FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from____ to____

Commission file number 0-21055

TELETECH HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	84-1291044
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9197 South Peoria Street Englewood, Colorado	80112
(Address of principal executive office)	(Zip Code)

(303) 397-8100
(Registrant's telephone number, including area code)

1700 Lincoln Street, suite 1400
Denver, Colorado 80203
(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at August 13, 2001
Common Stock, par value $.01 per share	76,339,657

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q

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Item 1.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands except share amounts)

ASSETS	June 30, 2001	December 31, 2000
	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 39,850	$ 58,797
Investment in available-for-sale securities	3,168	16,774
Short-term investments	4,336	8,904
Accounts receivable, net	177,827	193,351
Prepaids and other assets	23,567	17,737
Deferred tax asset	9,018	5,858
Total current assets	257,766	301,421
PROPERTY AND EQUIPMENT, net	189,041	178,760
OTHER ASSETS:		
Long-term accounts receivable	3,700	3,749
Goodwill, net	44,414	41,311
Contract acquisition cost, net	14,099	15,335
Deferred tax asset	8,379	1,862
Other assets	40,103	38,461
Total assets	$ 557,502	$ 580,899

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2001	December 31, 2000
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 13,479	$ 12,529
Accounts payable	7,982	19,740
Accrued employee compensation and benefits	39,184	41,177
Accrued income taxes	2,495	21,946
Accrued loss on closure of customer interaction center	4,366	--
Other accrued expenses	36,722	29,885
Customer advances, deposits and deferred income	10,885	3,021
Total current liabilities	115,113	128,298
LONG-TERM DEBT, net of current portion:		
Line of credit	73,500	62,000
Capital lease obligations	6,673	7,943
Other long-term debt	4,512	4,963
Other liabilities	1,875	1,521
Total liabilities	201,673	204,725
MINORITY INTEREST	13,660	12,809
STOCKHOLDERS' EQUITY:		
Stock purchase warrants	5,100	5,100
Common stock; $.01 par value; 150,000,000 shares authorized; 76,304,879 and 74,683,858 shares, respectively, issued and outstanding	763	747
Additional paid-in capital	205,664	200,268
Accumulated other comprehensive income (loss)	(10,985)	4,828
Deferred compensation	(164)	(603)
Notes receivable from stockholders	(283)	(283)
Retained earnings	142,074	153,308
Total stockholders' equity	342,169	363,365
Total liabilities and stockholders' equity	$ 557,502	$ 580,899

The accompanying notes are an integral part of these condensed consolidated balance sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
REVENUES	$ 225,211	$ 217,375	$ 463,091	$ 409,701
OPERATING EXPENSES:				
Costs of services	145,832	142,241	296,144	267,725
Selling, general and administrative expenses	49,586	42,920	106,649	82,633
Depreciation and amortization	14,469	11,605	29,388	21,055
Restructuring charges	--	--	12,518	--
Loss on closure of customer interaction center	--	--	7,733	--
Loss on real estate held for sale	7,000	--	7,000	--
Total operating expenses	216,887	196,766	459,432	371,413
INCOME FROM OPERATIONS	8,324	20,609	3,659	38,288
OTHER INCOME (EXPENSE):				
Interest, net	(1,024)	621	(2,119)	636
Other than temporary decline in value of equity investment	(16,500)	--	(16,500)	--
Share of losses on equity investment	(651)	--	(651)	--
Gain on sale of securities	147	12,762	147	12,762
Other	(1,143)	(676)	(1,244)	(660)
	(19,171)	12,707	(20,367)	12,738
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(10,847)	33,316	(16,708)	51,026
Provision (benefit) for income taxes	(4,009)	11,282	(6,325)	17,746
INCOME (LOSS) BEFORE MINORITY INTEREST	(6,838)	22,034	(10,383)	33,280
Minority interest	(530)	(399)	(851)	(399)
NET INCOME (LOSS)	($7,368)	$ 21,635	($11,234)	$ 32,881
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	75,522	73,985	75,138	73,672
Diluted	75,522	79,063	75,138	79,209
NET INCOME (LOSS) PER SHARE				
Basic	$ (0.10)	$ 0.29	$ (0.15)	$ 0.45
Diluted	$ (0.10)	$ 0.27	$ (0.15)	$ 0.42

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six months ended June 30, 2001	Six months ended June 30, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	($11,234)	$ 32,881
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	29,388	21,055
Minority interest	851	399
Allowance for doubtful accounts	1,728	901
Gain on sale of securities	(147)	(12,762)
Loss on closure of customer interaction center	7,733	--
Loss on real estate held for sale	7,000	--
Loss on impairment of equity investment	16,500	--
Share of losses on equity investment	651	--
Net loss on asset dispositions	--	459
Deferred charges	(8,362)	(281)
Tax benefit from stock option exercises	1,732	6,468
Changes in assets and liabilities:		
Accounts receivable	10,292	(59,830)
Prepaids and other assets	(5,830)	(4,537)
Accounts payable and accrued expenses	(22,208)	17,306
Customer advances, deposits and deferred income	7,866	2,358
Net cash provided by operating activities	35,960	4,417
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(39,151)	(49,936)
Proceeds from sale of property and equipment	--	23
Contract acquisition costs	--	(1,356)
Investment in customer relationship management software company	--	(7,989)
Proceeds from minority interest in subsidiary	--	5,100
Proceeds from sale of available-for-sale securities	801	14,722
Investment in real estate held for sale	(20,425)	--
Changes in accounts payable, accrued liabilities and other assets related to investing activities	(10,795)	(3,079)
Net decrease in short-term investments	4,567	10,132
Net cash used in investing activities	(65,003)	(32,383)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in bank overdraft	--	(393)
Net increase in lines of credit	11,089	25,000
Proceeds from long-term debt	--	6,611
Payments on long-term debt	(510)	(1,606)
Payments on capital lease obligation	(1,260)	(2,892)
Distributions to shareholders	--	(1,184)
Proceeds from issuance of common stock	--	144
Proceeds from exercise of stock options and warrants	4,028	7,129
Net cash provided by financing activities	13,347	32,809
Effect of exchange rate changes on cash	(3,251)	(1,528)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,947)	3,315
CASH AND CASH EQUIVALENTS, beginning of period	58,797	48,278
CASH AND CASH EQUIVALENTS, end of period	$ 39,850	$ 51,593

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring entries) which, in the opinion of management, are necessary to present fairly the financial position at June 30, 2001, results of operations and cash flows of TeleTech Holdings, Inc. and subsidiaries ("TeleTech" or the "Company") for the six months ended June 30, 2001 and 2000. Operating results for the three and six months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

During 2000, the Company completed two business combinations accounted for under the pooling-of-interest method. Accordingly, the historical consolidated financial statements of the Company for all periods prior to the business combinations have been restated in the accompanying condensed consolidated financial statements.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2000. Certain 2000 amounts have been reclassified to conform to 2001 presentation.

(2) EFFECTS OF RECENTLY ISSUES ACCOUNTING PRONOUNCEMENT

Effective June 30, 2001, the Financial Accounting Standards Board issued Statements on Financial Accounting Standards ("SFAS") Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS No. 141 is effective for acquisitions occurring after June 30, 2001 and provides guidance on accounting for business combinations including allowing use of the purchase method of accounting as the only acceptable method to account for business combinations. SFAS No. 142 provides guidance on the accounting for goodwill and other intangibles specifically relating to identifying and allocating purchase price to specific identifiable intangible assets. Additionally, SFAS No. 142 provides guidance for the amortization of identifiable intangible assets and states that goodwill shall not be amortized, but rather tested for impairment, at least annually, using a fair value approach. SFAS No. 142 is required to be adopted in the first quarter of the fiscal year beginning after December 15, 2001. Management has not yet determined the effect SFAS No. 142 will have on its financial position or the amount of the cumulative effects of adoption of this accounting principle to be recorded from adopting SFAS No. 142, if any.

(3) SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

The Company classifies its business activities into four fundamental segments: domestic outsourcing, international outsourcing, database marketing and consulting, and corporate activities. These segments are consistent with the Company's management of the business and generally reflect its internal financial reporting structure and operating focus. Domestic and international outsourcing provide comprehensive customer relationship management ("CRM") solutions. Database marketing and consulting provides outsourced database management, direct marketing and related customer retention services for the service departments of automobile dealerships and manufacturers. Included in corporate activities are general corporate expenses, operational management expenses not attributable to any other segment and technology services. Segment accounting policies are the same as those used in the consolidated financial statements. There are no significant transactions between the reported segments for the periods presented.

In January 2001, the Company changed its internal reporting structure, which caused the composition of the reportable segments to change. The information for the three and six months ended June 30, 2000 has been restated to reflect this change.

	Three months ended June 30,	
(in thousands)	2001	2000

Revenues:		
Domestic outsourcing	$ 117,314	$120,631
International outsourcing	91,198	73,386
Database marketing and consulting	17,127	20,026
Corporate activities	(428)	3,332
Total	$ 225,211	$217,375
Operating Income (Loss):		
Domestic outsourcing	$ 17,923	$ 24,191
International outsourcing	12,993	9,029
Database marketing and consulting	2,036	2,498
Corporate Activities	(24,628)	(15,109)
Total	$ 8,324	$ 20,609

	Six months ended June 30,	
(in thousands)	2001	2000
Revenues:		
Domestic outsourcing	$ 238,543	$234,731
International outsourcing	189,512	128,943
Database marketing and consulting	35,453	39,847
Corporate activities	(417)	6,180
Total	$ 463,091	$409,701
Operating Income (Loss):		
Domestic outsourcing	$ 25,368	$ 47,257
International outsourcing	32,450	17,017
Database marketing and consulting	4,081	3,462
Corporate activities	(58,240)	(29,448)
Total	$ 3,659	$ 38,288

	Balance as of	
(in thousands)	June 30, 2001	December 31, 2000
Assets:		
Domestic outsourcing	$ 160,142	$158,032
International outsourcing	217,680	206,406
Database marketing and consulting	62,137	63,966
Corporate activities	117,543	152,495
Total	$ 557,502	$580,899
Goodwill:		
Domestic outsourcing goodwill, net	$ 11,667	$ 11,887
International outsourcing goodwill, net	18,420	14,180
Database marketing and consulting goodwill, net	14,327	15,244
Total	$ 44,414	$ 41,311

The following data includes revenues based on the geographic location the services are provided (in thousands).

	Three months ended June 30,	
	2001	2000
Revenues:		
United States	$133,837	$141,812

Canada	34,923	23,927
Europe	20,677	19,981
Australia	16,729	17,023
Latin America	17,780	14,632
Rest of world	1,265	--
Total	$225,211	$217,375

	Six months ended June 30,	
	2001	2000
Revenues:		
United States	$273,195	$276,606
Canada	72,705	36,878
Europe	49,170	37,629
Australia	31,222	31,575
Latin America	34,521	27,013
Rest of world	2,278	--
Total	$463,091	$409,701

(4) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES

	Six months ended June 30,	
(in thousands)	2001	2000
Cash paid for interest	$ 3,270	$1,402
Cash paid for income taxes	$17,190	$4,432
Non-cash investing and financing activities:		
Issuance of stock purchase warrants in connection with formation of joint venture	$ --	$5,100

(5) COMPREHENSIVE INCOME

The Company's comprehensive income for the three months and six months period ended June 30, 2001 and 2000 was as follows (in thousands):

	Three Months Ended June 30,	
	2001	2000
Net income (loss) for the period	($7,368)	$ 21,635
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(3,014)	(1,021)
Gain on hedging instruments, net of reclassification adjustment	1,180	--
Unrealized holding gains on securities arising during the period, net of reclassification adjustment	142	40,304
Other comprehensive income (loss)	(1,692)	39,283
Comprehensive income (loss)	($9,060)	$ 60,918

	Six Months Ended June 30,	
	2001	2000
Net income (loss) for the period	($11,234)	$32,881
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(7,353)	(1,934)

Unrealized holding gains (losses) on securities arising during the period, net of reclassification adjustment	(8,289)	40,302
Other	(171)	--
Other comprehensive income (loss)	(15,813)	38,368
Comprehensive income (loss)	($27,047)	$71,249

(6) INVESTMENT IN COMMON STOCK

In December 1999 and January 2000, the Company invested a total of $10.5 million in a customer relationship management software company. In May 2000, this software company merged with E.piphany, Inc., a publicly traded customer relationship management company. As a result of the merger, the Company received 1,238,400 shares of E.piphany common stock. During the six months ended June 30, 2001 the Company sold 50,000 shares of E.piphany for total proceeds of $801,500, which resulted in a realized gain of $147,700. During the six months ended June 30, 2000 the Company sold 228,300 shares of E.piphany for total proceeds of $14.7 million, which resulted in a realized gain of $12.8 million. Through June 30, 2001, the Company has sold a total of 920,300 shares of E.piphany. The remaining 318,100 shares of E.piphany have a cost basis of $2.2 million. At June 30, 2001, these shares are reflected in the accompanying balance sheet as investment in available-for-sale securities, at their fair market value of $3.2 million. The unrealized gain of $1.0 million is shown net of tax of $360,000, as a component of other comprehensive income included in stockholders' equity.

(7) EARNINGS (LOSS) PER SHARE

Earnings per share are computed based upon the weighted average number of common shares and common share equivalents outstanding. Basic earnings per share are computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. No dilution for any potentially dilutive securities is included. Diluted earnings per share reflect the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share for the periods indicated.

	Six months ended June 30,		Three months ended June 30,	
(in thousands)	2001	2000	2001	2000
Shares used in basic per share calculation	75,138	73,672	75,522	73,985
Effects of dilutive securities:				
Warrants	--	525	--	519
Stock options	--	5,012	--	4,559
Shares used in diluted per share calculation	75,138	79,209	75,522	79,063

For the six months and the three months ended June 30, 2001, 11,119,200 options to purchase shares of common stock were outstanding but were not included in the computation of diluted earnings per share because the effect would have been antidilutive. For the six months and three months ended June 30, 2000, 391,200 and 401,200 options to purchase shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

(8) DERIVATIVES

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS No. 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the balance sheet as either an asset or liability measured at its fair value, with changes in a derivative's fair value recorded in other comprehensive income. SFAS 133 requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivatives gains and losses to offset the related results on the hedged item in the income statement, and requires that a Company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting

treatment. At June 30, 2001, the Company recorded a derivative liability of $674,700 included in other accrued expenses in the accompanying condensed consolidated balance sheets and a corresponding entry of approximately $411,600 (net of tax effect of $263,100) included in other comprehensive income in the accompanying condensed consolidated balance sheets.

(9) RESTRUCTURING CHARGES

During the first quarter of 2001, the Company implemented certain cost cutting measures. In connection with these actions, the Company's corporate segment recorded a $12.5 million pre-tax charge for severance and other termination benefits related to a reduction in force of approximately 300 employees. At June 30, 2001, $1.3 million of this amount is included in accrued expenses in the accompanying balance sheets. Additionally, the Company's domestic outsourcing segment recorded a $7.7 million pre-tax charge associated with the closure of a customer interaction center located in Thornton, Colorado. These restructuring charges are included in operating expenses as a separate line item in the accompanying condensed consolidated statements of operations. At June 30, 2001, $4.4 million of this amount is included in current liabilities as a separate line item in the accompanying condensed consolidated balance sheets.

(10) ASSET ACQUISITIONS

In March 2000, the Company and State Street Bank and Trust Company of Connecticut ("State Street") entered into a lease agreement whereby State Street acquired 12 acres of land in Arapahoe County, Colorado for the purpose of constructing a new corporate headquarters for the Company ("Planned Headquarters Building"). Subsequently, management of the Company decided to terminate the lease as it was determined that the Planned Headquarters Building would be unable to accommodate the Company's anticipated growth. The Company recognized an estimated loss of $9.0 million in 2000 for the termination of the lease agreement.

In March 2001, the Company acquired the Planned Headquarters Building being constructed on its behalf and will incur additional capital expenditures to complete construction of the building. The construction of the Planned Headquarters Building is expected to be completed during the third quarter of 2001 and the Company plans to sell the building upon completion.

During the second quarter of 2001, after receiving various offers for the Planned Headquarters Building that were less than the estimated completed cost, the Company determined that the fair value of the building, less the cost to complete and sell, exceeded the carrying amount by $7.0 million. The Planned Headquarters Building is included in the Company's corporate segment in other assets at its estimated fair value, less cost to complete and sell, in the accompanying condensed consolidated balance sheets.

(11) EQUITY INVESTMENT

In the fourth quarter of 2000, the Company and its enhansiv subsidiary executed a transaction, whereby the Company transferred all of its shares of common stock of enhansiv, inc., a Colorado corporation ("enhansiv"), to enhansiv holdings, inc., a Delaware corporation ("EHI") in exchange for 100 shares of Series A Convertible Preferred Stock of EHI. As a part of the transaction, EHI sold 2,333,333 shares of common stock to a group of investors. These shares represent 100% of the existing common shares of EHI, which in turn owns 100% of the common shares of enhansiv. The Company's Preferred Stock is convertible into 1,000,000 shares of EHI common stock. In addition, the Company has an option to reacquire approximately 95% of the common stock of EHI. The Company also agreed to make available to EHI a convertible $7.0 million line of credit which was fully drawn at June 30, 2001. In June 2001, the Company agreed to fund an additional $5.0 million for certain development activities in exchange for a licensing agreement and the right to convert this additional investment into EHI's common stock.

The Company records all of EHI's losses in excess of the value of all subordinate equity investments in EHI (common stock). During the second quarter of 2001, the Company recorded a loss of $651,000 from EHI. The loss is included as a separate line item in other income (expense) in the accompanying condensed consolidated statements of operations.

During the second quarter of 2001, after EHI was unsuccessful in raising additional outside capital, the Company concluded that it's investment in EHI exceeded its fair value and such decline was other than temporary. As a result, the Company recorded a $16.5 million charge to adjust the investment's carrying value down to its estimated fair value. The investment in EHI is included in other assets in the accompanying condensed consolidated balance sheets.

(12) SUBSEQUENT EVENTS

Subsequent to June 30, 2001, the Company implemented certain cost cutting measures. In connection with these actions, the Company's corporate segment will record between $6.0 to $7.0 million pre-tax charge to operating expenses for severance and other termination benefits related to a reduction in force of approximately 200 employees.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE PERIOD ENDED JUNE 30, 2001 AND 2000

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations in this Form 10-Q should be read in conjunction with the note regarding Forward Looking Information included in the Company's Form 10-K for the year ended December 31, 2000. Specifically, the Company has experienced, and in the future could experience, quarterly variations in revenues and earnings as a result of a variety of factors, many of which are outside the Company's control, including: the weakening of the global economy; the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; and the seasonal pattern of certain of the businesses serviced by the Company.

RESULTS OF OPERATIONS

Three Month Period ended June 30, 2001 Compared to June 30, 2000

Revenues. Revenues increased $7.8 million or 3.6% to $225.2 million for the three months ended June 30, 2001 from $217.4 million for the three months ended June 30, 2000. This increase resulted primarily from growth in international outsourcing operations and growth in the Company's joint venture with Ford Motor Company ("Percepta"). On a segment basis, revenues from international outsourcing increased $17.8 million or 24.3% to $91.2 million for the three months ended June 30, 2001 from $73.4 million for the three months ended June 30, 2000. The increase in international outsourced revenues primarily resulted from increases in the Company's Canadian operations. Revenues from domestic outsourcing decreased $3.3 million or 2.7% to $117.3 million for the three months ended June 30, 2001 from $120.6 for the three months ended June 30, 2000. This decrease primarily resulted from a decrease in certain existing client programs due to a weakening domestic economy. Database marketing and consulting revenues decreased by $2.9 million or 14.5% for the three months ended June 30, 2001 primarily due to a reduction in existing customers and a discontinuation of certain consulting services.

Costs of Services. Costs of services, which are primarily variable with revenue, increased $3.6 million, or 2.5%, to $145.8 million for the three months ended June 30, 2001 from $142.2 million for the three months ended June 30, 2000. Costs of services as a percentage of revenues decreased from 65.4% for the three months ended June 30, 2000 to 64.8% for the three months ended June 30, 2001. The decrease in the costs of services as a percentage of revenues is primarily the result of a decrease in the percentage of revenues generated from customer interaction centers where the facility and the related equipment are owned by the client but the facility is staffed and managed by the Company. These centers have higher cost of services as a percent of revenues and lower selling, general and administrative expenses as a percent of revenues.

Selling, General and Administrative. Selling, general and administrative expenses increased $6.7 million, or 15.5% to $49.6 million for the three months ended June 30, 2001 from $42.9 million for the three months ended June 30, 2000 primarily resulting from the Company's increased number of client interaction centers. Selling, general and administrative expenses as a percentage of revenues increased from 19.7% for the three months ended June 30, 2000 to 22.0% for the three months ended June 30, 2001. This increase is primarily a result of an increase in the percentage of revenues generated from shared center client programs, which have higher selling, general and administrative expenses than centers that are dedicated to one client as well as a decrease in capacity utilization.

Depreciation and Amortization. Depreciation and amortization expense increased $2.9 million, or 24.7% to $14.5 million for the three months ended June 30, 2001 from $11.6 million for the three months ended June 30, 2000 primarily resulting from increases in property and equipment and intangible assets.

Income from Operations. As a result of the foregoing factors, in combination with the loss on real estate held for sale of $7.0 million, income from operations decreased $12.3 million or 59.6%, from $20.6 million for the three months ended June 30, 2000, to $8.3 million for the three months ended June 30, 2001. Operating income as a percentage of revenues decreased from 9.5% for the three months ended June 30, 2000 to 3.7% for the three months ended June 30, 2001. Income from operations, exclusive of non-recurring items decreased $5.3 million or 25.6% to $15.3 million for the three months ended June 30, 2001 from $20.6 million for the three months ended June 30, 2000. Income from operations as a percentage of revenues, exclusive of non-recurring items, decreased to 6.8% for the three months ended June 30, 2001 from 9.5% for the three months ended June 30, 2000.

Other Income (Expense). Other income decreased $31.9 million to an expense of $19.2 million for the three months ended June 30, 2001 compared to other income of $12.7 million for the three months ended June 30, 2000. This decrease primarily resulted from the other than temporary decline in the value of an equity investment resulting in the Company recording a $16.5 million loss to adjust the investment's book value to estimated fair value in the three months ended June 30, 2001. Further, during the three months ended June 30, 2000, there was a gain of $12.8 million on the sale of securities compared to $147,000 in 2001.

Income Taxes. Taxes on income decreased $15.3 million to a tax benefit of $4.0 million for the three months ended June 30, 2001 from tax expense of $11.3 million for the three months ended June 30, 2000. This decrease was primarily due to the Company recording losses on certain asset write-downs. The Company's effective tax rate for the three months ended June 30, 2001 was 37.0% compared to 33.9% for the three months ended June 30, 2000. The lower effective tax rate for 2000 was a result of net operating loss carryforwards from the Company's acquired subsidiary, Newgen, which was accounted for under the pooling-of-interest method.

Net Income (Loss). As a result of the foregoing factors, net income decreased $29.0 million or 134.1%, to a net loss of $7.4 million for the three months ended June 30, 2001 from net income of $21.6 million for the three months ended June 30, 2000. Net income, exclusive of non-recurring items decreased $5.1 million or 42.5% to $6.8 million for the three months ended June 30, 2001 from $11.9 million (assuming Newgen had utilized the Company's tax rate as discussed above) for the three months ended June 30, 2000.

Six Month Period ended June 30, 2001 Compared to June 30, 2000

Revenue. Revenues increased $53.4 million or 13.0% to $463.1 million for the six months ended June 30, 2001 from $409.7 million for the six months ended June 30, 2000. This increase resulted primarily from new client relationships, growth in international outsourcing operations and growth in Percepta. On a segment basis, revenues from international outsourcing increased $60.6 million or 47% to $189.5 million for the six months ended June 30, 2001 from $128.9 million for the six months ended June 30, 2000. The increase in international outsourced revenues primarily resulted from growth in Percepta and increases in the Company's Canadian operations. Revenues from domestic outsourcing increased $3.8 million or 1.6% to $238.5 million for the six months ended June 30, 2001 from $234.7 for the six months ended June 30, 2000. This increase was primarily due to new client relationships. These increases were offset by an approximate $4.4 million decline in revenues from database marketing and consulting activities.

Costs of Services. Costs of services, which are primarily variable with revenue, increased $28.4 million, or 10.6%, to $296.1 million for the six months ended June 30, 2001 from $267.7 million for the six months ended June 30, 2000. Costs of services as a percentage of revenues decreased from 65.3% for the six months ended June 30, 2000 to 63.9% for the six months ended June 30, 2001. The decrease in the costs of services as a percentage of revenues is primarily the result of operating efficiencies and a decrease in the percentage of revenues generated from customer interaction centers where the facility and the related equipment are owned by the client but the facility is staffed and managed by the Company. These centers have higher cost of services as a percent of revenues and lower selling, general and administrative expenses as a percent of revenues.

Selling, General and Administrative. Selling, general and administrative expenses increased $24.0 million, or 29.1% to $106.6 million for the six months ended June 30, 2001 from $82.6 million for the six months ended June 30, 2000 primarily resulting from the Company's increased number of client interaction centers. Selling, general and administrative expenses as a percentage of revenues increased from 20.2% for the six

months ended June 30, 2000 to 23.0% for the six months ended June 30, 2001. This increase is primarily a result of a decrease in capacity utilization and an increase in the percentage of revenues generated from shared center client programs, which have higher selling, general and administrative expenses than centers that are dedicated to one client.

Depreciation and Amortization. Depreciation and amortization expense increased $8.3 million, or 39.6% to $29.4 million for the six months ended June 30, 2001 from $21.1 million for the six months ended June 30, 2000 primarily resulting from increases in property and equipment and intangible assets.

Income from Operations. As a result of the foregoing factors, in combination with the restructuring charges that included $12.5 million for severance and other termination benefits related to a reduction in force, a $7.7 million charge for the closure of a customer interaction center and the loss on real estate held for sale of $7.0 million, income from operations decreased $34.6 million or 90.4%, from $38.3 million for the six months ended June 30, 2000, to $3.7 million for the six months ended June 30, 2001. Operating income as a percentage of revenues decreased from 9.3% for the six months ended June 30, 2000 to 0.8% for the six months ended June 30, 2001. Income from operations, exclusive of non-recurring items decreased $7.4 million or 19.3% to $30.9 million for the six months ended June 30, 2001 from $38.3 million for the six months ended June 30, 2000. Income from operations as a percentage of revenues, exclusive of non-recurring items, decreased to 6.7% for the six months ended June 30, 2001 from 9.3% for the six months ended June 30, 2000.

Other Income (Expense). Other income decreased $33.1 million to an expense of $20.4 million for the six months ended June 30, 2001 compared to other income of $12.7 million for the six months ended June 30, 2000. This decrease primarily resulted from the other than temporary decline in value of an equity investment resulting in the Company recording a $16.5 million loss to adjust the investment's book value to estimated fair value in the six months ended June 30, 2001. Further, during the six months ended June 30, 2000, the Company recognized a gain of $12.8 million on the sale of securities compared to $147,000 in 2001.

Income Taxes. Taxes on income decreased $24.1 million to a tax benefit of $6.3 million for the six months ended June 30, 2001 from tax expense of $17.8 million for the six months ended June 30, 2000. This decrease was primarily due to the Company recording restructuring charges and recognizing losses on certain asset write-downs in 2001. The Company's effective tax rate for the six months ended June 30, 2001 was 37.9% compared to 34.8% for the six months ended June 30, 2000. The lower effective tax rate for 2000 was a result of net operating loss carryforwards from the Company's acquired subsidiary, Newgen, which was accounted for under the pooling-of-interest method.

Net Income (Loss). As a result of the foregoing factors, net income decreased $44.1 million or 134.2%, to a net loss of $11.2 million for the six months ended June 30, 2001 from net income of $32.9 million for the six months ended June 30, 2000. Net income, exclusive of non-recurring items decreased $7.5 million or 33% to $15.3 million for the six months ended June 30, 2001 from $22.8 million (assuming Newgen had utilized the Company's tax rate as discussed above) for the six months ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company had cash and cash equivalents of $39.9 million, an investment available for sale of $3.2 million and short-term investments of $4.3 million. Cash provided by operating activities was $36.0 million for the six months ended June 30, 2001 as compared to $4.4 million for the six months ended June 30, 2000. The increase in net operating cash flow of $31.6 million primarily resulted from improved collections of accounts receivable and an increase in deferred income, partially offset by a decrease in accounts payable and accrued expenses.

Cash used in investing activities was $65.0 million for the six months ended June 30, 2001 as compared to $32.4 million for the six months ended June 30, 2000. For the six months ended June 30, 2001, the Company had capital expenditures of $39.2 million and spent $20.4 million in connection with the continued construction of the Planned Headquarters Building. These expenditures were partially offset by a reduction of $4.6 million in short-term investments.

Cash provided by financing activities was $13.3 million for the six months ended June 30, 2001 as

compared to $32.8 million for the six months ended June 30, 2000. The cash provided by financing activities for 2001 primarily resulted from a $11.1 million increase in borrowings on the Company's lines of credit and $4.0 million from stock option exercises offset by pay downs of capital lease obligations and other long-term debt.

The Company has an $87.5 million unsecured revolving line of credit with a syndicate of five banks. The Company also has the option to secure at any time up to $25.0 million of the line with existing cash investments. The Company has two interest rate options: an offshore rate option or a bank base rate option. The Company will pay interest at a spread of 50 to 150 basis points over the applicable offshore or bank base rate, depending upon the Company's leverage. Interest on the secured portion is based on the applicable rate plus 22.5 basis points. The Company had $73.5 million in borrowings under the line of credit at June 30, 2001. The Company is required to comply with certain minimum financial ratios under covenants in connection with the agreement described above.

The Company currently expects total capital expenditures in 2001 to be approximately $65 million to $70 million (excluding the Planned Headquarters Building and Ford Motor Company's 45% funding share for Percepta), of which $39.2 million was expended in the first half of the year. Anticipated 2001 capital expenditures are primarily for several new international customer interaction centers, completion of North American projects, which were started in 2000, and corporate infrastructure and technology. The Company purchased the Planned Headquarters Building for approximately $15 million and will incur additional capital expenditures to complete construction of the building. Approximately $22.9 million has cumulatively been expended for the purchase and construction of the Planned Headquarters Building as of the end of the second quarter. The building is expected to be completed during the third quarter of the year and the Company plans to sell the building upon completion. Existing cash and cash equivalents and borrowings under the Company's lines of credit provided these funds during the first and second quarters. Given the cash expenditures associated with the Planned Headquarters Building and the relatively low long-term interest rates, the Company intends to seek fixed-rate debt financing to replenish its cash reserves and reduce outstanding borrowings under the lines of credit. The Company will seek to raise $60 million to $75 million in a private placement of long-term debt. There can be no assurance that this financing will be obtained or if obtained, it will have terms acceptable to the Company. However, if not obtained, the Company believes that existing cash and cash equivalents on hand along with cash flows from operations and funds available under lines of credit will be sufficient to fund the Company's planned business activities for the foreseeable future.

Effective June 30, 2001, the Financial Accounting Standards Board issued Statements on Financial Accounting Standards ("SFAS") Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS No. 141 is effective for acquisitions occurring after June 30, 2001 and provides guidance on accounting for business combinations including allowing use of the purchase method of accounting as the only acceptable method to account for business combinations. SFAS No. 142 provides guidance on the accounting for goodwill and other intangibles specifically relating to identifying and allocating purchase price to specific identifiable intangible assets. Additionally, SFAS No. 142 provides guidance for the amortization of identifiable intangible assets and states that goodwill shall not be amortized, but rather tested for impairment, at least annually, using a fair value approach. SFAS No. 142 is required to be adopted in the first quarter of the fiscal year beginning after December 15, 2001. Management has not yet determined the effect SFAS No. 142 will have on its financial position or the amount of the cumulative effects of adoption of this accounting principle to be recorded from adopting SFAS No. 142, if any.

From time to time, the Company engages in discussions regarding restructurings, dispositions, mergers, acquisitions and other similar transactions. Any such transaction could include, among other things, the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption or refinancing of indebtedness, and could be material to the financial condition and results of operations of the Company. There is no assurance that any such discussions will result in the consummation of any such transaction.

FORWARD-LOOKING STATEMENTS

All statements not based on historical fact are forward-looking statements that involve substantial risks and uncertainties. In accordance with the Private Securities Litigation Reform Act of 1995, the following

are important factors that could cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements: weakening of the global economy; the Company's ability to obtain financing; the Company's ability to manage rapid growth; rapidly changing technology; dependence on key personnel and labor force; difficulties of completing and integrating acquisitions and joint ventures; risk of business interruptions; risks associated with doing business internationally, including foreign currency risk; lower than anticipated customer interaction center capacity utilization; the loss or delay in implementation of a customer management program; the Company's ability to build-out facilities in a timely and economic manner; greater than anticipated competition from new entrants into the customer care market, causing increased price competition or loss of clients; the loss of one or more significant clients; higher than anticipated start-up costs associated with new business opportunities; the Company's ability to predict the potential volume or profitability of any future technology or consulting sales; certain agreements with clients may be canceled on relatively short notice without significant penalties; and the Company's ability to generate a specific level of revenue is dependent upon customer interest in and use of the Company's clients' products and services. Readers are encouraged to review the Company's 2000 Annual Report on Form 10-K, which describes other important factors that may impact the Company's business, results of operations and financial condition. However, these factors should not be construed as an exhaustive list. The Company cannot always predict which factors could cause actual results to differ materially from those in its forward-looking statements. In light of these risks and uncertainties the forward-looking statements might not occur. The Company assumes no obligation to update its forward-looking statements to reflect actual results or changes in factors affecting such forward-looking statements.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FOR THE PERIOD ENDED JUNE 30, 2001

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial and commodity market prices and rates. The Company is exposed to market risk in the areas of changes in U.S. interest rates, foreign currency exchange rates as measured against the U.S. dollar and changes in the market value of its investment portfolio. These exposures are directly related to its normal operating and funding activities. As of June 30, 2001, the Company has entered into forward financial instruments to manage and reduce the impact of changes in foreign currency rates with a major financial institution. The Company has also entered into an interest rate swap agreement to manage interest rate risk.

Interest Rate Risk

The interest on the Company's line of credit and its Canadian subsidiary's operating loan is variable based on the bank's base rate or offshore rate, and therefore, affected by changes in market interest rates. At June 30, 2001, there was approximately $73.5 million outstanding on the line of credit and approximately $35,000 in borrowings outstanding on the operating loan. At June 30, 2001, the Company has an outstanding variable-to-fixed interest rate swap agreement, as amended, with a fixed rate of 6.12%, and a floating rate of LIBOR and a notional amount of $38.2 million. The swap agreement dated December 12, 2000 has a six-year term. If interest rates were to increase 10% from quarter-end levels, the Company would have incurred $335,000 in additional interest expense for the six months ended June 30, 2001, net of the effect of the swap agreement.

Foreign Currency Risk

The Company has wholly owned subsidiaries in Argentina, Australia, Brazil, Canada, China, Mexico, New Zealand, Singapore, Spain and the United Kingdom. Revenues and expenses from these operations are denominated in local currency, thereby creating exposures to changes in exchange rates. The changes in the exchange rate may positively or negatively affect the Company's revenues and net income attributed to these subsidiaries. For the six months ended June 30, 2001, revenues from non-U.S. countries represented 41.0% of consolidated revenues.

The Company's Spanish subsidiary has factoring lines of credit under which it may borrow up to ESP 1,600 million. At June 30, 2001, there was $8.7 million outstanding under these factoring lines. If the U.S. dollar/Spanish Peseta exchange rate was to increase 10% from period-end levels, the obligation would increase by $870,000.

The Company's Canadian subsidiary receives payment in U.S. dollars for certain of its large customer contracts. As all of its expenditures are in Canadian dollars, the Company must acquire Canadian currency on a monthly basis. Accordingly, the Company has contracted with a commercial bank at no material cost, to acquire a total of $36.0 million Canadian dollars from July 2001 to December 2001 at a fixed price in U.S. dollars of $23.6 million. There is no material difference between the fixed exchange ratio and the current exchange U.S./Canadian dollar ratio. If the U.S./Canadian dollar exchange rate was to increase 10% from period-end levels, the Company would not incur an additional loss on the contract.

Fair value of debt and equity securities

The Company's investments in debt and equity securities are short-term. The Company's investment in available for sale securities are subject to fluctuations in fair value. If interest rates and equity prices were to decrease 10% from period-end levels, the fair value of the Company's debt and equity securities would have decreased $783,000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is involved in litigation, most of which is incidental to its business. In the Company's opinion, no litigation to which the Company currently is a party is likely to have a material adverse effect on the Company's results of operations or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of shareholders ("Annual Meeting") on May 24, 2001. As of April 10, 2001, the record date for the Annual Meeting, approximately 74,940,751 shares of common stock were outstanding. Each matter submitted to a vote of the shareholders at the Annual Meeting received a number of votes sufficient for approval.

The following items were submitted to a vote of the Company's shareholders at the Annual Meeting:

(a) Election of Directors

	Votes For	Votes Abstained
Kenneth D. Tuchman	66,306,809	342,886
James Barlett	66,604,625	45,070
Rod Dammeyer	66,306,924	342,886
George Heilmeier	66,604,899	44,796
Morton Meyerson	66,125,182	524,513
Alan Silverman	66,604,600	45,095

(b) Ratification of appointment of Arthur Andersen LLP as the Company's independent auditors for fiscal year 2001:

Votes For	Votes against	Votes Abstained
66,140,604	50	4,531

Item 5. Recent Developments

In March 2001, the Company purchased the Planned Headquarters Building for approximately $15 million and will incur additional capital expenditures to complete construction of the building. The Company plans to sell the building upon completion. After receiving various offers which were less than the anticipated completed cost, the Company recorded a $7.0 million loss to mark the building down to its estimated fair value, less cost to sell, during the second quarter of 2001.

During the second quarter of 2001, after EHI was unsuccessful in raising additional outside capital, the Company concluded that the Company's investment in EHI exceeded its fair value and such decline was other than temporary. As a result the Company recorded a $16.5 million charge to adjust the investment's carrying value down to its estimated fair value.

Subsequent to June 30, 2001, the Company implemented certain cost cutting measures. In connection with these actions, the Company will record between $6.0 to $7.0 million pre-tax charge to operating expenses for severance and other termination benefits related to a reduction in force of approximately 200 employees.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits filed through the filing of this Form 10-Q

3.1 Restated Certificate of Incorporation of TeleTech[1] {Exhibit 3.1}

3.2 Amended and Restated Bylaws of TeleTech[1] {Exhibit 3.2}

(b) Reports on Form 8-K

None.

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* Filed Herewith

[_] Such exhibit previously filed with the Securities and Exchange Commission as exhibits to the filings indicated below, under the exhibit number indicated in brackets { }, and is incorporated by reference.

[1] TeleTech's Registration Statement on Form S-1, as amended (Registration Statement No. 333-04097).

SIGNATURES

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.

TELETECH HOLDINGS, INC.
(Registrant)

Date: August 14, 2001

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer

Date: August 14, 2001

By: /s/ MARGOT O'DELL
Chief Financial Officer and Executive Vice President of Adminstration