



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

**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported): **November 2, 2005**

**TeleTech Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of  
Incorporation)

**0-21055**  
(Commission  
File Number)

**84-1291044**  
(I.R.S. Employer  
Identification No.)

**9197 S. Peoria Street, Englewood, Colorado 80112**  
(Address of principal executive offices, including Zip Code)

Telephone Number: **(303) 397-8100**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01. Results of Operation and Financial Condition**

On November 2, 2005, Registrant issued a press release setting forth Registrant's financial and operating results for the quarter ended September 30, 2005. On November 3, 2005, the Registrant held a conference call, which was open to the public, to discuss these results. A copy of this press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

**Item 9.01 Financial Statements and Exhibits**

99.1 Press Release issued by TeleTech on November 2, 2005

**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 hereunto duly authorized.

TeleTech Holdings, Inc.  
By: /s/ Kenneth D. Tuchman  
KENNETH D. TUCHMAN  
Chief Executive Officer

Dated: November 4, 2005

**EXHIBIT INDEX**

EXHIBIT NUMBER  
99.1

DESCRIPTION  
Press Release Dated November 2, 2005

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Investor Contacts:  
**Karen Breen**  
**Dan Campbell**  
 Investor Relations  
 303-397-8592  
 303-397-8634

**TeleTech Reports Third Quarter 2005 Financial Results**  
*Achieves Record Quarterly Revenue of \$274 Million;*  
*Operating Margin Increases By 139 Percent From Last Quarter*

**Denver, Colo., November 2, 2005** — TeleTech Holdings, Inc. (Nasdaq: TTEC), a global provider of customer management and transaction-based business process outsourcing (BPO) services, today announced third quarter 2005 financial results. The Company also filed its Quarterly Report on Form 10-Q with the Securities and Exchange Commission for the quarter ended September 30, 2005.

Business highlights include:

- Several new client wins and key client renewals
- Third quarter 2005 operating margin more than doubles from last quarter
- Capacity utilization improves by 25 percent sequentially in shared client centers
- International segment profitable before corporate allocations
- Global profit improvement plans on track
- Newgen's operating loss reduced by nearly half from last quarter
- Under construction for 1,500 new workstations in the Philippines
- \$63 million of common stock repurchased year-to-date through October 31, 2005
- \$52 million of international monies moved back to the U.S. resulting in no bank debt outstanding as of September 30, 2005

	Third Quarter 2005	Second Quarter 2005	Third Quarter 2004
<b>Financial Results (Unaudited)</b>			
Revenue	\$ 274.3M	\$ 253.9M	\$ 258.3M
Operating income	\$ 11.9M	\$ 4.5M	\$ 12.2M
Net income	\$ 11.6M	\$ 3.7M	\$ 10.6M
GAAP EPS	\$ 0.16	\$ 0.05	\$ 0.14
Non-GAAP EPS*	\$ 0.08	\$ 0.05	\$ 0.14
Total stockholders' equity	\$ 305.7M	\$ 297.9M	\$ 300.3M
<b>Other Financial Measures</b>			
Operating income margin	4.3%	1.8%	4.7%
Total debt to total stockholders' equity	3.1%	10.1%	5.0%
Net cash*	\$ 46.0M	\$ 52.7M	\$ 42.6M
EBITDA*	\$ 24.6M	\$ 18.0M	\$ 24.0M
Free cash flow*	\$ 7.4M	\$ 11.0M	\$ 37.3M
Days sales outstanding (DSOs)	62	56	57

\*See attached reconciliation of Non-GAAP financial measures.

**EXECUTIVE COMMENTARY**

"We are pleased to report record revenue for the quarter and a significant improvement in our sequential operating margin," said Ken Tuchman, Chairman and Chief Executive Officer. "Our improved performance is the result of the work we completed over the last 36 months to fine tune every aspect of our global business. We remain committed to

achieving our long-term goal of growing both revenue and operating margin to a run rate of \$1.5 billion and 10 percent, respectively, by the end of 2007.”

“We continue to see increased demand for our services as current and prospective clients are increasingly focused on our unique capabilities given we deliver both innovative offerings and measurable results,” continued Tuchman. “During the past several months, TeleTech renewed or expanded existing client business estimated at \$70 million annually and signed new client relationships estimated at \$20 million annually in the financial services, communications, healthcare, and commercial industries. We are investing in an enhanced product suite that leverages our existing infrastructure and is actively being marketed to current and prospective clients. We continue to expand and grow existing client relationships given our high client satisfaction levels, and our prospects for new business around the globe remain strong.”

#### **REVENUE**

Third quarter 2005 revenue was a historic high of \$274.3 million, a 6.2 percent increase compared to \$258.3 million in the prior year quarter, and an 8.0 percent increase compared to \$253.9 million for the last quarter. These increases are primarily attributable to higher revenue in North America and in certain international locations. Included in revenue for the North America segment is work TeleTech performed during the quarter on behalf of a large, U.S. government agency to assist in Gulf Coast hurricane relief efforts.

#### **OPERATING INCOME**

Third quarter 2005 income from operations was \$11.9 million compared to \$12.2 million for the prior year quarter. Included in the third quarter 2005 operating income is a litigation and claims charge of \$2.9 million, the majority of which pertains to a legal judgment that the company is appealing and plans to vigorously contest. Included in the prior year quarter operating income was a benefit of \$2.0 million related to the reduction of certain self-insurance reserves. Additional information regarding comparability to the prior year quarter is included in the Company’s September 2005 Quarterly Report on Form 10-Q.

Third quarter 2005 operating margin was 4.3 percent compared to 4.7 percent for the prior year quarter, and a meaningful increase over the 1.8 percent reported for the second quarter of 2005. Excluding the above mentioned items, the operating margin percentage for the third quarter 2005 and 2004 would have been 5.4 percent and 3.9 percent, respectively.

#### **INCOME TAX EXPENSE**

TeleTech recorded a net, one-time reduction to tax expense of \$6.0 million during the third quarter 2005, which is the net of a one-time reversal of its \$9.9 million U.S. deferred tax valuation allowance offset by a one-time increase to tax expense of \$3.9 million related to the repatriation of foreign funds.

In the prior year quarter, TeleTech recorded a reduction to tax expense of \$4.9 million related to various tax planning strategies.

During the fourth quarter 2005 and thereafter, the Company expects its effective tax rate will approximate 40 percent.

#### **BALANCE SHEET, CASH FLOW AND LIQUIDITY**

TeleTech ended the third quarter 2005 in a strong financial position with \$55.5 million in cash and cash equivalents and no bank debt outstanding. Days sales outstanding (DSOs) were 62 days at the end of September, up from 56 days for the last quarter due in part to the ramp of a program on behalf of a U.S. government agency. Capital expenditures for the third quarter 2005 were \$10.0 million versus \$5.8 million during the year ago quarter as the Company has been expanding its capacity to meet client demand.

Earnings before interest, taxes, depreciation and amortization (EBITDA) and Free Cash Flow are two liquidity measures. Free Cash Flow is impacted by changes in working capital accounts and capital expenditures. EBITDA for the third quarter 2005 was \$24.6 million, up 36.8 percent from \$18.0 million for the last quarter and comparable to the prior year quarter. Free Cash Flow for the current quarter was down from both the last and prior year quarters due in part to (1) working capital used to launch and operate the U.S. government program as the company had not received payment for services rendered on that program as of quarter-end and (2) increased capital expenditures.

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## **SHARE REPURCHASE**

During the third quarter, TeleTech repurchased 1.6 million shares of its common stock for a total of \$14.4 million. Year-to-date through October 31, 2005, TeleTech repurchased approximately 6.6 million shares for a total of \$63 million, which is recorded as a reduction to stockholders' equity.

## **FOURTH QUARTER 2005 OUTLOOK**

TeleTech expects fourth quarter 2005 revenue to increase sequentially from the third quarter 2005. The Company also believes the operating results for its Database Marketing and Consulting segment, which represents 8 percent of its consolidated revenue, will approximate the third quarter 2005 results.

## **NON-GAAP FINANCIAL MEASURES**

Pursuant to Regulation G as issued by the Securities and Exchange Commission, the attached tables provide a reconciliation of the differences between the Non-GAAP financial measures as discussed above including "Non-GAAP EPS", "Net cash", "EBITDA", and "Free cash flow", and TeleTech's closest comparable financial measures in each case calculated in accordance with GAAP.

These Non-GAAP financial measures should be used in addition to, but not as a substitute for, the Company's comparable GAAP financial measures. They are presented because TeleTech's management uses this information when evaluating current results of operations, and believes this information provides the users of the financial statements with a useful comparison of TeleTech's current results of operations with past and future periods.

## **SEC FILINGS**

The Company's filings with the Securities and Exchange Commission are available in the "Investors" section of TeleTech's website, which can be found at [www.teletech.com](http://www.teletech.com).

## **CONFERENCE CALL**

TeleTech executive management will hold a conference call to discuss third quarter 2005 financial results on Thursday, November 3, 2005, at 11:00 a.m. Eastern Time. You are invited to join a live webcast of the call by visiting the "Investors" section of the TeleTech website at [www.teletech.com](http://www.teletech.com). If you are unable to participate during the live webcast, a replay of the call will be available on the TeleTech website through Thursday, November 17, 2005.

## **ABOUT TELETECH**

TeleTech is a global business services company that provides a full range of front- to back-office outsourced solutions including customer management, BPO, and database marketing services to measurably enhance clients' core customer management processes. TeleTech's ability to create innovative strategies, combined with its global technology platform and delivery infrastructure, helps clients increase revenue, lower costs, and retain their customers around the world. TeleTech's products and services, standardized processes, and recognized capabilities to implement complex global projects make the Company a valued partner for clients that include Global 1000 businesses and governments. TeleTech partners with clients to offer 150 languages, through its more than 40,000 employees, in 17 countries. For additional information, visit [www.TeleTech.com](http://www.TeleTech.com).

## **FORWARD-LOOKING STATEMENTS**

THIS PRESS RELEASE MAY CONTAIN CERTAIN FORWARD-LOOKING STATEMENTS RELATING TO FUTURE RESULTS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT MAY CAUSE TELETECH'S AND ITS SUBSIDIARIES' ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING: THE COMPANY'S BELIEF THAT IT'S CONTINUING TO SEE STRONG DEMAND FOR ITS SERVICES; ESTIMATED REVENUE FROM NEW OR EXPANDED CLIENT BUSINESS; THE BELIEF THAT THE PROSPECTS FOR NEW BUSINESS REMAIN STRONG; ACHIEVING THE COMPANY'S EXPECTED PROFIT IMPROVEMENT IN ITS INTERNATIONAL OPERATIONS; THE ABILITY TO CLOSE AND RAMP NEW BUSINESS OPPORTUNITIES THAT ARE CURRENTLY BEING PURSUED WITH EXISTING CLIENTS AND POTENTIAL CLIENTS; THE ABILITY FOR THE COMPANY TO EXECUTE ITS GROWTH PLANS, INCLUDING SALES OF NEW PRODUCTS (SUCH AS TELETECH ON DEMAND™ AND TELETECH IN CULTURE™); TO INCREASE PROFITABILITY VIA THE GLOBALIZATION OF ITS NORTH AMERICAN BEST OPERATING PRACTICES; TO ACHIEVE ITS YEAR-END 2007

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FINANCIAL GOALS AND TARGETED COST REDUCTIONS; THE POSSIBILITY OF THE COMPANY'S DATABASE MARKETING AND CONSULTING SEGMENT NOT INCREASING REVENUE, LOWERING COSTS, ACHIEVING SIMILAR OPERATING RESULTS TO ITS THIRD QUARTER 2005 RESULTS, OR RETURNING TO HISTORIC LEVELS OF PROFITABILITY THEREAFTER; THE POSSIBILITY OF LOWER REVENUE OR PRICE PRESSURE FROM CLIENTS EXPERIENCING A DOWNTURN OR MERGER IN THEIR BUSINESS; GREATER THAN ANTICIPATED COMPETITION IN THE CUSTOMER CARE MARKET, CAUSING ADVERSE PRICING AND MORE STRINGENT CONTRACTUAL TERMS; RISKS ASSOCIATED WITH LOSING OR NOT RENEWING CLIENT RELATIONSHIPS, PARTICULARLY LARGE CLIENT AGREEMENTS, OR EARLY TERMINATION OF A CLIENT AGREEMENT; THE RISK OF LOSING CLIENTS DUE TO CONSOLIDATION IN THE INDUSTRIES WE SERVE; CONSUMERS' CONCERNS OR ADVERSE PUBLICITY REGARDING THE PRODUCTS OF THE COMPANY'S CLIENTS; HIGHER THAN ANTICIPATED START-UP COSTS OR LEAD TIMES ASSOCIATED WITH NEW VENTURES OR BUSINESS IN NEW MARKETS; EXECUTION RISKS ASSOCIATED WITH PERFORMANCE-BASED PRICING METRICS IN CERTAIN CLIENT AGREEMENTS; THE COMPANY'S ABILITY TO FIND COST EFFECTIVE LOCATIONS, OBTAIN FAVORABLE LEASE TERMS, AND BUILD OR RETROFIT FACILITIES IN A TIMELY AND ECONOMIC MANNER; RISKS ASSOCIATED WITH BUSINESS INTERRUPTION DUE TO WEATHER OR TERRORIST-RELATED EVENTS; RISKS ASSOCIATED WITH ATTRACTING AND RETAINING COST-EFFECTIVE LABOR AT THE COMPANY'S CUSTOMER MANAGEMENT CENTERS; THE POSSIBILITY OF ADDITIONAL ASSET IMPAIRMENTS AND RESTRUCTURING CHARGES; RISKS ASSOCIATED WITH CHANGES IN FOREIGN CURRENCY EXCHANGE RATES; ECONOMIC OR POLITICAL CHANGES AFFECTING THE COUNTRIES IN WHICH THE COMPANY OPERATES; CHANGES IN ACCOUNTING POLICIES AND PRACTICES PROMULGATED BY STANDARD SETTING BODIES; AND, NEW LEGISLATION OR GOVERNMENT REGULATION THAT IMPACTS THE CUSTOMER CARE INDUSTRY.

PLEASE REFER TO THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2004 AND QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005, FOR A DETAILED DISCUSSION OF FACTORS DISCUSSED ABOVE AND OTHER IMPORTANT FACTORS THAT MAY IMPACT THE COMPANY'S BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION, AND CASH FLOWS. THE COMPANY ASSUMES NO OBLIGATION TO UPDATE ITS FORWARD-LOOKING STATEMENTS TO REFLECT ACTUAL RESULTS OR CHANGES IN FACTORS AFFECTING SUCH FORWARD-LOOKING STATEMENTS.

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**TELETECH HOLDINGS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
(In millions)  
(Unaudited)

**Reconciliation of Non-GAAP EPS**

	<u>Third Quarter 2005</u>
<b>GAAP Net Income:</b>	<b>\$ 11.6</b>
Less: one-time, tax benefit from reversal of deferred tax valuation allowance	\$ (9.9)
Plus: one-time, tax expense from repatriation of foreign monies under the American Jobs Creation Act of 2004	\$ 3.9
<b>Non-GAAP Net Income</b>	<b>\$ 5.6</b>
Diluted shares outstanding	72,591
<b>Non-GAAP Earnings per Diluted Share</b>	<b>\$ 0.08</b>

**Reconciliation of Net Cash**

	<u>Third Quarter 2005</u>	<u>Second Quarter 2005</u>	<u>Third Quarter 2004</u>
<b>Net Cash:</b>			
Cash and cash equivalents	\$ 55.5	\$ 82.9	\$ 57.6
Less: current portion of long-term debt and capital lease obligations	\$ (0.2)	\$ (0.2)	\$ (0.3)
Long-term capital lease obligations	\$ (1.1)	\$ (1.1)	\$ (0.1)
Bank debt	—	\$ (21.9)	\$ (7.2)
Grant advances	\$ (6.9)	\$ (7.0)	\$ (7.2)
Other long-term debt	\$ (1.3)	—	\$ (0.2)
<b>Net Cash</b>	<b>\$ 46.0</b>	<b>\$ 52.7</b>	<b>\$ 42.6</b>

**Reconciliation of EBITDA**

	<u>Third Quarter 2005</u>	<u>Second Quarter 2005</u>	<u>Third Quarter 2004</u>
<b>Net Income</b>	<b>\$ 11.6</b>	<b>\$ 3.7</b>	<b>\$ 10.6</b>
Interest income	\$ (0.9)	\$ (0.8)	\$ (2.3)
Interest expense	\$ 0.7	\$ 0.7	\$ 2.8
Provision for income taxes	\$ 0.4	\$ 0.6	\$ (1.4)
Depreciation and amortization	\$ 12.7	\$ 13.7	\$ 14.3
<b>EBITDA</b>	<b>\$ 24.6</b>	<b>\$ 18.0</b>	<b>\$ 24.0</b>

**Reconciliation of Free Cash Flow**

	<u>Third Quarter 2005</u>	<u>Second Quarter 2005</u>	<u>Third Quarter 2004</u>
<b>Free Cash Flow:</b>			
Net cash provided by operating activities	\$ 17.4	\$ 20.2	\$ 43.1
Less: purchases of property and equipment	\$ (10.0)	\$ (9.2)	\$ (5.8)
<b>Free Cash Flow</b>	<b>\$ 7.4</b>	<b>\$ 11.0</b>	<b>\$ 37.3</b>

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**TELETECH HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2005	2004	2005	2004
<b>Revenue</b>	\$ 274,259	\$ 258,347	\$ 782,518	\$ 791,876
<b>Operating expenses:</b>				
Costs of services	202,492	188,808	580,663(3)	587,213
Selling, general & administrative	46,642	43,072	136,728(4)	122,215(11)
Depreciation and amortization	12,659	14,304	40,650	44,492
Restructuring charges, net	537(1)	(54) (8)	1,480(5)	2,110(12)
Impairment losses	—	—	2,537(6)	2,641(13)
Total operating expenses	<u>262,330</u>	<u>246,130</u>	<u>762,058</u>	<u>758,671</u>
<b>Operating Income</b>	11,929	12,217	20,460	33,205
Other income (expense)	524	(344)	1,530(7)	(3,946)
Debt restructuring charges	—	(2,756) (9)	—	(10,402) (14)
<b>Income Before Income Taxes</b>	12,453	9,117	21,990	18,857
Income tax expense (benefit)	432(2)	(1,372) (10)	3,204(2)	4,825(10)
<b>Income before Minority Interest</b>	12,021	10,489	18,786	14,032
Minority interest	(401)	68	(713)	316
<b>Net Income</b>	<u>\$ 11,620</u>	<u>\$ 10,557</u>	<u>\$ 18,073</u>	<u>\$ 14,348</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.19</u>
<b>Diluted Earnings Per Share</b>	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.24</u>	<u>\$ 0.19</u>
<b>Operating Income Margin</b>	4.3%	4.7%	2.6%	4.2%
<b>Net Income Margin</b>	4.2%	4.1%	2.3%	1.8%
<b>Effective Tax Rate</b>	3.5%	(15.0)%	14.6%	25.6%
<b>Weighted Average Shares</b>				
Basic	71,650	74,612	72,946	74,733
Diluted	72,591	75,944	74,604	75,909

Notes:

- Represents a \$0.1 million charge related to a reduction in force, a \$(0.1) million benefit related to revised estimates of restructuring charges, and a \$0.5 million charge related to a facility exit charge in connection with SFAS No. 146.
- Includes a \$(9.9) million benefit due to the reversal of income tax valuation allowance, and a \$3.9 million charge related to a repatriation of foreign earnings under a Qualified Domestic Reinvestment Plan.
- Includes a \$(2.0) million benefit due to revised estimates of self-insurance accruals.
- Includes a \$(0.4) million benefit due to revised estimates of self-insurance accruals.
- Represents the net \$0.5 million charge described in Note 1 above, in addition to a \$1.0 million charge related to a reduction in force.
- Represents a \$1.5 million charge related to the impairment of fixed assets in connection with SFAS No. 144 and a \$1.0 million charge related to facility exit charges.
- Includes a \$(1.0) million benefit due to a litigation settlement.
- Represents a \$0.5 million charge related to a reduction in force, and a \$(0.6) million benefit related to revised estimates of restructuring charges.
- Represents a \$2.8 million one-time charge related to the termination of an interest rate swap agreement.
- Includes a \$(4.9) million tax benefit related to implementation of certain tax planning strategies.
- Includes a \$1.9 million reversal of a portion of the estimated sales or use tax liability related to the Database Marketing and Consulting segment.
- Represents the \$(0.1) million benefit described in Note 8 above, in addition to a \$1.8 million charge related to a reduction in force, a \$(0.1) million benefit related to revised estimates of restructuring charges, and a \$0.4 million charge related to a facility exit charge in connection with SFAS No. 146.
- Represents a \$2.6 million charge related to the impairment of fixed assets in connection with SFAS No. 144.

14. Represents the \$2.8 million charge described in Note 9 above, in addition to a \$7.6 million one-time charge related to restructuring of the Company's debt facilities including a make-whole payment.

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**TELETECH HOLDINGS, INC. AND SUBSIDIARIES**  
**SEGMENT DISCLOSURES**  
(In thousands)  
(Unaudited)

	Nine months ended		Three months ended	
	Sept 30,		Sept 30,	
	2005	2004	2005	2004
<b>Revenue:</b>				
North American Customer Care	\$ 474,852	\$ 481,321	\$ 170,930	\$ 157,387
International Customer Care	244,157	236,233	82,596	76,625
Database Marketing & Consulting	63,509	74,322	20,733	24,335
Total	<u>\$ 782,518</u>	<u>\$ 791,876</u>	<u>\$ 274,259</u>	<u>\$ 258,347</u>
<b>Operating Income (Loss) :</b>				
North American Customer Care	\$ 40,752	\$ 41,806	\$ 15,654	\$ 13,996
International Customer Care	(12,188)	(14,799)	(1,871)	(2,898)
Database Marketing & Consulting	(8,104)	6,198	(1,854)	1,119
Total	<u>\$ 20,460</u>	<u>\$ 33,205</u>	<u>\$ 11,929</u>	<u>\$ 12,217</u>

**TELETECH HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	<u>Sept 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 55,463	\$ 75,066
Accounts receivable, net	184,097	148,627
Other current assets	63,576	54,342
<b>Total current assets</b>	<u>303,136</u>	<u>278,035</u>
<b>Property and equipment, net</b>	122,497	132,214
<b>Other assets</b>	<u>94,070</u>	<u>86,546</u>
<b>Total assets</b>	<u>\$ 519,703</u>	<u>\$ 496,795</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Total current liabilities</b>	\$ 176,842	\$ 136,192
<b>Other noncurrent liabilities</b>	31,430	30,186
<b>Minority interest</b>	5,733	7,872
<b>Total stockholders' equity</b>	<u>305,698</u>	<u>322,545</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 519,703</u>	<u>\$ 496,795</u>

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**TELETECH HOLDINGS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Nine months ended Sept 30,		Three months ended Sept 30,	
	2005	2004	2005	2004
<b>Cash flow from operating activities:</b>				
Net income	\$ 18,073	\$ 14,348	\$ 11,620	\$ 10,557
Adjustments to reconcile net income to net cash provided by (used in ) operating activities:				
Depreciation and amortization	40,650	44,492	12,659	14,304
Other	(5,991)	1,059	(6,860)	18,259
Net cash provided by operating activities	<u>\$ 52,732</u>	<u>\$ 59,899</u>	<u>\$ 17,419</u>	<u>\$ 43,120</u>
<b>Total Capital Expenditures</b>	<u>\$ 23,614</u>	<u>\$ 26,151</u>	<u>\$ 10,043</u>	<u>\$ 5,808</u>
<b>Free Cash Flow</b>	<u>\$ 29,118</u>	<u>\$ 33,748</u>	<u>\$ 7,376</u>	<u>\$ 37,312</u>