchase goods and services used in its normal operations. These agreements, which are not cancelable, generally range from one to five year periods and contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments based on certain conditions. The following is a schedule of the future minimum purchases remaining under the agreements as of September 30, 2014 (in thousands):

	<u>Amount</u>
2014 (remaining three months)	\$ 3,824
2015	12,542
2016	10,686
2017	4,495
2018	173
2019	179
2020 and thereafter	<u>759</u>
Total minimum payments required	<u>\$32,658</u>

Except as outlined above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2013.

Loss Contingency

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 the Company has adequate legal defenses and/or when possible and appropriate, provided adequate accruals related to those matters such that the ultimate outcome will not have a material adverse effect on the Company's financial position or results of operations.

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Note 14. Defined Benefit Pension Plan and Postretirement Benefits

Defined Benefit Pension Plans

The following table provides information about the net periodic benefit cost for the Company's pension plans (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	\$ 101	\$ 85	\$ 302	\$ 252
Interest cost	31	28	92	84
Recognized actuarial (gains)	(13)	(15)	(37)	(45)
Net periodic benefit cost	<u>\$ 119</u>	<u>\$ 98</u>	<u>\$ 357</u>	<u>\$ 291</u>

Employee Retirement Savings Plans

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the plan provisions, the Company matches 50% of participant contributions to a maximum matching amount of 2% of participant compensation. The Company's contributions included in the accompanying Condensed Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
401(k) plan contributions	<u>\$ 214</u>	<u>\$ 201</u>	<u>\$ 694</u>	<u>\$ 679</u>

Split-Dollar Life Insurance Arrangement

In 1996, the Company entered into a split-dollar life insurance arrangement to benefit the former Chairman and Chief Executive Officer of the Company. Under the terms of the arrangement, the Company retained a collateral interest in the policy to the extent of the premiums paid by the Company. The postretirement benefit obligation included in "Other long-term liabilities" and the unrealized gains (losses) included in "Accumulated other comprehensive income" in the accompanying Condensed Consolidated Balance Sheets were as follows (in thousands):

	September 30, 2014	December 31, 2013
Postretirement benefit obligation	\$ 58	\$ 81
Unrealized gains (losses) in AOCI ⁽¹⁾	\$ 330	\$ 314

⁽¹⁾ Unrealized gains (losses) are due to changes in discount rates related to the postretirement obligation.

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Note 15. Stock-Based Compensation

The Company's stock-based compensation plans include the 2011 Equity Incentive Plan, the 2004 Non-Employee Director Fee Plan and the Deferred Compensation Plan. The following table summarizes the stock-based compensation expense (primarily in the Americas), income tax benefits related to the stock-based compensation and excess tax benefits (deficiencies) (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Stock-based compensation (expense) ⁽¹⁾	\$ (2,738)	\$ (1,391)	\$ (4,429)	\$ (3,581)
Income tax benefit ⁽²⁾	958	486	1,550	1,253
Excess tax benefit (deficiency) from stock-based compensation ⁽³⁾	—	—	(30)	(34)

(1) Included in "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations.

(2) Included in "Income taxes" in the accompanying Condensed Consolidated Statements of Operations.

(3) Included in "Additional paid-in capital" in the accompanying Condensed Consolidated Statements of Changes in Shareholders' Equity.

There were no capitalized stock-based compensation costs as of September 30, 2014 and December 31, 2013.

2011 Equity Incentive Plan — The Company's Board of Directors (the "Board") adopted the Sykes Enterprises, Incorporated 2011 Equity Incentive Plan (the "2011 Plan") on March 23, 2011, as amended on May 11, 2011 to reduce the number of shares of common stock available to 4.0 million shares. The 2011 Plan was approved by the shareholders at the May 2011 annual shareholders meeting. The 2011 Plan replaced and superseded the Company's 2001 Equity Incentive Plan (the "2001 Plan"), which expired on March 14, 2011. The outstanding awards granted under the 2001 Plan will remain in effect until their exercise, expiration or termination. The 2011 Plan permits the grant of restricted stock, stock appreciation rights, stock options and other stock-based awards to certain employees of the Company, members of the Company's Board of Directors and certain non-employees who provide services to the Company in order to encourage them to remain in the employment of, or to faithfully provide services to, the Company and to increase their interest in the Company's success.

Stock Appreciation Rights — The Board, at the recommendation of the Compensation Committee (the "Committee"), has approved in the past, and may approve in the future, awards of stock-settled stock appreciation rights ("SARs") for eligible participants. SARs represent the right to receive, without payment to the Company, a certain number of shares of common stock, as determined by the Committee, equal to the amount by which the fair market value of a share of common stock at the time of exercise exceeds the grant price. The SARs are granted at the fair market value of the Company's common stock on the date of the grant and vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. The SARs have a term of 10 years from the date of grant. The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions.

The following table summarizes the assumptions used to estimate the fair value of SARs granted:

	<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Expected volatility	38.9%	45.2%
Weighted-average volatility	38.9%	45.2%
Expected dividend rate	0.0%	0.0%
Expected term (in years)	5.0	5.0
Risk-free rate	1.7%	0.8%

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The following table summarizes SARs activity as of September 30, 2014 and for the nine months then ended:

Stock Appreciation Rights	Shares (000s)	Weighted	Weighted	Aggregate
		Average Exercise	Average Remaining Contractual	
		Price	Term (in years)	(000s)
Outstanding at January 1, 2014	963	\$ —		
Granted	246	\$ —		
Exercised	(70)	\$ —		
Forfeited or expired	(173)	\$ —		
Outstanding at September 30, 2014	966	\$ —	7.2	\$ 2,173
Vested or expected to vest at September 30, 2014	966	\$ —	7.2	\$ 2,173
Exercisable at September 30, 2014	555	\$ —	6.0	\$ 1,134

The following table summarizes information regarding SARs granted and exercised (in thousands, except per SAR amounts):

	Nine Months Ended September 30,	
	2014	2013
Number of SARs granted	246	318
Weighted average grant-date fair value per SAR	\$ 7.20	\$ 6.08
Intrinsic value of SARs exercised	\$ 333	\$ —
Fair value of SARs vested	\$ 1,553	\$ 1,298

The following table summarizes nonvested SARs activity as of September 30, 2014 and for the nine months then ended:

Nonvested Stock Appreciation Rights	Shares (000s)	Weighted
		Average Grant-Date Fair Value
Nonvested at January 1, 2014	535	\$ 6.17
Granted	246	\$ 7.20
Vested	(246)	\$ 6.31
Forfeited or expired	(124)	\$ 6.48
Nonvested at September 30, 2014	411	\$ 6.61

As of September 30, 2014, there was \$2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs granted under the 2011 Plan and 2001 Plan. This cost is expected to be recognized over a weighted average period of 1.4 years.

Restricted Shares – The Board, at the recommendation of the Committee, has approved in the past, and may approve in the future, awards of performance and employment-based restricted shares (“restricted shares”) for eligible participants. In some instances, where the issuance of restricted shares has adverse tax consequences to the recipient, the Board may instead issue restricted stock units (“RSUs”). The restricted shares are shares of the Company’s common stock (or in the case of RSUs, represent an equivalent number of shares of the Company’s common stock) which are issued to the participant subject to (a) restrictions on transfer for a period of time and (b) forfeiture under certain conditions. The performance goals, including revenue growth and income from operations targets, provide a range of vesting possibilities from 0% to 100% and will be measured at the end of the performance period. If the performance conditions are met for the performance period, the shares will vest and all restrictions on the transfer of the restricted shares will lapse (or in the case of RSUs, an equivalent number of shares of the Company’s common stock will be issued to the recipient). The Company recognizes compensation cost, net of estimated forfeitures, based on the fair value (which approximates the current market price) of the restricted shares (and RSUs) on the date of grant ratably over the requisite service period based on the probability of achieving the performance goals.

Changes in the probability of achieving the performance goals from period to period will result in corresponding changes in compensation expense. The employment-based restricted shares currently outstanding vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date.

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The following table summarizes nonvested restricted shares/RSTUs activity as of September 30, 2014 and for the nine months then ended:

Nonvested Restricted Shares and RSUs	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2014	1,367	\$ 15.96
Granted	500	\$ 19.77
Vested	(57)	\$ 15.67
Forfeited or expired	(616)	\$ 17.45
Nonvested at September 30, 2014	1,194	\$ 16.80

The following table summarizes information regarding restricted shares/RSTUs granted and vested (in thousands, except per restricted share/RSTU amounts):

	Nine Months Ended September 30,	
	2014	2013
Number of restricted shares/RSTUs granted	500	706
Weighted average grant-date fair value per restricted share/RSTU	\$ 19.77	\$ 15.25
Fair value of restricted shares/RSTUs vested	\$ 895	\$ 366

As of September 30, 2014, based on the probability of achieving the performance goals, there was \$15.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted shares/RSTUs granted under the 2011 Plan and 2001 Plan. This cost is expected to be recognized over a weighted average period of 1.6 years.

2004 Non-Employee Director Fee Plan — The Company’s 2004 Non-Employee Director Fee Plan (the “2004 Fee Plan”), as amended on May 17, 2012, provided that all new non-employee directors joining the Board would receive an initial grant of shares of common stock on the date the new director is elected or appointed, the number of which will be determined by dividing \$60,000 by the closing price of the Company’s common stock on the trading day immediately preceding the date a new director is elected or appointed, rounded to the nearest whole number of shares. The initial grant of shares vested in twelve equal quarterly installments, one-twelfth on the date of grant and an additional one-twelfth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares are forfeited.

The 2004 Fee Plan also provided that each non-employee director would receive, on the day after the annual shareholders meeting, an annual retainer for service as a non-employee director (the “Annual Retainer”). Prior to May 17, 2012, the Annual Retainer was \$95,000, of which \$50,000 was payable in cash, and the remainder was paid in stock. The annual grant of cash vested in four equal quarterly installments, one-fourth on the day following the annual meeting of shareholders, and an additional one-fourth on each successive third monthly anniversary of the date of grant. The annual grant of shares paid to non-employee directors prior to May 17, 2012 vests in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and an additional one-eighth on each successive third monthly anniversary of the date of grant. On May 17, 2012, upon the recommendation of the Compensation Committee, the Board adopted the Fifth Amended and Restated Non-Employee Director Fee Plan (the “Amendment”), which increased the common stock component of the Annual Retainer by \$30,000, resulting in a total Annual Retainer of \$125,000, of which \$50,000 was payable in cash and the remainder paid in stock. In addition, the Amendment also changed the vesting period for the annual equity award, from a two-year vesting period, to a one-year vesting period (consisting of four equal quarterly installments, one-fourth on the date of grant and an additional one-fourth on each successive third monthly anniversary of the date of grant). The award lapses with respect to all unpaid cash and unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares and unpaid cash are forfeited.

In addition to the Annual Retainer award, the 2004 Fee Plan also provided for any non-employee Chairman of the Board to receive an additional annual cash award of \$100,000, and each non-employee director serving on a committee of the Board to receive an additional annual cash award. The additional annual cash award for the Chairperson of the Audit Committee is \$20,000 and Audit Committee members’ are entitled to an annual cash award of \$10,000. Prior to May 20, 2011, the annual cash awards for the Chairpersons of the Compensation

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Committee, Finance Committee and Nominating and Corporate Governance Committee were \$12,500 and the members of such committees were entitled to an annual cash award of \$7,500. On May 20, 2011, the Board increased the additional annual cash award to the Chairperson of the Compensation Committee to \$15,000. All other additional cash awards remained unchanged.

The 2004 Fee Plan expired in May 2014, prior to the 2014 Annual Shareholder Meeting. In March 2014, upon the recommendation of the Compensation Committee, the Board determined that, following the expiration of the 2004 Fee Plan, the compensation of non-employee Directors should continue on the same terms as provided in the Fifth Amended and Restated Non-Employee Director Fee Plan, and that the stock portion of such compensation would be issued under the 2011 Plan.

The Board may pay additional cash compensation to any non-employee director for services on behalf of the Board over and above those typically expected of directors, including but not limited to service on a special committee of the Board.

The following table summarizes nonvested common stock share award activity as of September 30, 2014 and for the nine months then ended:

<u>Nonvested Common Stock Share Awards</u>	<u>Shares (000s)</u>	<u>Weighted Average Grant- Date Fair Value</u>
Nonvested at January 1, 2014	9	\$ 16.01
Granted	36	\$ 20.15
Vested	(25)	\$ 18.58
Forfeited or expired	—	\$ —
Nonvested at September 30, 2014	20	\$ 20.18

The following table summarizes information regarding common stock share awards granted and vested (in thousands, except per share award amounts):

	<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
Number of share awards granted	36	37
Weighted average grant-date fair value per share award	\$ 20.15	\$ 16.01
Fair value of share awards vested	\$ 470	\$ 519

As of September 30, 2014, there was \$0.3 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock share awards granted under the 2004 Fee Plan. This cost is expected to be recognized over a weighted average period of 0.6 years.

Deferred Compensation Plan — The Company’s non-qualified Deferred Compensation Plan (the “Deferred Compensation Plan”), which is not shareholder-approved, was adopted by the Board effective December 17, 1998 and amended on March 29, 2006, May 23, 2006 and August 20, 2014. It provides certain eligible employees the ability to defer any portion of their compensation until the participant’s retirement, termination, disability or death, or a change in control of the Company. Using the Company’s common stock, the Company matches 50% of the amounts deferred by certain senior management participants on a quarterly basis up to a total of \$12,000 per year for the president, executive vice presidents and senior vice presidents and \$7,500 per year for vice presidents (participants below the level of vice president are not eligible to receive matching contributions from the Company). Matching contributions and the associated earnings vest over a seven year service period. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds and shares of the Company’s common stock (see Note 6, Investments Held in Rabbi Trust). As of September 30, 2014 and December 31, 2013, liabilities of \$7.1 million and \$6.4 million, respectively, of the Deferred Compensation Plan were recorded in “Accrued employee compensation and benefits” in the accompanying Condensed Consolidated Balance Sheets.

Additionally, the Company’s common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately \$1.8 million and \$1.6 million at September 30, 2014 and December 31, 2013, respectively, is included in “Treasury stock” in the accompanying Condensed Consolidated Balance Sheets.

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The following table summarizes nonvested common stock activity as of September 30, 2014 and for the nine months then ended:

Nonvested Common Stock	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2014	6	\$ 16.89
Granted	10	\$ 20.34
Vested	(10)	\$ 19.94
Forfeited or expired	(1)	\$ 17.11
Nonvested at September 30, 2014	5	\$ 17.45

The following table summarizes information regarding shares of common stock granted and vested (in thousands, except per common stock amounts):

	Nine Months Ended September 30,	
	2014	2013
Number of shares of common stock granted	10	12
Weighted average grant-date fair value per common stock	\$ 20.34	\$ 16.30
Fair value of common stock vested	\$ 198	\$ 241
Cash used to settle the obligation	\$ 518	\$ 1,014

As of September 30, 2014, there was less than \$0.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock granted under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted average period of 2.4 years.

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Note 16. Segments and Geographic Information

The Company operates within two regions, the Americas and EMEA. Each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligns its business into two segments to effectively manage the business and support the customer care needs of every client and to respond to the demands of the Company's global customers.

The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, and provides outsourced customer contact management 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 outsourced customer contact management solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, Australia and the Asia Pacific Rim are included in the Americas segment 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 contact management needs.

Information about the Company's reportable segments is as follows (in thousands):

	<u>Americas</u>	<u>EMEA</u>	<u>Other ⁽¹⁾</u>	<u>Consolidated</u>
Three Months Ended September 30, 2014:				
Revenues	\$ 267,421	\$ 65,250		\$ 332,671
Percentage of revenues	80.4%	19.6%		100.0%
Depreciation, net ⁽²⁾	\$ 10,304	\$ 1,212		\$ 11,516
Amortization of intangibles	\$ 3,597	\$ —		\$ 3,597
Income (loss) from operations	\$ 28,294	\$ 6,964	\$ (13,166)	\$ 22,092
Other income (expense), net			(621)	(621)
Income taxes			(4,833)	(4,833)
Net income				<u>\$ 16,638</u>
Total assets as of September 30, 2014	<u>\$1,091,661</u>	<u>\$1,365,437</u>	<u>\$(1,518,824)</u>	<u>\$ 938,274</u>
Three Months Ended September 30, 2013:				
Revenues	\$ 265,878	\$ 56,265		\$ 322,143
Percentage of revenues	82.5%	17.5%		100.0%
Depreciation, net ⁽²⁾	\$ 9,532	\$ 1,145		\$ 10,677
Amortization of intangibles	\$ 3,699	\$ —		\$ 3,699
Income (loss) from operations	\$ 26,987	\$ 3,423	\$ (11,631)	\$ 18,779
Other income (expense), net			(58)	(58)
Income taxes			(4,575)	(4,575)
Net income				<u>\$ 14,146</u>
Total assets as of September 30, 2013	<u>\$1,119,017</u>	<u>\$1,377,992</u>	<u>\$(1,547,118)</u>	<u>\$ 949,891</u>

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	<u>Americas</u>	<u>EMEA</u>	<u>Other ⁽¹⁾</u>	<u>Consolidated</u>
Nine Months Ended September 30, 2014:				
Revenues	\$ 785,330	\$ 192,268		\$ 977,598
Percentage of revenues	80.3%	19.7%		100.0%
Depreciation, net ⁽²⁾	\$ 30,552	\$ 3,584		\$ 34,136
Amortization of intangibles	\$ 10,907	\$ —		\$ 10,907
Income (loss) from operations	\$ 72,076	\$ 11,409	\$ (36,488)	\$ 46,997
Other income (expense), net			(940)	(940)
Income taxes			(10,769)	(10,769)
Net income				<u>\$ 35,288</u>
Nine Months Ended September 30, 2013:				
Revenues	\$ 776,255	\$ 151,867		\$ 928,122
Percentage of revenues	83.6%	16.4%		100.0%
Depreciation, net ⁽²⁾	\$ 27,789	\$ 3,074		\$ 30,863
Amortization of intangibles	\$ 11,171	\$ —		\$ 11,171
Income (loss) from operations	\$ 65,730	\$ 3,354	\$ (34,811)	\$ 34,273
Other income (expense), net			(926)	(926)
Income taxes			(7,087)	(7,087)
Net income				<u>\$ 26,260</u>

(1) Other items (including corporate costs, impairment costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the tables above for the three and nine months ended September 30, 2014 and 2013. 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 (loss) from operations, and does not include segment assets or other income and expense items for management reporting purposes.

(2) Depreciation is net of property grant amortization.

Note 17. Other Income (Expense)

Gains and losses resulting from foreign currency transactions are recorded in "Other income (expense)" in the accompanying Condensed Consolidated Statements of Operations during the period in which they occur. Other income (expense) consists of the following (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Foreign currency transaction gains (losses)	\$ 13	\$ (470)	\$ 644	\$ (3,204)
Gains (losses) on foreign currency derivative instruments not designated as hedges	(386)	546	(994)	2,776
Other miscellaneous income (expense)	(33)	280	208	570
	<u>\$ (406)</u>	<u>\$ 356</u>	<u>\$ (142)</u>	<u>\$ 142</u>

Note 18. Related Party Transactions

In January 2008, the Company entered into a lease for a customer contact management center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company. The lease payments on the 20-year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are significant penalties for early cancellation which decrease over time. The Company paid \$0.1 million to the landlord during both the three months ended September 30, 2014 and 2013 and \$0.3 million to the landlord during both the nine months ended September 30, 2014 and 2013 under the terms of the lease.

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Note 19. Subsequent Event

In October 2014, the Company entered into a purchase agreement, subject to certain terms and conditions, to sell the fixed assets, land and building located in Bismarck, North Dakota for cash of \$3.1 million (net of estimated selling costs of \$0.2 million) resulting in an estimated net gain on disposal of property and equipment of \$2.6 million. The sale is expected to close in November 2014. These assets, with a carrying value of \$0.8 million and \$0.9 million, were included in "Property and equipment" in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, respectively. Related to these assets were deferred property grants of \$0.3 million and \$0.4 million, which were included in "Deferred grants" in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, respectively.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
Tampa, FL

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of September 30, 2014, and the related condensed consolidated statements of operations and comprehensive income for the three- and nine-month periods ended September 30, 2014 and 2013, of changes in shareholders' equity for the nine-month period ended September 30, 2014, and of cash flows for the nine-month periods ended September 30, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2014, 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, 2013 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 4, 2014

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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 the consolidated financial statements and notes in the Sykes Enterprises, Incorporated ("SYKES," "our," "we" or "us") Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission ("SEC").

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, we may make other written or oral statements, which constitute forward-looking statements, from time to time. 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 impact of economic recessions in the U.S. and other parts of the world, (ii) fluctuations in global business conditions and the global economy, (iii) currency fluctuations, (iv) the timing of significant orders for our products and services, (v) variations in the terms and the elements of services offered under our standardized contract including those for future bundled service offerings, (vi) changes in applicable accounting principles or interpretations of such principles, (vii) difficulties or delays in implementing our bundled service offerings, (viii) failure to achieve sales, marketing and other objectives, (ix) construction delays of new or expansion of existing customer contact management centers, (x) delays in our ability to develop new products and services and market acceptance of new products and services, (xi) rapid technological change, (xii) loss or addition of significant clients, (xiii) political and country-specific risks inherent in conducting business abroad, (xiv) our ability to attract and retain key management personnel, (xv) our ability to continue the growth of our support service revenues through additional technical and customer contact management centers, (xvi) our ability to further penetrate into vertically integrated markets, (xvii) our ability to expand our global presence through strategic alliances and selective acquisitions, (xviii) our ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xix) the ultimate outcome of any lawsuits, (xx) our ability to recognize deferred revenue through delivery of products or satisfactory performance of services, (xxi) our dependence on trend toward outsourcing, (xxii) risk of interruption of technical and customer contact management center operations due to such factors as fire, earthquakes, inclement weather and other disasters, power failures, telecommunication failures, unauthorized intrusions, computer viruses and other emergencies, (xxiii) the existence of substantial competition, (xxiv) the early termination of contracts by clients, (xxv) the ability to obtain and maintain grants and other incentives (tax or otherwise), (xxvi) the potential of cost savings/synergies associated with acquisitions not being realized, or not being realized within the anticipated time period, (xxvii) risks related to the integration of the acquisitions and the impairment of any related goodwill, and (xxviii) other risk factors which are identified in our most recent Annual Report on Form 10-K, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Summary

We provide comprehensive customer contact management solutions and services to a wide range of clients including Fortune 1000 companies, medium-sized businesses, and public institutions around the world, primarily in the communications, financial services, technology/consumer, transportation and leisure and healthcare industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA groups primarily provide customer contact management services (with an emphasis on inbound technical support and customer service), which include customer assistance, healthcare and roadside assistance, technical support and product sales to our clients' customers. These services, which represented 98% of consolidated revenues during the three and nine months ended September 30, 2014, are delivered through multiple communication channels encompassing phone, e-mail, social media, text messaging and chat. We also provide various enterprise support

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services in the United States (“U.S.”) that include services for our client’s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer contact management centers throughout the United States, Canada, Europe, Latin America, Australia, the Asia Pacific Rim and Africa.

Results of Operations

The following table sets forth, for the periods indicated, the amounts presented in the accompanying Condensed Consolidated Statements of Operations as well as the changes between the respective periods:

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	2014 \$ Change	2014	2013	2014 \$ Change
Revenues	\$332,671	\$322,143	\$10,528	\$977,598	\$928,122	\$49,476
Operating expenses:						
Direct salaries and related costs	221,598	215,001	6,597	664,308	628,848	35,460
General and administrative	73,868	73,987	(119)	221,250	222,967	(1,717)
Depreciation, net	11,516	10,677	839	34,136	30,863	3,273
Amortization of intangibles	3,597	3,699	(102)	10,907	11,171	(264)
Total operating expenses	310,579	303,364	7,215	930,601	893,849	36,752
Income from operations	22,092	18,779	3,313	46,997	34,273	12,724
Other income (expense):						
Interest income	249	216	33	717	648	69
Interest (expense)	(464)	(630)	166	(1,515)	(1,716)	201
Other income (expense)	(406)	356	(762)	(142)	142	(284)
Total other income (expense)	(621)	(58)	(563)	(940)	(926)	(14)
Income before income taxes	21,471	18,721	2,750	46,057	33,347	12,710
Income taxes	4,833	4,575	258	10,769	7,087	3,682
Net income	\$ 16,638	\$ 14,146	\$ 2,492	\$ 35,288	\$ 26,260	\$ 9,028

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Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenues

(in thousands)	Three Months Ended September 30,				\$ Change
	2014		2013		
	Amount	% of Revenues	Amount	% of Revenues	
Americas	\$267,421	80.4%	\$265,878	82.5%	\$ 1,543
EMEA	65,250	19.6%	56,265	17.5%	8,985
Consolidated	<u>\$332,671</u>	<u>100.0%</u>	<u>\$322,143</u>	<u>100.0%</u>	<u>\$10,528</u>

Consolidated revenues increased \$10.5 million, or 3.3%, for the three months ended September 30, 2014 from the comparable period in 2013.

The increase in Americas' revenues was due to new contract sales of \$27.9 million, partially offset by end-of-life client programs of \$14.5 million, lower volumes from existing contracts of \$9.5 million and a negative foreign currency impact of \$2.4 million. Revenues from our offshore operations represented 40.7% of Americas' revenues, compared to 40.6% for the comparable period in 2013. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our continual focus to re-price or replace certain sub-profitable target client programs.

The increase in EMEA's revenues was due to new contract sales of \$6.3 million and higher volumes from existing contracts of \$4.4 million, partially offset by end-of-life client programs of \$1.2 million and a negative foreign currency impact of \$0.5 million.

On a consolidated basis, we had 41,000 brick-and-mortar seats as of September 30, 2014, a decrease of 100 seats from the comparable period in 2013. This decrease in seats was primarily due to on-going capacity rationalization. The capacity utilization rate on a combined basis was 79% compared to 75% in the comparable period in 2013. This increase was primarily due to demand growth.

On a geographic segment basis, 34,600 seats were located in the Americas, a decrease of 600 seats from the comparable period in 2013, and 6,400 seats were located in EMEA, an increase of 500 seats from the comparable period in 2013. Capacity utilization rates as of September 30, 2014 were 77% for the Americas and 88% for EMEA, compared to 73% and 85%, respectively, in the comparable period in 2013, primarily due to demand growth. We strive to attain an 85% capacity utilization metric at each of our locations.

We plan to add approximately 1,700 seats on a gross basis in 2014. Approximately 1,100 seats were added during the nine months ended September 30, 2014, with the remainder to be added in the fourth quarter of 2014. Total seat count on a net basis for the full year, however, is expected to decrease by approximately 1,300 seats as we continue to rationalize excess capacity.

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Direct Salaries and Related Costs

	Three Months Ended September 30,				Change in % of	
	2014		2013			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	\$ Change	Revenues
Americas	\$176,642	66.1%	\$174,795	65.7%	\$ 1,847	0.4%
EMEA	44,956	68.9%	40,206	71.5%	4,750	-2.6%
Consolidated	<u>\$221,598</u>	<u>66.6%</u>	<u>\$215,001</u>	<u>66.7%</u>	<u>\$ 6,597</u>	<u>-0.1%</u>

The increase of \$6.6 million in direct salaries and related costs included a positive foreign currency impact of \$2.9 million in the Americas and a positive foreign currency impact of \$0.3 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.4% driven by lower demand within the financial services vertical without a commensurate reduction in labor costs and higher other costs of 0.2%, partially offset by lower billable supply costs of 0.2%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 4.3% driven by the increase in new client program ramp up costs in the prior period within the communications vertical as well as new client program growth within the technology vertical, and lower billable supply costs of 0.3%, partially offset by higher fulfillment materials costs of 0.9%, higher communication costs of 0.5%, higher recruiting costs of 0.3% and higher other costs of 0.3%.

General and Administrative

	Three Months Ended September 30,				Change in % of	
	2014		2013			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	\$ Change	Revenues
Americas	\$48,584	18.2%	\$50,865	19.1%	\$ (2,281)	-0.9%
EMEA	12,118	18.6%	11,491	20.4%	627	-1.8%
Corporate	13,166	—	11,631	—	1,535	—
Consolidated	<u>\$73,868</u>	<u>22.2%</u>	<u>\$73,987</u>	<u>23.0%</u>	<u>\$ (119)</u>	<u>-0.8%</u>

The decrease of \$0.1 million in general and administrative expenses included a positive foreign currency impact of \$0.6 million in the Americas and a positive foreign currency impact of less than \$0.1 million in EMEA.

The decrease in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to lower facility-related costs of 0.3%, lower other taxes of 0.2%, lower legal and professional fees of 0.2% and lower other costs of 0.2%.

The decrease in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to lower facility-related costs of 0.6%, lower communication costs of 0.4%, lower compensation costs of 0.3%, lower travel costs of 0.2% and lower other costs of 0.3%.

The increase of \$1.5 million in Corporate's general and administrative expenses was primarily attributable to higher compensation costs of \$1.5 million, higher insurance costs of \$0.3 million and other costs of \$0.1 million, partially offset by lower legal and professional fees of \$0.2 million and lower software maintenance costs of \$0.2 million.

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Depreciation and Amortization

(in thousands)	Three Months Ended September 30,		Three Months Ended September 30,		\$ Change	Change in % of Revenues
	2014	% of Revenues	2013	% of Revenues		
Depreciation, net:						
Americas	\$10,304	3.9%	\$ 9,532	3.6%	\$ 772	0.3%
EMEA	1,212	1.9%	1,145	2.0%	67	-0.1%
Consolidated	<u>\$11,516</u>	<u>3.5%</u>	<u>\$10,677</u>	<u>3.3%</u>	<u>\$ 839</u>	<u>0.2%</u>
Amortization of intangibles:						
Americas	\$ 3,597	1.3%	\$ 3,699	1.4%	\$ (102)	-0.1%
EMEA	—	0.0%	—	0.0%	—	0.0%
Consolidated	<u>\$ 3,597</u>	<u>1.1%</u>	<u>\$ 3,699</u>	<u>1.1%</u>	<u>\$ (102)</u>	<u>0.0%</u>

The increase in depreciation was primarily due to net fixed asset additions.

The decrease in amortization was primarily due to certain fully amortized intangible assets.

Other Income (Expense)

(in thousands)	Three Months Ended September 30,		\$ Change
	2014	2013	
Interest income	\$ 249	\$ 216	\$ 33
Interest (expense)	\$ (464)	\$ (630)	\$ 166
Other income (expense):			
Foreign currency transaction gains (losses)	\$ 13	\$ (470)	\$ 483
Gains (losses) on foreign currency derivative instruments not designated as hedges	(386)	546	(932)
Other miscellaneous income (expense)	(33)	280	(313)
Total other income (expense)	<u>\$ (406)</u>	<u>\$ 356</u>	<u>\$ (762)</u>

Interest income remained consistent with the comparable period in 2013.

The decrease in interest (expense) was primarily due to a decrease in the amount of average outstanding borrowings from the comparable period in 2013.

Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in “Accumulated other comprehensive income (loss)” in shareholders’ equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

(in thousands)	Three Months Ended September 30,		\$ Change
	2014	2013	
Income before income taxes	\$ 21,471	\$ 18,721	\$ 2,750
Income taxes	\$ 4,833	\$ 4,575	\$ 258
Effective tax rate	22.5%	24.4%	-1.9%

The increase in income taxes in 2014 compared to 2013 is due to several factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material.

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Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenues

(in thousands)	Nine Months Ended September 30,				
	2014		2013		\$ Change
	Amount	% of Revenues	Amount	% of Revenues	
Americas	\$785,330	80.3%	\$776,255	83.6%	
EMEA	192,268	19.7%	151,867	16.4%	40,401
Consolidated	<u>\$977,598</u>	<u>100.0%</u>	<u>\$928,122</u>	<u>100.0%</u>	<u>\$49,476</u>

Consolidated revenues increased \$49.5 million, or 5.3%, for the nine months ended September 30, 2014 from the comparable period in 2013.

The increase in Americas' revenues was primarily due to new contract sales of \$52.8 million and higher volumes from existing contracts of \$8.4 million, partially offset by end-of-life client programs of \$33.2 million and a negative foreign currency impact of \$18.9 million. Revenues from our offshore operations represented 38.8% of Americas' revenues, compared to 40.4% for the comparable period in 2013. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our continual focus to re-price or replace certain sub-profitable target client programs.

The increase in EMEA's revenues was primarily due to higher volumes from existing contracts of \$28.7 million, new contract sales of \$12.4 million and a positive foreign currency impact of \$2.9 million, partially offset by end-of-life client programs of \$3.6 million.

Direct Salaries and Related Costs

(in thousands)	Nine Months Ended September 30,					Change in % of Revenues
	2014		2013		\$ Change	
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$525,030	66.9%	\$517,407	66.7%		\$ 7,623
EMEA	139,278	72.4%	111,441	73.4%	27,837	-1.0%
Consolidated	<u>\$664,308</u>	<u>68.0%</u>	<u>\$628,848</u>	<u>67.8%</u>	<u>\$35,460</u>	<u>0.2%</u>

The increase of \$35.5 million in direct salaries and related costs included a positive foreign currency impact of \$17.4 million in the Americas and a negative foreign currency impact of \$2.1 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.6% driven by lower demand within the communications and financial services verticals without a commensurate reduction in labor costs, partially offset by lower auto tow claim costs of 0.3% and lower other costs of 0.1%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 1.4% driven by the increase in new client program ramp up costs in the prior period in the communications vertical as well as new client program growth within the technology vertical, and lower billable supply costs of 0.4%, partially offset by higher communications costs of 0.2%, higher recruiting costs of 0.2% and higher other costs of 0.4%.

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General and Administrative

	Nine Months Ended September 30,		2013		\$ Change	Change in % of Revenues
	2014		2013			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$146,765	18.7%	\$154,158	19.9%	\$(7,393)	-1.2%
EMEA	37,997	19.8%	33,998	22.4%	3,999	-2.6%
Corporate	36,488	—	34,811	—	1,677	—
Consolidated	<u>\$221,250</u>	<u>22.6%</u>	<u>\$222,967</u>	24.0%	<u>\$(1,717)</u>	-1.4%

The decrease of \$1.7 million in general and administrative expenses included a positive foreign currency impact of \$4.2 million in the Americas and a negative foreign currency impact of \$0.7 million in EMEA.

The decrease in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to lower facility-related costs of 0.4%, lower legal and professional costs of 0.2%, lower consulting costs of 0.1%, lower merger and integration costs of 0.1% and lower other costs of 0.4%.

The decrease in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to lower facility-related costs of 0.9%, lower compensation costs of 0.8%, lower travel costs of 0.3%, lower communication costs of 0.2%, lower legal and professional fees of 0.1% and lower other costs of 0.3%.

The increase of \$1.7 million in Corporate's general and administrative expenses was primarily attributable to higher compensation costs of \$0.9 million, higher legal and professional fees of \$0.7 million, higher consulting costs of \$0.4 million, higher facility-related costs of \$0.2 million, higher insurance costs of \$0.2 million and higher other costs of \$0.2 million, partially offset by lower merger and integration costs of \$0.6 million and lower software maintenance costs of \$0.3 million.

Depreciation and Amortization

	Nine Months Ended September 30,		2013		\$ Change	Change in % of Revenues
	2014		2013			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues		
Depreciation, net:						
Americas	\$30,552	3.9%	\$27,789	3.6%	\$ 2,763	0.3%
EMEA	3,584	1.9%	3,074	2.0%	510	-0.1%
Consolidated	<u>\$34,136</u>	<u>3.5%</u>	<u>\$30,863</u>	3.3%	<u>\$ 3,273</u>	0.2%
Amortization of intangibles:						
Americas	\$10,907	1.4%	\$11,171	1.4%	\$(264)	0.0%
EMEA	—	0.0%	—	0.0%	—	0.0%
Consolidated	<u>\$10,907</u>	<u>1.1%</u>	<u>\$11,171</u>	1.2%	<u>\$(264)</u>	-0.1%

The increase in depreciation was primarily due to net fixed asset additions.

The decrease in amortization was primarily due to certain fully amortized intangible assets.

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Other Income (Expense)

(in thousands)	Nine Months Ended September 30,		\$ Change
	2014	2013	
Interest income	\$ 717	\$ 648	\$ 69
Interest (expense)	\$ (1,515)	\$ (1,716)	\$ 201
Other income (expense):			
Foreign currency transaction gains (losses)	\$ 644	\$ (3,204)	\$ 3,848
Gains (losses) on foreign currency derivative instruments not designated as hedges	(994)	2,776	(3,770)
Other miscellaneous income (expense)	208	570	(362)
Total other income (expense)	\$ (142)	\$ 142	\$ (284)

The increase in interest income was primarily due to an increase in the amount of average invested funds from the comparable period in 2013.

The decrease in interest (expense) was primarily due to a decrease in the amount of average outstanding borrowings from the comparable period in 2013.

Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in "Accumulated other comprehensive income (loss)" in shareholders' equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

(in thousands)	Nine Months Ended September 30,		\$ Change
	2014	2013	
Income before income taxes	\$ 46,057	\$ 33,347	\$ 12,710
Income taxes	\$ 10,769	\$ 7,087	\$ 3,682
			<u>% Change</u>
Effective tax rate	23.4%	21.3%	2.1%

The increase in income taxes in 2014 compared to 2013 is due to several factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material. This increase was partially offset by a \$2.6 million foreign withholding tax recognized in 2013.

Client Concentration

Our top ten clients accounted for approximately 47.9% and 46.7% of our consolidated revenues in the three and nine months ended September 30, 2014, respectively, compared to approximately 47.2% and 46.3% of our consolidated revenues in the three and nine months ended September 30, 2013, respectively.

Total revenues from AT&T Corporation, a major provider of communication services for which we provide various customer support services over several distinct lines of AT&T businesses, were as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		2014		2013	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$56,240	16.9%	\$45,111	14.0%	\$151,302	15.5%	\$117,353	12.6%
EMEA	881	0.3%	881	0.3%	2,682	0.3%	2,624	0.3%
	<u>\$57,121</u>	<u>17.2%</u>	<u>\$45,992</u>	<u>14.3%</u>	<u>\$153,984</u>	<u>15.8%</u>	<u>\$119,977</u>	<u>12.9%</u>

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Total revenues from our next largest client, which was in the financial services vertical market in each period, were as follows (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		2014		2013	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Next largest client	<u>\$16,997</u>	<u>5.1%</u>	<u>\$17,733</u>	<u>5.5%</u>	<u>\$53,794</u>	<u>5.5%</u>	<u>\$53,734</u>	<u>5.8%</u>

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2014 and 2017. We have historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact our relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of our key clients, including AT&T, could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty.

Business Outlook

For the twelve months ended December 31, 2014, we anticipate the following financial results:

- Revenues in the range of \$1,323.0 million to \$1,328.0 million;
- Effective tax rate of approximately 24%;
- Fully diluted share count of approximately 42.8 million;
- Diluted earnings per share of approximately \$1.26 to \$1.30; and
- Capital expenditures in the range of \$49.0 million to \$50.0 million

Not included in this guidance is the impact of any future acquisitions, share repurchase activities or a potential sale of previously exited customer contact management centers.

Liquidity and Capital Resources

Our primary sources of liquidity are generally cash flows generated by operating activities and from available borrowings under our revolving credit facility. We utilize these capital resources to make capital expenditures associated primarily with our customer contact management 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 acquisitions. In future periods, we intend similar uses of these funds.

On August 18, 2011, the Board authorized us to purchase up to 5.0 million shares of our outstanding common stock (the “2011 Share Repurchase Program”). A total of 3.6 million shares have been repurchased under the 2011 Share Repurchase Program since inception. 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, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

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The shares repurchased under our share repurchase programs were as follows (in thousands, except per share amounts):

	Total Number of Shares Repurchased	Range of Prices Paid Per Share		Total Cost of Shares Repurchased
		Low	High	
Three Months Ended:				
September 30, 2014	138	\$ 19.82	\$ 20.00	\$ 2,745
September 30, 2013	69	\$ 16.91	\$ 16.99	\$ 1,185
Nine Months Ended:				
September 30, 2014	268	\$ 19.82	\$ 20.00	\$ 5,350
September 30, 2013	341	\$ 15.61	\$ 16.99	\$ 5,479

During the nine months ended September 30, 2014, cash increased \$66.7 million from operating activities, \$0.1 million from proceeds from sale of property and equipment, \$0.2 million from the release of restricted cash and \$0.2 million from proceeds from grants. The increase in cash was offset by \$35.7 million used for capital expenditures, \$19.0 million to repay long-term debt, \$5.4 million to repurchase common stock and \$0.4 million to repurchase common stock for minimum tax withholding on equity awards, resulting in a \$2.4 million decrease in available cash (including the unfavorable effects of foreign currency exchange rates on cash and cash equivalents of \$9.1 million).

Net cash flows provided by operating activities for the nine months ended September 30, 2014 were \$66.7 million, compared to \$50.5 million for the comparable period in 2013. The \$16.2 million increase in net cash flows from operating activities was due to a \$9.0 million increase in net income, a \$1.7 million increase in non-cash reconciling items such as depreciation, amortization, unrealized foreign currency transaction (gains) losses and deferred income taxes and a net increase of \$5.5 million in cash flows from assets and liabilities. The \$5.5 million increase in 2014 from 2013 in cash flows from assets and liabilities was principally a result of a \$1.3 million decrease in accounts receivable, a \$5.7 million decrease in other assets and a \$2.0 million increase in taxes payable, partially offset by a \$1.1 million decrease in deferred revenue and a \$2.4 million decrease in other liabilities. The \$5.7 million decrease in other assets was primarily due to the timing of the utilization of deferred tax assets in the nine months ended September 30, 2014 over the comparable period in 2013.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were \$35.7 million for the nine months ended September 30, 2014, compared to \$45.6 million for the comparable period in 2013, a decrease of \$9.9 million. In 2014, we anticipate capital expenditures in the range of \$49.0 million to \$50.0 million, primarily for new seat additions, facility upgrades, maintenance and systems infrastructure.

On May 3, 2012, we entered into a \$245 million revolving credit facility (the "2012 Credit Agreement") with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ("KeyBank"). The 2012 Credit Agreement replaced our previous \$75 million revolving credit facility dated February 2, 2010, as amended, which agreement was terminated simultaneous with entering into the 2012 Credit Agreement. The 2012 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. At September 30, 2014, we were in compliance with all loan requirements of the 2012 Credit Agreement and had \$79.0 million and \$98.0 million of outstanding borrowings under this facility as of September 30, 2014 and December 31, 2013, respectively, with an average daily utilization of \$79.0 million and \$110.4 million for the three months ended September 30, 2014 and 2013, respectively, and an average daily utilization of \$88.5 million and \$102.5 million for the nine months ended September 30, 2014 and 2013, respectively. During the three months ended September 30, 2014 and 2013, the related interest expense, excluding amortization of deferred loan fees, under our credit agreement was \$0.3 million and \$0.4 million, respectively, which represented a weighted average interest rate of 1.3% and 1.5%, respectively. During the nine months ended September 30, 2014 and 2013, the related interest expense, excluding amortization of deferred loan fees, under our credit agreement was \$0.9 million and \$1.1 million, respectively, which represented a weighted average interest rate of 1.3% and 1.5%, respectively.

The 2012 Credit Agreement includes a \$184 million alternate-currency sub-facility, a \$10 million swingline sub-facility and a \$35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. We are

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not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the 2012 Credit Agreement, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment of the financial institutions. The 2012 Credit Agreement will mature on May 2, 2017.

Borrowings under the 2012 Credit Agreement will bear interest at the rates set forth in the Credit Agreement. In addition, we are required to pay certain customary fees, including a commitment fee of 0.175%, which is due quarterly in arrears and calculated on the average unused amount of the 2012 Credit Agreement.

The 2012 Credit Agreement is guaranteed by all of our existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all of our direct foreign subsidiaries and those of the guarantors.

We are currently under audit in several tax jurisdictions. We have received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and we paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of fluctuations in the foreign exchange rate, are \$16.4 million and \$17.3 million as of September 30, 2014 and December 31, 2013, respectively, and are included in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, we believe we are adequately reserved for these audits and resolution is not expected to have a material impact on our financial condition and results of operations.

As of September 30, 2014, we had \$209.6 million in cash and cash equivalents, of which approximately 93.1%, or \$195.1 million, was held in international operations and is deemed to be indefinitely reinvested offshore. These funds may be subject to additional taxes if repatriated to the United States, including withholding tax applied by the country of origin and an incremental U.S. income tax, net of allowable foreign tax credits. There are circumstances where we may be unable to repatriate some of the cash and cash equivalents held by our international operations due to country restrictions. We do not intend nor currently foresee a need to repatriate these funds. We expect our current domestic cash levels and cash flows from operations to be adequate to meet our domestic anticipated working capital needs, including investment activities such as capital expenditures and debt repayment for the next twelve months and the foreseeable future. However, from time to time, we may borrow funds under our 2012 Credit Agreement as a result of the timing of our working capital needs, including capital expenditures. Additionally, we expect our current foreign cash levels and cash flows from foreign operations to be adequate to meet our foreign anticipated working capital needs, including investment activities such as capital expenditures for the next twelve months and the foreseeable future.

If we should require more cash in the U.S. than is provided by our domestic operations for significant discretionary unforeseen activities such as acquisitions of businesses and share repurchases, we could elect to repatriate future foreign earnings and/or raise capital in the U.S through additional borrowings or debt/equity issuances. These alternatives could result in higher effective tax rates, interest expense and/or dilution of earnings. We have borrowed funds domestically and continue to have the ability to borrow additional funds domestically at reasonable interest rates.

Our cash resources could also be affected by various risks and uncertainties, including but not limited to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements and Other

As of September 30, 2014, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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Contractual Obligations

The following table summarizes the material changes to our contractual cash obligations as of September 30, 2014, and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Payments Due By Period					Other
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	
Operating leases ⁽¹⁾	\$ 22,211	\$ 552	\$ 7,289	\$ 6,293	\$ 8,077	\$—
Purchase obligations ⁽²⁾	32,658	3,824	23,228	4,668	938	—
	<u>\$ 54,869</u>	<u>\$ 4,376</u>	<u>\$ 30,517</u>	<u>\$ 10,961</u>	<u>\$ 9,015</u>	<u>\$—</u>

(1) Amounts represent the expected cash payments under our operating leases.

(2) Amounts represent the expected cash payments under our purchase obligations, which include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

Except for the contractual obligations mentioned above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K as of and for the year ended December 31, 2013 filed on February 20, 2014.

Critical Accounting Estimates

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report and Form 10-K for the year ended December 31, 2013 filed on February 20, 2014 for a discussion of our critical accounting estimates.

There have been no material changes to our critical accounting estimates in 2014.

New Accounting Standards Not Yet Adopted

In April 2014, the FASB issued ASU 2014-08 “*Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*” (“ASU 2014-08”). The amendments in ASU 2014-08 indicate that only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations presentation. The amendments should be applied to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. We do not expect the adoption of ASU 2014-08 to materially impact our financial condition, results of operations and cash flows.

In May 2014, the FASB issued ASU 2014-09 “*Revenue from Contracts with Customers (Topic 606)*” (“ASU 2014-09”). The amendments in ASU 2014-09 outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and indicate that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We are currently evaluating the impact that the adoption of ASU 2014-09 may have on our financial condition, results of operations and cash flows.

In June 2014, the FASB issued ASU 2014-12 “*Compensation – Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*” (“ASU 2014-12”). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification (“ASC”) Topic 718, “*Compensation — Stock Compensation*” (“ASC 718”), as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. We do not expect the adoption of ASU 2014-12 to materially impact our financial condition, results of operations and cash flows.

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U.S. Healthcare Reform Acts

In March 2010, the President of the United States signed into law comprehensive healthcare reform legislation under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (the “Acts”). The Acts contain provisions that could materially impact our healthcare costs in the future, thus adversely affecting our profitability. In July 2013, the Internal Revenue Service announced that the employer mandate and reporting provisions of the Acts, which were originally effective January 1, 2014, will be delayed until 2015 and the promised additional guidance has yet to be issued. As a result of the delay, the Company’s cost to provide benefits to employees in 2014 will be comparable to our costs in 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

Our earnings and cash flows are subject to fluctuations due to changes in currency exchange rates. We are exposed to foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. Dollar (“USD”) are translated into our USD consolidated financial statements. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. Dollar are included in “Accumulated other comprehensive income (loss)” in shareholders’ equity. Movements in non-U.S. Dollar currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We employ a foreign currency risk management program that periodically utilizes derivative instruments to protect against unanticipated fluctuations in earnings and cash flows caused by volatility in foreign currency exchange (“FX”) rates. Option and forward derivative contracts are used to hedge intercompany receivables and payables, and other transactions initiated in the United States, that are denominated in a foreign currency. Additionally, we employ FX contracts to hedge net investments in foreign operations.

We serve a number of U.S.-based clients using customer contact management center capacity in The Philippines and Costa Rica, which are within our Americas segment. Although the contracts with these clients are priced in USDs, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine Pesos (“PHP”) and Costa Rican Colones (“CRC”), which represent FX exposures. Additionally, our EMEA segment services clients in Hungary and Romania where the contracts are priced in Euros (“EUR”), with a substantial portion of the costs incurred to render services under these contracts denominated in Hungarian Forints (“HUF”) and Romanian Leis (“RON”).

In order to hedge a portion of our anticipated cash flow requirements denominated in PHP, CRC, HUF and RON, we had outstanding forward contracts and options as of September 30, 2014 with counterparties through December 2015 with notional amounts totaling \$144.4 million. As of September 30, 2014, we had net total derivative liabilities associated with these contracts with a fair value of \$0.9 million, which will settle within the next 15 months. If the USD was to weaken against the PHP and CRC and the EUR was to weaken against the HUF and RON by 10% from current period-end levels, we would incur a loss of approximately \$11.7 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We entered into forward exchange contracts with notional amounts totaling \$51.6 million to hedge net investments in our foreign operations. The purpose of these derivative instruments is to protect against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to our foreign currency-based investments in these subsidiaries. As of September 30, 2014, the fair value of these derivatives was a net asset of \$1.9 million. The potential loss in fair value at September 30, 2014, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$4.9 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We also entered into forward exchange contracts with notional amounts totaling \$64.5 million that are not designated as hedges. The purpose of these derivative instruments is to protect against FX volatility pertaining to

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intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. As of September 30, 2014, the fair value of these derivatives was a net liability of \$0.5 million. The potential loss in fair value at September 30, 2014, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$5.5 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into contracts with those considered to have minimal credit risk. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

Interest Rate Risk

Our exposure to interest rate risk results from variable debt outstanding under our revolving credit facility. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. As of September 30, 2014, we had \$79.0 million in borrowings outstanding under the revolving credit facility. Based on our level of variable rate debt outstanding during the three and nine months ended September 30, 2014, a 1.0% increase in the weighted average interest rate, which generally equals the LIBOR rate plus an applicable margin, would have had an impact of \$0.2 million and \$0.7 million, respectively, on our results of operations.

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, 2013, quarterly revenues as a percentage of total consolidated annual revenues were approximately 24%, 24%, 25% and 27%, respectively, for each of the respective quarters of the year. We have experienced and anticipate that in the future we will experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing and frequency of client spending for customer contact management services, non-U.S. currency fluctuations, and the seasonal pattern of customer contact management support and fulfillment services.

Item 4. Controls and Procedures

As of September 30, 2014, under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a – 15(e) under the Securities Exchange Act of 1934, as amended. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We concluded that, as of September 30, 2014, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

For risk factors, see Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 20, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Below is a summary of stock repurchases for the three months ended September 30, 2014 (in thousands, except average price per share). See Note 12, Earnings Per Share, of “Notes to Condensed Consolidated Financial Statements” for information regarding our stock repurchase program.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
July 1, 2014 - July 31, 2014	—	\$ —	—	1,499
August 1, 2014 - August 31, 2014	37	\$ 19.99	37	1,462
September 1, 2014 - September 30, 2014	101	\$ 19.90	101	1,361
Total	<u>138</u>		<u>138</u>	<u>1,361</u>

⁽¹⁾ All shares purchased as part of the repurchase plan publicly announced on August 18, 2011. Total number of shares approved for repurchase under the 2011 Repurchase Plan was 5.0 million with no expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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

15	Awareness letter.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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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 4, 2014

By: /s/ John Chapman
John Chapman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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November 4, 2014

Sykes Enterprises, Incorporated
400 North Ashley Drive
Tampa, FL 33602

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Sykes Enterprises, Incorporated and subsidiaries for the periods ended September 30, 2014, and 2013, as indicated in our report dated November 4, 2014; 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, 2014, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, 333-88359, 333-73260, 333-125178 and 333-178670 on Form 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 Statement 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

Certified Public Accountants
Tampa, Florida

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)**

I, Charles E. 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 company as of, and for, the periods presented in this report;
4. The company'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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company'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
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 4, 2014

/s/ Charles E. Sykes

Charles E. Sykes, President, Chief Executive Officer and
Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)**

I, John Chapman, 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 company as of, and for, the periods presented in this report;
4. The company'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) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company'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
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 4, 2014

/s/ John Chapman

John Chapman, Executive Vice President and Chief
Financial Officer

**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 ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Sykes, President 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 4, 2014

By: /s/ Charles E. Sykes

Charles E. Sykes

President and Chief Executive Officer and Director

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.

**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 ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Chapman, Executive Vice President and Chief Financial 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 4, 2014

By: /s/ John Chapman

John Chapman

Executive Vice President and Chief Financial Officer
(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.