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

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
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)	(IRS Employer Identification No.)
1700 LINCOLN STREET, SUITE 1400, DENVER, COLORADO	80203
(Address of Principal Executive Offices)	(Zip Code)

(303) 894-4000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.01 par value per share

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 the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

As of March 24, 2000, there were 62,338,826 shares of the registrant's common stock outstanding. The aggregate market value of the registrant's voting stock that was held by non-affiliates on such date was $855,716,114 based on the closing sale price of the registrant's common stock on such date as reported on the Nasdaq Stock Market.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of TeleTech Holdings, Inc.'s definitive proxy statement for its annual meeting of stockholders to be held on May 3, 2000, are incorporated by reference into Part III of this Form 10-K, as indicated.

PART I

ITEM 1. BUSINESS.

OVERVIEW

TeleTech Holdings, Inc. (together with its wholly-owned subsidiaries, the Company or TeleTech) is a leading provider of eCommerce-enabling customer management solutions (eCRM) for large domestic, foreign and multinational companies. TeleTech helps its clients acquire, serve, retain and maximize their revenue from customers by strategically managing inbound telephone and Internet-based inquiries on their behalf. Such programs include both automated and human-assisted support and involve all stages of the customer relationship. Programs consist of a variety of customer management and product support activities, such as providing new product information, enrolling customers in client programs, providing 24-hour technical and help desk support and resolving customer complaints. The Company's customer management solution encompasses the following capabilities:

- strategic consulting and process redesign;

- infrastructure deployment including the securing, designing and building of world-class customer interaction centers;

- recruitment, education and management of client-dedicated customer care representatives;

- electronic intelligence delivery to clients;

- engineering operational process controls and quality systems;

- technology consulting and implementation, including the integration of hardware, software, network and computer-telephony technology; and

- database management, which involves the accumulation, management and analysis of customer information to deliver actionable marketing solutions.

TeleTech delivers its customer management services mostly through customer-initiated (inbound) telephone calls, e-mail and the Internet. Services are provided via automated support and by trained customer care representatives (representatives) in response to an inquiry that a customer makes by calling a toll-free telephone number or by sending an Internet message.

Representatives respond to customer inquiries from customer interaction centers utilizing state-of-the-art workstations, which operate on TeleTech's sophisticated technology platform. This technology platform incorporates digital switching, client/server technology, object-oriented software modules, relational database management systems, proprietary call tracking management software, computer telephony integration and interactive voice response.

In July 1999, TeleTech launched CyberCare-TM-, an innovative multichannel eCRM technology platform. CyberCare integrates TeleTech's best-of-breed software, systems integration capabilities and customer management to enable companies to sell to and service their customers on a very large scale anytime, anywhere, over any media. The solution incorporates the full spectrum of Internet communications, including custom e-mail response, chat and extensive Web co-browsing capabilities. Whether a customer sends an e-mail, clicks an icon on a Web site asking for immediate help or service or places a telephone call, CyberCare routes the inquiry to a trained and technology-enabled TeleTech representative. The representative is then able to perform a host of services, including personalized customer care, billing and technical support, online sales, loyalty and affinity programs, real-time product availability and delivery status, Web site support, up-selling, cross-selling, and more.

The primary components of TeleTech's CyberCare solution are as follows:

- Customer-Centric Platform: TeleTech's customer relationship management software that has been enhanced to manage the various Web-based communications associated with CyberCare;

- E-mail: Provides automated e-mail responses to customer interactions, or routes customer e-mail to appropriate representative to respond in a personalized fashion;

- Chat: Allows for representative interaction with customer real-time over the Web;

- Web Co-browsing: Provides representatives with the ability to simultaneously view a Web site with the customer and navigate based upon the customer's request for information - a phone call or chat session is simultaneously initiated to interact with the customer during the co-browsing session;

- Web Call Back: Customers have the ability to click an icon on a Web site to request a phone call back from a representative either immediately or at a specific time;

- Real-time Training: Incorporates real-time training via the Web for CyberCare representatives delivered directly to the desktop;

- Online Reference Library: Provides representatives with access to a searchable online database and comprehensive information resource; and

- Automated Support: TeleTech's inference-based expert system enables customers to diagnose and resolve support issues via interactive response, e-mail or the Internet.

TeleTech provides services from customer interaction centers leased, equipped and staffed by TeleTech (fully outsourced programs) and from customer interaction centers leased and equipped by its clients and staffed by TeleTech (facilities management programs). The Company's fully outsourced customer interaction centers serve either multiple clients (shared centers) or one dedicated client (dedicated centers). TeleTech typically establishes long-term, strategic relationships, formalized by multiyear contracts, with selected clients in the telecommunications, technology, transportation, financial services, government services, healthcare and utilities industries. TeleTech targets clients in these industries because of their complex product and service offerings and large customer bases, which require frequent, increasingly sophisticated, customer interactions. For example, the Company has entered into multiyear, multi-facility contracts with the U.S. Postal Service (the Postal Service) and GTE Communications Corporation (GTE).

The Company was founded in 1982 and has been providing primarily inbound customer management solutions since its inception. As of December 31, 1999, TeleTech leased or managed a total of 29 customer interaction centers, 16 located in the United States, four in Canada, three in Australia and one each in Argentina, Brazil, Mexico, New Zealand, Singapore and the United Kingdom, equipped with a total of 11,908 state-of-the-art workstations. In 2000, the Company plans to deploy five or six additional shared centers.

RECENT DEVELOPMENTS

During the first quarter 2000, the Company reached definitive agreement on the formation of a joint venture with Ford Motor Company (Ford) to consolidate Ford's customer contact centers around the globe. Under the terms of the agreement, the Company holds a majority share of the new venture (55 percent). It is anticipated that the venture will consolidate Ford's current worldwide network of customer contact centers under a single partner with an integrated central database that ultimately will enhance customers' total relationship with Ford. The Company will utilize its CyberCare platform to integrate various channels, including voice and Internet, into the venture's customer management solution.

SERVICES

TeleTech offers fully integrated, eCommerce-enabling customer management solutions encompassing strategy, infrastructure, education, technology and marketing solutions. TeleTech works closely with its clients to rapidly design and implement large-scale, tailored customer management programs that provide comprehensive solutions to their specific business needs. An integral component of TeleTech's service offering is strategic consulting, by which the Company develops and applies improved processes to make a client's customer management or product support processes more cost-effective, productive and valuable. At the start of a potential new client relationship, TeleTech assesses the client's existing capabilities; goals and strategies; customer management or product support processes and related software, hardware and telecommunications systems; training; real estate project development; and facilities management and develops a tailored customer management solution based on its assessment. After presenting a proposed solution and being awarded a contract, TeleTech works closely with the client to further develop, refine and implement more efficient and productive customer interaction processes and technological solutions that link the customer, the client and TeleTech.

After the Company designs and develops a customer management program, representatives provide a wide range of ongoing voice and Web-based communications services incorporating one or more customer acquisition, service, retention, satisfaction and loyalty programs. In a typical inbound customer interaction, a customer calls a toll-free number or sends an Internet message to request product, service or technical information or assistance. Upon receipt of the call or Internet message, the representative's computer screen automatically displays the client's specific product, service or technical information to enable the representative to assist the customer.

Each customer interaction, even in its simplest form, presents TeleTech and its clients with an opportunity to gather valuable customer information, including the customer's demographic profile and preferences. This information can prompt the representative to make logical, progressive inquiries about the customer's interest in additional services, identify additional revenue-generating and cross-selling opportunities, or resolve other customer issues relating to a client's products or services.

TeleTech frequently provides several of the services listed below in an integrated program tailored to its clients' needs:

CUSTOMER ACQUISITION PROGRAMS. Customer acquisition programs are designed to secure new customers and can include a wide range of activities depending upon the customer inquiry. A sampling of these services includes:

- providing presales product or service education;
- processing and fulfilling information requests for product or service offerings;
- verifying sales and activating services;
- directing customers to product or service sources;
- receiving orders for and processing purchases of products or services; and
- providing initial post-sales support, including operating instructions for new product or service use.

CUSTOMER SERVICE AND RETENTION PROGRAMS. Customer service and retention programs are designed to maintain and extend the customer relationship and maximize the long-term value of a client's relationships with its customers. These programs generally are driven by the customer's purchase of a product or service, or by the customer's need for ongoing help desk resources. The majority of the Company's revenues are generated by the provision of customer service and retention programs. A sampling of these services includes:

- providing technical help desk, product or service support;
- activating product or service upgrades;
- responding to billing and other account inquiries;
- resolving complaints and product or service problems;
- registering warranty information; and
- dispatching on-site service.

CUSTOMER SATISFACTION AND LOYALTY PROGRAMS. Customer satisfaction and loyalty programs enable clients to learn from their customers, be more responsive to customers' needs and concerns, and reward customers for their continued patronage. A sampling of these services includes:

- responding to client promotional, affinity-building programs;
- developing and implementing client-branded loyalty programs;

- conducting satisfaction assessments;

- confirming receipt of promised products or services; and

- reserving and reconfirming reservations at product or service seminars.

MARKETS AND CLIENTS

TeleTech focuses its marketing efforts on large domestic, foreign and multinational companies in the telecommunications, technology, government services, financial services, transportation and healthcare industries, which accounted for approximately 41%, 21%, 13%, 11%, 10% and 3%, respectively, of the Company's revenues in 1999. The Company is also currently developing opportunities in the utilities marketplace given the deregulation and privatization taking place in the industry. Other industries, including utilities, accounted for 1% of the Company's revenues in 1999. The Company's two largest clients in 1999 were GTE and United Parcel Service which accounted for approximately 27% and 10%, respectively, of the Company's revenues. TeleTech's Strategic Business Units (SBUs) are responsible for developing and implementing customized, industry-specific customer management solutions for clients in these target industries. TeleTech's healthcare and utilities SBUs are still in the development stage.

TELECOMMUNICATIONS. The telecommunications SBU primarily serves long-distance, local and wireless telephone service providers, including GTE and certain long distance and regional Bell operating companies. Services include verifying long-distance service sales, responding to customer inquiries, providing consumer and business telephone service account management and providing ongoing product and service support. TeleTech believes that the Telecommunications Act of 1996, which has removed barriers to competition in and between the local and long-distance telephone markets within the United States, and the development of new wireless products, including those utilizing personal communication services (PCS) technology, are expanding the breadth of products and services that require customer service and support and will create additional demand for TeleTech's services within the telecommunications industry.

TECHNOLOGY. The growth of high technology products and services, including Internet-related products and services, has increased demand for consumer and technical product support. TeleTech provides technical support to a number of Internet Service Providers (ISPs), including GTE in the United States, and several international ISPs. TeleTech intends to further utilize its technological capabilities to serve customers over the Internet and is exploring business opportunities related to new interactive media.

TRANSPORTATION. TeleTech's transportation SBU provides a variety of services to clients in the package delivery and travel industries. Since 1996, TeleTech has managed three customer interaction centers and provided customer management on behalf of United Parcel Service, one of the nation's largest parcel delivery companies. In February 1999, TeleTech was awarded a multiyear contract from a Singapore-based airline to manage customer interactions for its new frequent flyer program. This new relationship enabled TeleTech to launch its first customer interaction center in Singapore.

FINANCIAL SERVICES. In February 2000, TeleTech was awarded a long-term contract from a leading insurance company. Under this agreement, TeleTech's licensed representatives will provide quotes and assist customers in the purchase and modification of insurance policies across multiple channels. TeleTech also provides comprehensive customer management solutions for several leading financial services institutions, including a large Canadian insurance company and two prominent North American providers of financial services. In 1999, TeleTech was awarded a multiyear contract to be the exclusive provider of customer relationship management services across multiple media for a large North American-based online bank. In addition, TeleTech provides customer services for several large Australian banks from its customer interaction centers in Australia and New Zealand. The Australian and New Zealand operations also provide customer management solutions to customers of insurance companies and automobile club clients.

GOVERNMENT SERVICES. TeleTech provides customer management services to the United States Postal Service through two customer interaction centers, under a facilities management contract awarded in 1997 and a fully-outsourced contract awarded in August 1998.

HEALTHCARE. TeleTech provides customer management solutions on behalf of healthcare providers located primarily in Australia and New Zealand. Services include emergency and non-emergency medical information and referral services; information and assistance to parents of newborns; information about drug interventions; referrals to community support organizations such as home care, child care and counseling options; and medical claims review services. The Company provides these services to customers by means of telephone access to registered nurses, counselors, pharmacists, medical librarians, dieticians and other specially trained representatives.

SALES AND MARKETING

As most companies consider the customer management function to be strategic in nature, the Company's business development personnel generally focus their marketing efforts on potential clients' senior executives. For each SBU, TeleTech hires business development personnel who have substantial industry expertise and can identify and generate sales leads. TeleTech employs a consultative approach in assessing the current and prospective needs of a potential client. Following initial discussions with a potentially significant client, a carefully chosen TeleTech team, usually composed of applications and systems specialists, operations experts, human resources professionals and other appropriate management personnel, thoroughly studies the client's operations. The Company invests significant resources during the development of a potentially large client relationship to understand the client's existing customer management processes, culture, decision parameters and goals and strategies. TeleTech assesses the client's customer management needs and, with input from the client, develops and implements tailored customer management solutions.

As a result of its consultative approach, TeleTech can identify new revenue-generating opportunities, customer communication possibilities and product or service improvements previously overlooked or not adequately addressed by the client. TeleTech's technological capabilities enable it to develop working prototypes of proposed customer management programs and to rapidly implement strategic customer management solutions, generally with minimal capital investment by the client.

TeleTech generally provides customer management solutions pursuant to written contracts with terms ranging from one to seven years, which often contain renewal or extension options. Under substantially all of its significant contracts, TeleTech generates revenues based on the amount of time representatives devote to a client's program. In addition, clients typically are required to pay fees relating to TeleTech's education and training of representatives to implement the client's program, setup and management of the program, and development and integration of computer software and technology. TeleTech typically negotiates a Client Services Agreement (CSA) with each of its clients. The CSA generally contains provisions that (i) allow TeleTech or the client to terminate the contract upon the occurrence of certain events, (ii) designate the manner by which TeleTech is to receive payment for its services, (iii) limit TeleTech's maximum liability to the client thereunder and (iv) protect the confidentiality and ownership of information and materials owned by TeleTech or the client that are used in connection with the performance of the contract. Many of TeleTech's contracts also require the client to pay TeleTech a contractually agreed amount in the event of early termination. TeleTech's material contracts generally have terms of at least two years and, in some cases, contain contractual provisions adjusting the amount of TeleTech's fees if there are significant variances from estimated implementation expenses.

OPERATIONS

TeleTech provides its customer management services through the operation of 29 state-of-the-art customer interaction centers located in the United States, Argentina, Australia, Brazil, Canada, Mexico, New Zealand, Singapore and the United Kingdom. As of December 31, 1999, TeleTech leased 24 customer interaction centers and also managed five customer interaction centers on behalf of three clients. TeleTech expects to open five or six new shared customer interaction centers in 2000. TeleTech has received ISO 9002 certification for 11 of its U.S. customer interaction centers and for three of its customer interaction centers in Australia and New Zealand. In addition, TeleTech's Corporate Real Estate Organization has received ISO 9002 certification for its real estate services.

TeleTech uses standardized development procedures to minimize the time it takes to open a new customer interaction center. The objectives of the Project Delivery Process are to minimize costs, reduce cycle time (time-to-market), and eliminate the effects that might compromise success. The Project Delivery Process is comprised of eight phases that are further broken down into more than 130 individual tasks. Each step must fully support the general objectives of reducing costs and optimizing cycle times, as well as more focused and client-specific goals such as labor availability/cost, right-to-work status, competition for employees from area call centers, economic incentives and telecom infrastructure/cost.

The Company applies predetermined site selection criteria to identify locations conducive to operating large-scale, sophisticated customer management facilities in a cost-effective manner. TeleTech maintains current databases covering demographic statistics on over 275 cities and availability of specific properties that meet TeleTech's generic needs which are used to produce a project-specific short list. The Company also aggressively pursues incentives such as tax abatements, cash grants, low-interest loans, training grants and low cost utilities. Following comprehensive site evaluations and cost analyses, a specific site is located and a lease is negotiated and finalized. Thereafter, the site is retrofitted to exacting requirements that incorporate value engineering, cost control and schedule concepts while placing great emphasis on the quality of the representative work environment. Upon completion, the Company integrates the new customer interaction center into the corporate facility and asset management programs. TeleTech conducts critical reviews of the Project Delivery Process at each phase to evaluate effectiveness and efficiency. Because of the effectiveness of the Project Delivery Process, TeleTech can establish a new, fully operational inbound customer interaction center containing 450 or more workstations within 90 to 120 days.

Customer interaction center capacity is determined both by geographical analysis and site selection as well as complexity and type of customer management programs provided. The Company's U.S.-leased, full-scale customer interaction centers range in size from 31,000 to 90,000 square feet and contain between 350 and 570 production workstations. Although the dimensions of its existing customer interaction centers currently are not uniform, the Company has developed a standardized technology and infrastructure platform for TeleTech-leased customer interaction centers. The Company expects that new U.S. customer interaction centers will contain approximately 50,000 to 65,000 square feet of space and between 300 to 450 workstations.

CUSTOMER INTERACTION CENTER MANAGEMENT. TeleTech manages its U.S. customer interaction centers through its Technology Command Center in Colorado (the Command Center). The Command Center operates 24 hours a day, seven days a week, and is responsible for monitoring, coordinating and managing TeleTech's U.S. operations. Each U.S. customer interaction center is connected to the Command Center and to other U.S. customer interaction centers through multiple fiber-optic voice/data T-1 circuits to form an integrated and redundant wide area network. This network connectivity provides a high level of security and redundancy that is integral to TeleTech's ability to ensure recovery capabilities in the event of a disaster or structural failure.

TeleTech also has established uniform operational policies and procedures to ensure the consistent delivery of high-quality service at each customer interaction center. These policies and procedures detail specific performance standards, productivity and profitability objectives and daily administrative routines designed to ensure efficient operation. All TeleTech customer interaction centers are designed to operate 24 hours a day, seven days a week. TeleTech believes that recruiting, training and managing full-time representatives who are dedicated to a single client facilitate integration between client and representative, enhance service quality and efficiency and differentiate TeleTech from its competitors.

TeleTech utilizes a number of sophisticated applications designed to minimize administrative burdens and maximize productivity. Such applications include a proprietary representative performance system that tracks representative activity at each workstation and a proprietary billing system that tracks time spent on administration, training, data processing and other processes conducted in support of client or internal tasks.

QUALITY ASSURANCE. TeleTech monitors and measures the quality and accuracy of its customer interactions through a quality assurance department located at each center. Each department evaluates, on a real-time basis, approximately 1% of calls per day. TeleTech also has the capabilities to enable its clients to monitor customer interactions as they occur. Quality assurance professionals monitor customer interactions and simultaneously evaluate representatives according to criteria mutually determined by the Company and the client. Representatives are evaluated and provided with feedback on their performance on a weekly basis and, as appropriate, recognized for superior performance or scheduled for additional training and coaching.

TECHNOLOGY

The Company utilizes industry standard tools to create customized customer relationship management solutions for its clients. These solutions enable the Company to track the details of each customer interaction and consolidate interaction information into a customer database that can be accessed and referred to by representatives as they deliver services. TeleTech customer interaction centers employ state-of-the-art technology that incorporates Internet-enabled digital switching technology, object-oriented software, relational database management systems, state-of-the-art interaction tracking and workforce management systems, CTI, interactive voice response and voice recognition. TeleTech's interaction routing technology enables customer requests to be routed to the next available representative who has the appropriate knowledge, skill, equipment and language sets. Interaction tracking and workforce management systems generate and track historical volumes by client, enabling the Company to schedule personnel efficiently to accommodate fluctuations in customer interaction volume. TeleTech's technology base enables it to provide single interaction resolution and decrease customer wait times, thereby enhancing customer satisfaction.

TeleTech's applications use products developed by Microsoft, Oracle, Genesys, Cisco, IBM and others. TeleTech has invested significant resources in designing and developing industry-specific open-systems software applications and tools. As a result, TeleTech maintains an extensive library of reusable, object-oriented software code that is used by TeleTech's applications development professionals to develop customized customer management software. TeleTech's systems capture and record varieties of information obtained during each customer interaction into relational databases for real-time, daily, weekly or monthly reporting to clients. TeleTech runs its applications software on open-system, client-server architecture that utilizes computer processors, server components and hardware platforms produced by manufacturers such as Compaq, Hewlett Packard, IBM and Sun Microsystems. TeleTech has and will continue to invest significant resources into the development and implementation of emerging customer management and technical support technologies.

TeleTech centers utilize "Universal Representative" workstations with inbound, outbound, Internet and fax-back capabilities, the majority of which run on Pentium-based computers. All workstations are PC-based and utilize CTI technology, which connects the computer to a telephone switch allowing calls and computer data to be transferred simultaneously. By using simple, intuitive graphical user interfaces (GUIs), which substitute easy-to-understand graphics for text, TeleTech enables its representatives to focus on assisting the customer rather than on the technology and to obtain customer information using significantly fewer keystrokes. The user-friendly interface also helps to decrease training time and increase the speed of managing customer interactions.

During 1999 TeleTech launched its CyberCare online customer management solution. CyberCare integrates TeleTech's best-of-breed software, systems integration capabilities and customer care to enable companies to sell to and service their customers on a very large scale anytime, anywhere, over any media. The solution incorporates the full spectrum of Internet communications, including custom e-mail response, chat and extensive Web co-browsing capabilities. Whether a customer sends an e-mail, clicks an icon on a Web site asking for immediate help or service or places a telephone call, CyberCare routes the inquiry to a trained and technology-enabled TeleTech representative. The representative uses TeleTech's proprietary customer management software platform to perform a host of services, including personalized customer care, billing and technical support, on-line sales, loyalty and affinity programs, real-time product availability and delivery status, Web site support, up-selling, cross-selling, and more.

During 1999 TeleTech completed the integration of many of its technology acquisitions from 1998 into a global delivery organization. This organization has completed many challenging solutions engagements integrating technologies such as Web- and telephone-based, real-time transaction processing solutions, complex interactive voice response integration with CORBA legacy environments and Web-based distance learning solutions. Many of the projects have been deployed on an international basis leveraging expertise gained in the US and around the world to create world class solutions. The global delivery organization has also established key alliances with external systems integration organization to augment TeleTech resources and meet client demands for rapid implementation.

During 1999 the TeleTech information technology group, in conjunction with an outside consulting firm, executed a Year 2000 multiphased program to inventory, assess, remediate and test its systems for Year 2000 compliance. The consulting firm worked with full-time Company employees who were dedicated to the Program. The assessments completed led to the need to migrate several human resource- and payroll-oriented applications to Year 2000 compliant software, upgrade several telephone switches and procure several hundred replacement workstations. Analysis and testing of Company-generated software applications were completed, and the turn of the century had no significant impact on the Company. In addition, the impact on the Company related to third parties was also insignificant.

HUMAN RESOURCES

TeleTech's success in recruiting, hiring and training large numbers of skilled employees is critical to its ability to provide high quality customer management solutions to its clients. TeleTech generally offers a competitive pay scale, hires primarily full-time employees who are eligible to receive the full range of employee benefits and provides employees with a clear, viable career path.

TeleTech is committed to the continued education and development of its employees and believes that providing TeleTech employees with access to new learning opportunities produces job satisfaction, ensures a higher quality labor force and fosters loyalty between TeleTech's employees and the clients they serve. Before managing customer interactions, representatives receive from one to five weeks of on-site training in TeleTech's or the client's training facilities, coupled with online training and education through the Company's Digital Creators subsidiary, to learn about the client's corporate culture, specific product or service offerings, numerous media used in managing customer interactions, and the customer management program that TeleTech and the client will be undertaking. Representatives generally receive a minimum of six to eight hours of ongoing training per month and often receive supplemental training as needed to provide high quality customer service and product support.

As of December 31, 1999, TeleTech had approximately 14,000 representatives, of which approximately 90% were full time. Although the Company's industry is very labor-intensive and has experienced significant personnel turnover, the Company seeks to manage employee turnover through proactive initiatives. None of TeleTech's employees are subject to a collective bargaining agreement, and TeleTech believes its relations with its employees are good.

INTERNATIONAL OPERATIONS

TeleTech operates four customer interaction centers in Canada; three customer interaction centers in Australia; and one customer interaction center in each of Argentina, Brazil, Mexico, New Zealand, Singapore and the United Kingdom.

In May 1997, TeleTech acquired Telemercadeo Integral (TeleTech Mexico), a Mexico-based provider of customer management services. TeleTech Mexico employs more than 1,200 customer management representatives and provides services including customer acquisition, support and satisfaction to major Mexican and U.S. companies. In May of 2000 a new customer interaction center will be deployed in the Mexican city of Leon. This expansion will allow TeleTech Mexico to continue providing services to large Mexican companies as well as to aid U.S. companies in serving their Spanish-speaking customers.

In 1998 and 1999, TeleTech entered four new countries through new client relationships and acquisitions. In June 1998, TeleTech acquired EDM Electronic Direct Marketing (EDM), one of Canada's largest providers of customer management solutions to expand the Company's presence in Canada. EDM specializes in software technical support, customer service, fulfillment, and outbound telemarketing. In August 1998, TeleTech acquired Outsource Informatica, a Brazilian customer management provider. Outsource specializes in customer management and technical support for leading multinational and Brazilian corporations in the technology, transportation and financial services industries. In early 1999, TeleTech entered Singapore with the launch of a customer loyalty program on behalf of a Singapore-based transportation client. Finally, in 1999, TeleTech acquired Smart Call S.A. and Connect S.A., two Argentine customer service and systems integration companies. Smart Call's business focuses on customer care for large Argentine and multinational corporations. Connect is a systems integration and IT support company that has leveraged its relationships with Argentina's premier corporations to expand its service offering into customer care.

A key component of the Company's growth strategy is to continue its international expansion, which may include the acquisition of businesses with products or technologies that extend or complement TeleTech's existing businesses. From time to time, the Company engages in discussions regarding restructuring, dispositions, 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.

COMPETITION

The Company believes that it competes primarily with the in-house customer relationship management operations of its current and potential clients. TeleTech also competes with certain companies that provide customer relationship management services on an outsourced basis, including APAC Customer Services, Convergys Corporation, Precision Response Corporation, SITEL Corporation, Sykes Enterprises Incorporated, TeleSpectrum Worldwide, Inc. and West TeleServices Corporation. TeleTech competes primarily on the basis of quality and scope of services provided, speed and flexibility of implementation, and technological expertise. Although the customer relationship management industry is very competitive and highly fragmented with numerous small participants, management believes that TeleTech generally does not directly compete with traditional telemarketing companies, which provide primarily outbound "cold calling" services.

FORWARD LOOKING INFORMATION MAY PROVE INACCURATE

Some of the information presented in this Annual Report on Form 10-K constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as "may," "will," "intend," "anticipate," "estimate," "expect," "continue," "believe," "plan," or the like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although TeleTech believes its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from expectations. Factors that could cause actual results to differ from expectations include:

RELIANCE ON A FEW MAJOR CLIENTS. The Company strategically focuses its marketing efforts on developing long-term relationships with large and multinational companies in targeted industries. As a result, the Company derives a substantial portion of its revenues from relatively few clients. There can be no assurance that the Company will not become more dependent on a few significant clients, that the Company will be able to retain any of its largest clients, that the volumes or profit margins of its most significant programs will not be reduced, or that the Company would be able to replace such clients or programs with clients or programs that generate a comparable amount of profits. Consequently, the loss of one or more of the Company's significant clients could have a material adverse effect on the business, results of operations or financial condition of the Company.

RISKS ASSOCIATED WITH THE COMPANY'S CONTRACTS. The Company's contracts do not ensure that it will generate a minimum level of revenues, and the profitability of each client program may fluctuate, sometimes significantly, throughout the various stages of such program. Although the Company seeks to sign multiyear contracts with its clients, the Company's contracts generally enable the clients to terminate the contract, or terminate or reduce customer interaction volumes, on relatively short notice. Although many of such contracts require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that the Company will be able to collect such amount or that such amount, if received, will sufficiently compensate the Company for its investment in the canceled program or for the revenues it may lose as a result of the early termination. The Company usually is not designated as its client's exclusive service provider; however, the Company believes that meeting its clients' expectations can have a more significant impact on revenues generated by the Company than the specific terms of its client contracts. In addition, some of the Company's contracts limit the aggregate amount the Company can charge for its services, and several prohibit the Company from providing services to the client's direct competitor that are similar to the services the Company provides to such client.

RISKS ASSOCIATED WITH COST AND PRICE INCREASES A few of the Company's contracts allow the Company to increase its service fees if and to the extent certain cost or price indices increase; however, most of the Company's significant contracts do not contain such provisions and some contracts require the Company to decrease its service fees if, among other things, the Company does not achieve certain performance objectives. Increases in the Company's service fees that are based upon increases in cost or price indices may not fully compensate the Company for increases in labor and other costs incurred in providing services.

DIFFICULTIES OF MANAGING CAPACITY UTILIZATION. The Company's profitability is influenced significantly by its customer interaction center capacity utilization. The Company attempts to maximize utilization; however, because almost all of the Company's business is inbound, the Company has significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. The Company has experienced periods of excess capacity, particularly in its shared customer interaction centers, and occasionally has accepted short-term assignments to utilize the excess capacity. In addition, the Company has experienced, and in the future may experience, at least short-term, excess peak period capacity when it opens a new customer interaction center or terminates or completes a large client program. There can be no assurance that the Company will be able to achieve or maintain optimal customer interaction center capacity utilization.

DIFFICULTIES OF MANAGING RAPID GROWTH. The Company has experienced rapid growth over the past several years. Continued future growth will depend on a number of factors, including the Company's ability to (i) initiate, develop and maintain new client relationships and expand its existing client programs; (ii) recruit, motivate and retain qualified management and hourly personnel; (iii) rapidly identify, acquire or lease suitable customer interaction center facilities on acceptable terms and complete buildouts of such facilities in a timely and economic fashion; and (iv) maintain the high quality of the services and products that it provides to its clients. There can be no assurance that the Company will be able to effectively manage its expanding operations or maintain its profitability. If the Company is unable to effectively manage its growth, its business, results of operations or financial condition could be materially adversely affected.

RISKS ASSOCIATED WITH RAPIDLY CHANGING TECHNOLOGY. The Company's business is highly dependent on its computer and telecommunications equipment and software capabilities. The Company's failure to maintain the superiority of its technological capabilities or to respond effectively to technological changes could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's continued growth and future profitability will be highly dependent on a number of factors, including the Company's ability to (i) expand its existing service offerings; (ii) achieve cost efficiencies in the Company's existing customer interaction center operations; and (iii) introduce new services and products that leverage and respond to changing technological developments. There can be no assurance that technologies or services developed by the Company's competitors will not render the Company's products or services non-competitive or obsolete, that the Company can successfully develop and market any new services or products, that any such new services or products will be commercially successful or that the integration of automated customer support capabilities will achieve intended cost reductions.

DEPENDENCE ON KEY PERSONNEL. Continued growth and profitability will depend upon the Company's ability to maintain its leadership infrastructure by recruiting and retaining qualified, experienced executive personnel. Competition in the Company's industry for executive-level personnel is fierce and there can be no assurance that the Company will be able to hire, motivate and retain highly effective executive employees, or that the Company can do so on economically feasible terms.

DEPENDENCE ON LABOR FORCE. The Company's success is largely dependent on its ability to recruit, hire, train and retain qualified employees. The Company's industry is very labor-intensive and has experienced high personnel turnover. A significant increase in the Company's employee turnover rate could increase the Company's recruiting and training costs and decrease operating effectiveness and productivity. Also, if the Company obtains several significant new clients or implements several new, large-scale programs, it would be required to recruit, hire and train qualified personnel at an accelerated rate. The Company may not be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new customer management programs. Because a significant portion of the Company's operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, certain of the Company's customer interaction centers are located in geographic areas with relatively low unemployment rates, which could make it more difficult and costly to hire qualified personnel.

HIGHLY COMPETITIVE MARKET. The Company believes that the market in which it operates is fragmented and highly competitive and that competition is likely to intensify in the future. The Company competes with small firms offering specific applications, divisions of large entities, large independent firms and, most significantly, the in-house operations of clients or potential clients. A number of competitors have or may develop greater capabilities and resources than those of the Company. Similarly, there can be no assurance that additional competitors with greater resources than the Company will not enter the Company's market. Because the Company's primary competitors are the in-house operations of existing or potential clients, the Company's performance and growth could be adversely affected if its existing or potential clients decide to provide in-house customer management services that currently are outsourced, or retain or increase their in-house customer service and product support capabilities. In addition, competitive pressures from current or future competitors also could cause the Company's services to lose market acceptance or result in significant price erosion, with a material adverse effect upon the Company's business, results of operations or financial condition.

DIFFICULTIES OF COMPLETING AND INTEGRATING ACQUISITIONS AND JOINT VENTURES. One component of the Company's growth strategy is to pursue strategic acquisitions of companies that have services, technologies, industry specializations or geographic coverage that extend or complement the Company's existing business. There can be no assurance that the Company will be successful in acquiring such companies on favorable terms or in integrating such companies into the Company's existing businesses, or that any completed acquisition will enhance the Company's business, results of operations or financial condition. The Company has faced, and in the future may continue to face, increased competition for acquisition opportunities, which may inhibit the Company's ability to consummate suitable acquisitions on favorable terms. The Company may require additional debt or equity financing for future acquisitions, which financing may not be available on terms favorable to the Company, if at all. As part of its growth strategy, the Company also may pursue strategic alliances in the form of joint ventures. Joint ventures involve many of the same risks as acquisitions, as well as additional risks associated with possible lack of control of the joint ventures.

RISK OF BUSINESS INTERRUPTION. The Company's operations are dependent upon its ability to protect its customer interaction centers, computer and telecommunications equipment and software systems against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event the Company experiences a temporary or permanent interruption at one or more of its customer interaction centers, through casualty, operating malfunction or otherwise, the Company's business could be materially adversely affected and the Company may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with the Company. The Company maintains property and business interruption insurance; however, such insurance may not adequately compensate the Company for any losses it may incur.

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS AND EXPANSION. The Company currently conducts business in Argentina, Australia, Brazil, Canada, Mexico, New Zealand, Singapore and the United Kingdom. In addition, a key component of the Company's growth strategy is continued international expansion. There can be no assurance that the Company will be able to (i) increase its market share in the international markets in which the Company currently conducts business and (ii) successfully market, sell and deliver its services in additional international markets. In addition, there are certain risks inherent in conducting international business, including exposure to currency fluctuations, longer payment cycles, greater difficulties in accounts receivable collection, difficulties in complying with a variety of foreign laws, unexpected changes in regulatory requirements, difficulties in managing capacity utilization and in staffing and managing foreign operations, political instability and potentially adverse tax consequences. Any one or more of such factors could have a material adverse effect on the Company's international operations and, consequently, on the Company's business, results of operations or financial condition.

VARIABILITY OF QUARTERLY OPERATING RESULTS. The Company has experienced and could continue to experience quarterly variations in revenues as a result of a variety of factors, many of which are outside the Company's control. Such factors include the timing of new contracts; labor strikes and slowdowns; reductions or other modifications in its clients' marketing and sales strategies; the timing of new product or service offerings; the expiration or termination of existing contracts or the reduction in existing programs; the timing of increased expenses incurred to obtain and support new business; changes in the revenue mix among the Company's various service offerings; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company makes decisions regarding staffing levels, investments and other operating expenditures based on its revenue forecasts. If the Company's revenues are below expectations in any given quarter, its operating results for that quarter would likely be materially adversely affected.

DEPENDENCE ON KEY INDUSTRIES. The Company generates a majority of its revenues from clients in the telecommunications, technology, transportation, financial services and government services industries. The Company's growth and financial results are largely dependent on continued demand for the Company's services from clients in these industries and current trends in such industries to outsource certain customer management services. A general economic downturn in any of these industries or a slowdown or reversal of the trend in any of these industries to outsource certain customer management services could have a material adverse effect on the Company's business, results of operations or financial condition. The Company also provides services to clients in the healthcare and utilities industries; however, these SBUs are still in the development stage and there can be no assurance that the Company can successfully develop them.

DEPENDENCE ON THE SUCCESS OF ITS CLIENTS' PRODUCTS. In substantially all of its client programs, the Company generates revenues based, in large part, on the amount of time that the Company's personnel devotes to a client's customers. Consequently, and due to the inbound nature of the Company's business, the amount of revenues generated from any particular client program is dependent upon consumers' interest in, and use of, the client's products and/or services. Furthermore, a significant portion of the Company's expected revenues and planned capacity utilization relate to recently introduced product or service offerings of the Company's clients. There can be no assurance as to the number of consumers who will be attracted to the products and services of the Company's clients and who will therefore need the Company's services, or that the Company's clients will develop new products or services that will require the Company's services.

You should not construe these cautionary statements as an exhaustive list. TeleTech cannot always predict what factors would cause actual results to differ materially from those indicated by its forward-looking statements. All cautionary statements should be read as being applicable to all forward-looking statements wherever they appear. TeleTech does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur.

ITEM 2. PROPERTIES.

TeleTech's corporate headquarters are located in Denver, Colorado, in approximately 39,000 square feet of leased office space. As of December 31, 1999, TeleTech leased (unless otherwise noted) and operated the following customer interaction centers:

LOCATION	YEAR OPENED OR ACQUIRED	NUMBER OF PRODUCTION WORKSTATIONS	NUMBER OF TRAINING WORKSTATIONS(1)	TOTAL NUMBER OF WORKSTATIONS
U.S. OUTSOURCED CENTERS				
Birmingham, Alabama	1999	450	125	575
Burbank, California	1995	416	60	476
Enfield, Connecticut	1998	322(2)	60	382
Kansas City, Kansas	1998	500	230	730
Moundsville, West Virginia	1998	400	104	504
Niagara Falls, New York	1997	570	96	666
Sherman Oaks, California	1985	350	48	398
Thornton, Colorado, Center 1(3)	1996	572	100	672
Thornton, Colorado, Center 2(3)	1996	415	20	435
Topeka, Kansas	1999	510	100	610
Uniontown, Pennsylvania	1998	570	80	650
Van Nuys, California	1996	355	38	393
INTERNATIONAL OUTSOURCED CENTERS				
Auckland, New Zealand	1996	277	45	322
Buenos Aires, Argentina	1999	471	36	507
Casebridge, Canada	1998	74	0	74
Glasgow, Scotland	1996	300	20	320
Melbourne, Australia	1997	367	36	403
Mexico City, Mexico(4)	1997	1,050	96	1,146
Perth, Australia	1999	48	12	60
Sao Paulo, Brazil	1998	137	0	137
Sheppard, Canada	1998	245	18	263
Sudbury, Ontario	1999	350	60	410
Sydney, Australia	1996	325	32	357
Tampines, Singapore	1998	68	20	88
MANAGED CENTERS(5)				
Greenville, South Carolina	1996	611	105	716
Montbello, Colorado	1996	500	182	682
Tampa, Florida	1996	601	90	691
Toronto, Canada	1998	400	80	480
Tucson, Arizona	1996	654	90	744
Total number of workstations		11,908	1,983	13,891

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(1) Training workstations are fully operative as production workstations should the Company require additional capacity.

(2) The Enfield customer interaction center is expected to have 450 seats when fully operational.

(3) TeleTech operates each floor in the Thornton facility as an independent customer interaction center, and each of Thornton center 1 and Thornton center 2 employs its own management and representatives.

(4) In May of 2000 a new customer interaction center will be completed in Leon, Mexico.

(5) Centers are leased or owned by TeleTech's clients, and managed by TeleTech on behalf of such clients pursuant to facilities management agreements.

The leases for TeleTech's U.S. customer interaction centers have terms ranging from one to 15 years and generally contain renewal options. The Company believes that its existing customer interaction centers are suitable and adequate for its current operations and targets capacity utilization in its fully outsourced centers at 85% of its available workstations during peak (weekday) periods. In 1999, the Company deployed two dedicated centers in the United States: one in Topeka, Kansas; and a second in Birmingham, Alabama. Additionally in 1999, the Company deployed shared centers in Perth, Australia; Buenos Aires, Argentina; and Sudbury, Ontario, Canada. Plans for 2000 include five or six additional shared centers.

Due to the inbound nature of the Company's business, the Company experiences significantly higher capacity utilization during peak periods than during off-peak (night and weekend) periods. The Company may be required to open or expand customer interaction centers to create the additional peak period capacity necessary to accommodate new or expanded customer management programs. The opening or expansion of a customer interaction center may result, at least in the short term, in excess capacity during peak periods until any new or expanded program is implemented fully.

ITEM 3. LEGAL PROCEEDINGS.

In July 1999, the Company reached a settlement with CompuServe whereby the Company would receive $12.0 million of which $5.5 million was received on August 10, 1999, and the remainder was paid in the fourth quarter of 1999. (See Note 8 of "Notes to Consolidated Financial Statements").

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.

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of its fiscal year ended December 31, 1999.

EXECUTIVE OFFICERS OF TELETECH HOLDINGS, INC.

In accordance with General Instruction G(3) of this Form 10-K, the following information is included as an additional item in Part I:

NAME	POSITION	AGE	DATE POSITION ASSUMED
Scott D. Thompson(1)..........	Chief Executive Officer and President	43	1999
Richard S. Erickson(2)........	Senior Vice President and General Manager of Customer Interaction Management	38	1997
Michael E. Foss(3)...........	Chief Financial Officer and President of the TeleTech Companies Group	42	1999
James B. Kaufman(4)..........	Senior Vice President, General Counsel and Secretary	38	1999
Joseph D. Livingston(5).......	Executive Vice President--Office of CEO/President	55	1992

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(1) Before joining TeleTech in October, 1999, Mr. Thompson served as President of the Netcare Professional Services Division of Lucent Technologies. Prior to Lucent, Mr. Thompson was Executive Vice President of Global Integration Services for Ascend Communications, which was acquired by Lucent in 1999. Before joining Ascend in 1998, Mr. Thompson was Vice President of Global Service and Solutions for Compaq Computer Corporation, President of Tandem's Global Services Division and President and General Manager of Tandem's Asia/Pacific operations.

(2) Before joining TeleTech in 1997, Mr. Erickson served in a variety of customer service and operations strategy positions at TeleCommunications, Inc. (TCI) including Chief Operating Officer of a call center joint venture between TCI and Primestar Satellite, Inc. Before joining TCI in 1995, Mr. Erickson held numerous sales, marketing, and customer service positions at MCI Telecommunications, including Director of Customer Retention Marketing, Director of Operator Services, and Executive Director of Mass Markets Customer Service with responsibility for 12 call centers and 5,000 employees, nationwide.

(3) Before joining TeleTech in 1999, Mr. Foss served as Chief Executive Officer of Picture Vision, Inc., a subsidiary of Eastman Kodak that focused on Internet imaging. Mr. Foss was also General Manager of Online Digital Services and Vice President of Consumer Imaging for Kodak. Prior to this position, Michael was General Manager of Components, Services and Media for Kodak's Business Imaging Systems Division. Before joining Kodak, Michael served as Vice President and Chief Financial Officer for Rally's and held numerous positions with IBM, including Director of Financial Planning, Worldwide Sales and Services, and Director of Corporate Treasury Operations.

(4) Before joining TeleTech in 1999, Mr. Kaufman served as Vice President--Law at Orion Network Systems (renamed Loral Cyberstar following its acquisition by Loral Space & Communications in March 1998), an international satellite-based communications company. Before joining Orion in 1994, Mr. Kaufman was engaged in private law practice, most recently with Proskauer Rose, a national law firm with more than 500 attorneys.

(5) Mr. Livingston has been with TeleTech since February 1992 in various capacities, including Chief Operating Officer and Vice President of Operations and Technology. From 1989 to 1992, Mr. Livingston was the director of MIS Systems & Operations of Livestone Corporation, a division of American Eastern Securities, and from 1985 to 1989 he was employed by Coopers & Lybrand LLP, an international accounting firm, as Director of West Region MIS and Strategic Management Services for International Business.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the Nasdaq Stock Market under the symbol "TTEC." The following table sets forth the range of the high and low closing sale prices of the common stock for the fiscal quarters indicated as reported on the Nasdaq Stock Market:

	HIGH	LOW
First Quarter 1998	14 1/2	8 1/2
Second Quarter 1998	17	12
Third Quarter 1998	12	6 3/8
Fourth Quarter 1998	11 3/8	8
First Quarter 1999	12 1/8	5 9/16
Second Quarter 1999	10 1/8	5 5/8
Third Quarter 1999	14 3/8	9 7/8
Fourth Quarter 1999	34 1/16	11 13/16

As of December 31, 1999, there were 61,823,645 shares of common stock outstanding, held by approximately 125 shareholders of record, representing what the Company believes to be approximately 5,600 beneficial owners.

TeleTech did not declare or pay any dividends on its common stock in 1999 and it does not expect to do so in the foreseeable future. Management anticipates that all cash flow generated from operations in the foreseeable future will be retained and used to develop and expand TeleTech's business. Any future payment of dividends will depend upon TeleTech's results of operations, financial condition, cash requirements and other factors deemed relevant by the board of directors.

In March 1999, the Company issued 285,711 restricted shares of common stock to the following persons in consideration for the acquisition of all of the outstanding shares of Pamet River, Inc. in an offering exempt under Section 4(2) of the Securities Act of 1933 (the Securities Act):

	NUMBER OF SHARES
Morton H. Meyerson	94,350
Roger Kennedy	21,492
Paul Klingenstein	12,924
Prosper Partners	8,568
Vin Cipolla	47,022
Arthur Ivey	72,068
Steven Cousineau	7,889
Thomas McDonald	12,534
Marian Dunshee	4,384
Bruno Henry	4,480

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the related notes appearing elsewhere in this report. The financial information for years prior to 1998 has been restated to reflect the June 1998 business combinations with EDM Electronic Direct Marketing Ltd. and Digital Creators, Inc., accounted for using the pooling of interests method of accounting.

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$54,933	$171,265	$279,057	$369,045	$509,268
Costs of services	30,941	104,142	178,702	241,230	339,946
SG&A expenses	19,230	43,504	67,208	96,077	127,758
Income from operations	4,762	23,619	33,147	31,738	41,564
Other income (expense)	2,468(1)	18	2,310	159(2)	6,851(3)
Provision for income taxes	2,992	9,773	14,123	12,695	19,325
Net income	$ 4,238(1)	$ 13,864	$ 21,334	$ 19,202	$ 29,090
Net income per share:					
Basic	$ 0.08(1)	$ 0.25	$ 0.37	$ 0.32	$ 0.48
Diluted	$ 0.08(1)	$ 0.24	$ 0.35	$ 0.31	$ 0.46
Average shares outstanding:					
Basic	52,624	54,522	58,435	59,950	61,183
Diluted	55,882	58,152	61,646	62,052	63,406
OPERATING DATA:					
Number of production workstations	1,040	5,600	6,800	9,400	11,900
Number of customer interaction centers	5	16	20	24	29
BALANCE SHEET DATA:					
Working capital surplus	$11,305	$ 88,511	$ 81,750	$ 63,145	$ 81,737
Total assets	30,583	147,011	192,367	230,910	293,730
Long-term debt, net of current portion	3,590	10,144	9,891	6,353	25,166
Total stockholders' equity	4,068	108,530	138,252	165,493	205,036

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(1) Includes the $2.4 million pretax net proceeds of a one-time payment made by a former client to TeleTech in connection with such client's early termination of a contract.

(2) Includes $1.3 million of business combination expenses relating to the pooling of interests transactions.

(3) Includes $6.7 million pretax net proceeds of a one-time contract settlement payment made by a former client.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

SPECIAL NOTE: Certain statements set forth below under this caption constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Information May Prove Inaccurate" on page 11 for additional factors relating to such statements.

OVERVIEW

TeleTech generates its revenues primarily by providing customer management solutions, both from TeleTech-leased customer interaction centers (fully outsourced) and client-owned customer interaction centers (facilities management). The Company's fully outsourced customer interaction centers are utilized to serve either multiple clients (shared centers) or one dedicated client (dedicated centers). The Company currently has dedicated centers only in the United States. The Company bills for its services based primarily on the amount of time TeleTech representatives devote to a client's program, and revenues are recognized as services are provided. The Company also derives revenues from consulting services, including the sale of customer interaction center and customer management technology, automated customer support, database management, systems integration, Web-based applications and distance-based learning and education. These consulting and technology revenues historically have not been a significant component of the Company's revenues. The Company seeks to enter into multiyear contracts with its clients that cannot be terminated for convenience except upon the payment of a contractually agreed amount. The majority of the Company's revenues are, and the Company anticipates that the majority of its future revenues will continue to be, from multiyear contracts. However, the Company does provide some programs on a short-term basis.

TeleTech's profitability is significantly influenced by its customer interaction center capacity utilization. The Company seeks to optimize new and existing capacity utilization during both peak (weekday) and off-peak (night and weekend) periods to achieve maximum fixed cost absorption. Historically, the majority of the Company's revenues have been generated during peak periods. TeleTech may be adversely impacted by excess capacity in its fully outsourced centers if prior to the opening or expansion of a customer interaction center, the Company has not contracted for the provision of services or if a client program does not reach its intended level of operations on a timely basis. In addition, the Company can also be adversely impacted by excess capacity in its facilities management contracts. In a facilities management contract, the Company does not incur the costs of the facilities and equipment; however, the costs of the management team supporting the customer interaction center are semifixed in nature, and absorption of these costs will be negatively impacted if the customer interaction center has idle capacity. The Company attempts to plan the development and opening of new customer interaction centers to minimize the financial impact resulting from excess capacity. In planning the opening of new centers or the expansion of existing centers, management considers numerous factors that affect its capacity utilization, including anticipated expirations, reductions, terminations or expansions of existing programs, and the size and timing of new client contracts that the Company expects to obtain. The Company continues to concentrate its marketing efforts toward obtaining larger, more complex, strategic customer management programs. As a result, the time required to negotiate and execute an agreement with the client can be significant. To enable the Company to respond rapidly to changing market demands, implement new programs and expand existing programs, TeleTech may be required to commit to additional capacity prior to the contracting of additional business, which may result in excess capacity. TeleTech targets capacity utilization in its fully outsourced centers at 85% of its available workstations during the weekday period.

The Company was adversely impacted by excess capacity in its fully outsourced centers during late 1997, 1998 and 1999 that has resulted in a decline in operating margins from those achieved during 1997. During 1998 and 1999, the Company experienced excess capacity in newly constructed shared centers in Moundsville, West Virginia; Uniontown, Pennsylvania; and Mexico City, which were completed prior to the contracting of minimum targeted revenue. Capacity utilization was also adversely affected in the second half of 1997 and throughout 1998 when one of the Company's telecommunications clients significantly reduced the number of customer interactions managed by the Company for this client. The Company also has incurred reduced operating margins in 1998 and 1999 on one of its significant facilities management contracts due to reduced volumes and excess capacity in certain centers operated by the Company. However, this trend has reversed, and based on capacity and existing client commitments as of December 31, 1999, the Company believes its existing capacity may not be sufficient. As a result, in 2000, the Company plans to deploy five or six new shared centers.

The Company records costs specifically associated with client programs as costs of services. These costs, which include direct labor wages and benefits, telecommunication charges and certain facility costs, are primarily variable in nature. Labor costs represent in excess of 80% of costs of services. All other expenses of operations, including technology support, depreciation and amortization, sales and marketing, human resource management and other administrative functions and customer interaction center operational expenses that are not allocable to specific programs, are recorded as selling, general and administrative (SG&A) expenses. SG&A expenses tend to be either semivariable or fixed in nature. The majority of the Company's operating expenses have consisted of labor costs. Representative wage rates, which comprise the majority of the Company's labor costs, have been and are expected to continue to be a key component of the Company's expenses. A significant portion of the Company's contracts with its clients contain clauses allowing adjustment of billing rates in accordance with wage inflation.

The cost characteristics of TeleTech's fully outsourced programs differ significantly from the cost characteristics of its facilities management programs. Under facilities management programs, customer interaction centers and the related equipment are owned by the client but are staffed and managed by TeleTech. Accordingly, facilities management programs have higher costs of services as a percentage of revenues and lower SG&A expenses as a percentage of revenues than fully outsourced programs. As a result, the Company expects its overall gross margin will continue to fluctuate on a quarter-to-quarter basis as revenues attributable to fully outsourced programs vary in proportion to revenues attributable to facilities management programs. Management believes the Company's operating margin, which is income from operations expressed as a percentage of revenues, is a better measure of "profitability" on a period-to-period basis than gross margin. Operating margin may be less subject to fluctuation as the proportion of the Company's business portfolio attributable to fully outsourced programs versus facilities management programs changes. Revenue from facilities management contracts represented 30%, 23% and 19% of consolidated revenues in 1997, 1998 and 1999, respectively. Based on sales pipeline data as of December 31, 1999, the Company expects its facilities management programs to continue to decline as a percentage of overall revenues.

The Company has used business combinations and acquisitions to expand the Company's international customer management operations and to obtain complementary technology solution offerings. The following is a summary of this activity.

INTERNATIONAL OPERATIONS:

		CONSIDERATION		
	LOCATIONS	SHARES	CASH	DATE
Smart Call, S.A. & Connect, S.A..........	Buenos Aires, Argentina	--	$5.0 million	March & October 1999
Outsource Informatica, Ltda.............	Sao Paulo, Brazil	606,343	--	August 1998
EDM Electronic Direct Marketing Ltd......	Toronto, Ontario, Canada	1,783,444	--	June 1998
Telemercadeo Integral, S.A..............	Mexico City, Mexico	100,000	$2.4 million	May 1997
TeleTech International Pty Limited.......	Sydney, Australia, and Auckland, New Zealand	970,240	$2.3 million	January 1996

TECHNOLOGY AND SERVICES:

	COMPANY DESCRIPTION	CONSIDERATION SHARES	CASH	DATE
Pamet River, Inc.	Database marketing and consulting	285,711	$1.8 million	March 1999
Cygnus Computer Associates	Provider of systems integration and call center software solutions	324,744	$0.7 million	December 1998
Digital Creators, Inc.	Developer of Web-based applications and distance-based learning and education	1,069,000	--	June 1998
Intellisystems, Inc.	Developer of automated product support systems	344,487	$2.0 million	February 1998

RESULTS OF OPERATIONS

The following table sets forth certain income statement data as a percentage of revenues:

	1997	1998	1999
Revenues	100.0%	100.0%	100.0%
Costs of services	64.0	65.4	66.8
SG&A expenses	24.1	26.0	25.1
Income from operations	11.9	8.6	8.2
Other income	0.8	--	1.4
Provision for income taxes	5.1	3.4	3.8
Net income	7.6	5.2	5.7

1999 COMPARED TO 1998

REVENUES. Revenues increased $140.2 million, or 38%, to $509.3 million in 1999 from $369.0 million in 1998. The revenue increase resulted from $22.3 million in revenues from new clients and $140.8 million in increased revenues from existing clients. These increases were offset in part by contract expirations and other client reductions. On a segment basis, outsourced revenue increased 49.3% to $299.4 million in 1999 from $200.5 million in 1998. The increase resulted from $22.3 million in revenues from new clients and $111.9 million in increased revenues from existing clients offset in part by contract expirations and other client reductions. Revenues for 1999 include approximately $94.5 million from facilities management contracts, an increase of 10.2%, as compared with $85.7 million during 1998, resulting from increased number of customer interactions. International outsourced revenues increased 27.7% to $94.6 million in 1999 from $74.1 million in 1998. The increase in international outsourced revenues resulting from the 1999 Argentina acquisitions of Smart Call, S.A. and Connect, S.A. was $6.6 million. The remaining increase resulted primarily from continued expansion in the Company's Mexican and Australian operations. These increases were offset by reductions in revenue in the Company's Canadian operations resulting from the expiration of a client contract. Revenues from corporate activities consist of consulting services, automated customer support, database management, systems integration, Web-based applications and distance-based learning and education. These revenues totaled $20.8 million in 1999, an increase of $12.0 million from $8.8 million in 1998. Approximately $8.4 million of this increase resulted from the Cygnus acquisition in December 1998 and the Pamet acquisition in 1999.

COSTS OF SERVICES. Costs of services increased $98.7 million, or 40.9%, to $339.9 million in 1999 from $241.2 million in 1998. Costs of services as a percentage of revenues increased from 65.4% in 1998 to 66.8% in 1999. This increase in costs of services as a percentage of revenues is primarily the result of reduced margins in two of the Company's facilities management contracts in 1999 and gross margin being favorably impacted by a non-recurring technology sale in 1998. These factors more than offset the costs of services benefit resulting from the decline in the percentage of revenues generated from facilities management programs.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A expenses increased $31.7 million, or 33.0%, to $127.8 million in 1999, from $96.1 million in 1998 primarily resulting from the Company's increased number of customer interaction centers, global expansion and increased investment in technology. SG&A expenses as a percentage of revenues decreased from 26.0% in 1998 to 25.1% in 1999. This decrease is driven by an increase in revenues as a result of improvements in capacity utilization in the second half of 1999 in the Company's outsourced domestic and international customer interaction centers.

INCOME FROM OPERATIONS. As a result of the foregoing factors, income from operations increased $9.8 million, or 31%, to $41.6 million in 1999 from $31.7 million in 1998. Income from operations as a percentage of revenues decreased to 8.2% in 1999 from 8.6% in 1998.

OTHER INCOME (EXPENSE). Other income increased $6.7 million to $6.8 million in 1999 compared to $159,000 in 1998. Included in other income in 1999 is a $6.7 million gain on the settlement of a long-term contract which was terminated by a client in 1996. Included in other income (expense) in 1998 is $1.3 million in business combination expenses relating to the business combinations accounted for under the pooling of interests method. Interest expense increased $914,000 to $2.2 million in 1999 compared to $1.3 million in 1998. This increase is primarily the result of increased borrowings. Interest income decreased $702,000 to $2.4 million in 1999 compared to $3.1 million in 1998. This decrease is the result of the decrease in short-term investments during 1999.

INCOME TAXES. The Company's effective tax rate was 39.9% in 1999 and 39.8% in 1998. It is anticipated that the effective rate will decrease slightly in 2000, resulting from the Company's increased state tax incentives.

NET INCOME. As a result of the foregoing factors, net income increased $9.9 million, or 51.4%, to $29.1 million in 1999 from $19.2 million in 1998. Diluted earnings per share increased from 31 cents to 46 cents. Excluding the one-time business combination expenses in 1998 and the one-time gain in 1999 from the long-term contract settlement, net income in 1999 would have been $25.1 million, compared with net income in 1998 of $20.0 million, an increase of 25.3%. Diluted earnings per share excluding these one-time items would have been 40 cents in 1999 compared to 32 cents in 1998.

1998 COMPARED TO 1997

REVENUES. Revenues increased $89.9 million, or 32.2%, to $369.0 million in 1998 from $279.1 million in 1997. The increase resulted from $56.0 million in revenues from new clients and $81.0 million in increased revenues from existing clients. These increases were offset in part by contract expirations and other client reductions. Client reductions reflect a $35.6 million decline in 1998 revenue from two significant clients. Revenues for 1998 include a $5.0 million sale of technology consulting and call center technology products to an existing client for use in its internal call centers. The Company has not historically sold its technology or significant levels of consulting services as a separate product and only provided such services to clients as part of a long-term outsourcing agreement. Revenues for 1998 include approximately $85.7 million from facilities management contracts as compared with $84.0 million during 1997. Total international revenues represent 24% of consolidated revenues during 1998 as compared with 18% during 1997.

COSTS OF SERVICES. Costs of services increased $62.5 million, or 35.0%, to $241.2 million in 1998 from $178.7 million in 1997. Costs of services as a percentage of revenues increased from 64.0% in 1997 to 65.4% in 1998. This increase in costs of services as a percentage of revenues is primarily the result of reduced volumes in one of the Company's facilities management contracts. This reduced volume resulted in excess capacity in three customer interaction centers managed by the Company and reduced gross margins on the client program. This resulted in a $4.5 million decrease in operating income from the Company's facilities management business. The increase in costs of services as a percent of revenues relating to this was partially offset by the favorable impact of the technology sale discussed earlier. This sale had significantly lower costs of services as a percentage of revenues when compared with the Company's recurring revenues from outsourcing.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A expenses increased $28.9 million, or 43.0%, to $96.1 million in 1998, from $67.2 million in 1997 resulting from the Company's increased number of customer interaction centers, global expansion and increased investment in technology. SG&A expenses as a percentage of revenues increased from 24.1% in 1997 to 26.0% in 1998. This increase is the result of excess capacity in several of the Company's outsourced domestic and international customer interaction centers discussed earlier.

INCOME FROM OPERATIONS. As a result of the foregoing factors, income from operations decreased $1.4 million, or 4.3%, to $31.7 million in 1998 from $33.1 million in 1997. Income from operations as a percentage of revenues decreased from 11.9% in 1997 to 8.6% in 1998. Operating income as a percentage of revenues in 1998 has been favorably impacted by approximately 700 basis points resulting from the technology sale discussed earlier. Operating income as a percentage of revenues is not anticipated to significantly improve until the Company increases capacity utilization.

OTHER INCOME (EXPENSE). Other income decreased $2.2 million to $159,000 in 1998 compared to $2.3 million in 1997. Included in other income (expense) in 1998 is $1.3 million in business combination expenses relating to the business combinations accounted for under the pooling of interests method. Interest expense increased $104,000 to $1.3 million in 1998 compared to $1.2 million in 1997. This increase is primarily the result of increased borrowings in the Company's international locations offset by debt reductions in the United States. Interest income decreased $325,000 to $3.1 million in 1998 compared to $3.4 million in 1997. This decrease is the result of the decrease in short-term investments during 1998.

INCOME TAXES. The Company's effective tax rate was 39.8% in 1997 and 1998. This resulted from a slight increase in the effective rate due primarily to higher taxes on the Company's operations in Canada offset by increases in state income tax credits received from certain states for employment incentives. It is anticipated that the effective rate will increase slightly in 1999 as a result of the Company's increased international operations.

NET INCOME. As a result of the foregoing factors, net income decreased $2.1 million, or 10.0%, to $19.2 million in 1998 from $21.3 million in 1997. Diluted earnings per share decreased from 35 cents to 31 cents. Excluding the one-time business combination expenses, net income in 1998 would have been $20.0 million, representing a $1.3 million decrease from 1997, and diluted earnings per share would have been 32 cents.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $52.2 million in 1999 as compared to $24.8 million in 1998. Cash provided by operating activities consists of $57.2 million of total net income before depreciation and amortization, bad debt and deferred income taxes offset in part by $5.0 million of changes in working capital.

The amount of cash used by the Company in investing activities was $70.3 million in 1999. During 1999, the Company's capital expenditures (exclusive of $538,000 in assets acquired under capital leases) were $56.6 million, and the Company used $6.5 million in cash for the Pamet, Smart Call and Connect acquisitions. The Company also invested $2.5 million in a customer relationship management software company. These expenditures were offset in part by the reduction of $4.5 million in short-term investments. Cash used in investing activities was $19.7 million for 1998, resulting primarily from $38.2 million in capital expenditures, $2.3 million for acquisitions and $10.9 million for contract acquisition costs offset by reductions in the Company's short-term investments.

Historically, capital expenditures have been, and future capital expenditures are anticipated to be, primarily for the development of customer interaction centers, as well as expansion of the Company's customer management consulting, technology deployment and systems integration, Web-based education platforms, Internet customer relationship management and customer-centric marketing solutions. The Company currently expects total capital expenditures in 2000 to be approximately $60 million to $80 million, excluding any capital expenditures for the joint venture with Ford Motor Company (Ford), which the Company anticipates to be $10 million to $15 million in 2000. The Company expects its capital expenditures will be used primarily to open up five or six new shared customer interaction centers during 2000. Such expenditures will be financed with internally generated funds, stock option exercises and the related tax benefit, existing cash balances and additional borrowings. The level of capital expenditures incurred in 2000 will be dependent upon new client contracts obtained by the Company and the corresponding need for additional capacity. In addition, if the Company's future growth is generated through facilities management contracts, the anticipated level of capital expenditures could be reduced significantly.

Cash provided by financing activities in 1999 was $24.4 million. This primarily resulted from an increase in borrowings against the revolving line of credit and long-term notes payable offset by capital lease and long-term debt payments. Additional proceeds from financing activities were generated by the exercise of stock options and the related tax benefit. In 1998, cash used in financing activities of $3.5 million resulted from payments under capital lease obligations and long-term debt offset by the exercise of stock options and the related tax benefit.

In November 1998, the Company obtained a three-year, $50 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 million of the line with available 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 $18 million in borrowings under the line of credit at December 31, 1999. The Company recently expanded its credit facility to $75 million.

The Company believes that existing cash and short-term investments together with stock option exercises and the related tax benefit and available borrowings under its line of credit will be sufficient to finance the Company's current operations, planned capital expenditures and anticipated growth through 2000. However, if the Company were to make any significant acquisitions for cash, it may be necessary for the Company to obtain additional debt or equity financing. From time to time, the Company engages in discussions regarding restructuring, dispositions, 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.

YEAR 2000

To date, TeleTech's computer-based systems have not experienced any critical failures as a result of the Year 2000, and the Company has not experienced any disruption in its operations or impairment in its ability to bill or collect revenues due to the Year 2000.

During 1999, the Company incurred approximately $3.9 million in inventory and assessment work on Year 2000 issues, of which $2.3 million was capitalized and the remainder expensed in the accompanying statement of operations and were funded by cash flow from operations. Project-to-date costs totaled $4.5 million of which $2.3 million was capitalized and the remainder expensed. The Company does not plan on spending any additional amounts on Year 2000 issues.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 and changes in foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to its normal operating and funding activities. Historically, and as of December 31, 1999, the Company has not used derivative instruments or engaged in hedging activities.

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 December 31, 1999, there were approximately $1,323,000 in borrowings outstanding on the operating loan. The Company monitors interest rates frequently and has sufficient cash balances as of December 31, 1999, to pay off the line of credit and any early termination penalties should interest rates increase significantly. The Company's investments are typically short-term in nature and as a result do not expose the Company to significant risk from interest rate fluctuations. Therefore, the Company does not believe that reasonably possible near-term changes in interest rates will result in a material effect on future earnings, fair values or cash flows of the Company.

FOREIGN CURRENCY RISK

The Company has wholly-owned subsidiaries in Argentina, Australia, Brazil, Canada, Mexico, New Zealand, Singapore and the United Kingdom. Revenues and expenses from these operations are typically 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. The impact of foreign currency fluctuations was immaterial for the years presented. However, the Company intends to expand overseas thereby increasing foreign currency risk in future years.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this item are located beginning on page 33 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For a discussion of our executive officers, you should refer to Part I, Page 17, after Item 4 under the caption "Executive Officers of TeleTech Holdings, Inc."

For a discussion of our Directors, you should refer to our definitive Proxy Statement under "Election of Directors" and "Director Compensation," which we incorporate by reference into this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

We hereby incorporate by reference the information to appear under the caption "Executive Officers--Executive Compensation" in TeleTech's definitive proxy statement for its 2000 Annual Meeting of Stockholders, provided, however, that neither the Report of the Compensation Committee on Executive Compensation nor the performance graph set forth therein shall be incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

We hereby incorporate by reference the information to appear under the caption "Security Ownership of Certain Beneficial Owners and Management" in TeleTech's definitive proxy statement for its 2000 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

We hereby incorporate by reference the information to appear under the caption "Certain Relationships and Related Party Transactions" in TeleTech's definitive proxy statement for its 2000 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

(1) Consolidated Financial Statements

The Index to Financial Statements is set forth on page 32 of this report.

(2) None.

(3) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Restated Certificate of Incorporation of TeleTech[1] {Exhibit 3.1}
3.2	Amended and Restated Bylaws of TeleTech[1] {Exhibit 3.2}
10.1**	Employment Agreement dated as of January 1, 1995, between Joseph D. Livingston and TeleTech[1] {Exhibit 10.2}
10.2**	Amendment to the Employment Agreement between Joseph D. Livingston and TeleTech dated May 14, 1996[1] {Exhibit 10.3}
10.3**	Employment Agreement dated as of April 1, 1996, between Steven B. Coburn and TeleTech[1] {Exhibit 10.4}
10.4**	TeleTech Holdings, Inc. Stock Plan, as amended and restated[1] {Exhibit 10.7}
10.5**	TeleTech Holdings, Inc. Directors Stock Option Plan[1] {Exhibit 10.8}
10.6	Form of Client Services Agreement, 1996 version[1] {Exhibit 10.12}
10.7	Agreement for Customer Interaction Center Management Between United Parcel General Services Co. and TeleTech[1] {Exhibit 10.13}
10.8	Business Loan Agreement dated March 29, 1996, among TeleTech Telecommunications, Inc.; TeleTech Teleservices, Inc.; and TeleTech, as borrower, and First Interstate Bank of California, as lender; addendum dated March 29, 1996[1] {Exhibit 10.15}
10.9	Master Lease Agreement dated as of July 11, 1995, among First Interstate Bank of California; TeleTech; TeleTech Telecommunications, Inc.; and TeleTech Teleservices, Inc.[1] {Exhibit 10.17}
10.10**	TeleTech Holdings, Inc. Employee Stock Purchase Plan[3] {Exhibit 10.22}
10.11**	Employment Agreement dated as of January 1, 1998, between Kenneth D. Tuchman and TeleTech[4] {Exhibit 10.11}
10.12	Client Services Agreement dated May 1, 1997, between TeleTech Customer Care Management (Telecommunications), Inc. and GTE Card Services Incorporated d/b/a GTE Solutions[4] {Exhibit 10.12}
10.13	$50.0 Million Revolving Credit Agreement dated as of November 20, 1998[5] {Exhibit 10.13}
10.14**	Employment Agreement dated as of February 26, 1998 between Morton H. Meyerson and TeleTech[5] {Exhibit 10.14}
10.15**	Employment Agreement dated March 2, 1998 between Joseph Livingston and TeleTech[6] (Exhibit 10.15}
10.16**	Employment Agreement dated February 25, 1999 between Steven B. Coburn and TeleTech[6] {Exhibit 10.16}

EXHIBIT NO.	DESCRIPTION
10.17**	Employment Agreement dated March 11, 1998 between Deborah C. Gentry and TeleTech[6] {Exhibit 10.17}
10.18**	Employment Agreement dated March 16, 1999 between Vincent Cipolla and TeleTech[6] {Exhibit 10.18}
10.19**	Employment Agreement dated October 2, 1999 between Scott D. Thompson and TeleTech[7] {Exhibit 10.18}
10.20**	Stock Option Agreement dated October 18, 1999 between Scott D. Thompson and TeleTech[7] {Exhibit 10.20}
10.21**	Stock Option Agreement dated October 18, 1999 between Scott D. Thompson and TeleTech[7] {Exhibit 10.21}
21.1*	List of subsidiaries
23.1*	Consent of Arthur Andersen LLP to incorporation by reference of the financial statements into TeleTech's previously filed Registration Statements on Form S-8 and Form S-3.
27*	Financial Data Schedule

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* Filed herewith.

** Management contract or compensatory plan or arrangement filed pursuant to Item 14(c) of this report.

[ ] 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).

[2] TeleTech's Registration Statements on Form S-1, as amended (Registration Statement Nos. 333-13833 and 333-15297).

[3] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1996.

[4] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1997.

[5] TeleTech's Annual Report on Form 10-K for the year ended December 31, 1998.

[6] TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

[7] TeleTech's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Denver, State of Colorado, on March 28, 1999.

TELETECH HOLDINGS, INC.

By: /s/ SCOTT D. THOMPSON

Scott D. Thompson
CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 28, 1999, by the following persons on behalf of the registrant and in the capacities indicated:

SIGNATURE	TITLE
PRINCIPAL EXECUTIVE OFFICER	
/s/ SCOTT D. THOMPSON Scott D. Thompson	Chief Executive Officer and President
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER	
/s/ MICHAEL E. FOSS Michael E. Foss	Chief Financial Officer and President TeleTech Companies Group
DIRECTORS	
/s/ KENNETH D. TUCHMAN Kenneth D. Tuchman	Chairman of the Board
/s/ JAMES E. BARLETT James E. Barlett	

SIGNATURE

/s/ ROD DAMMEYER
Rod Dammeyer

/s/ GEORGE HEILMEIER
George Heilmeier

/s/ JOHN T. MCLENNAN
John T. McLennan

/s/ MORTON H. MEYERSON
Morton H. Meyerson

/s/ ALAN SILVERMAN
Alan Silverman

/s/ SCOTT D. THOMPSON
Scott D. Thompson

INDEX TO FINANCIAL STATEMENTS
TELETECH HOLDINGS, INC.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To TeleTech Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of TELETECH HOLDINGS, INC. (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TeleTech Holdings, Inc. and subsidiaries as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Denver, Colorado
February 14, 2000.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

	DECEMBER 31, 1998	DECEMBER 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,796	$ 14,663
Short-term investments	37,082	41,599
Accounts receivable, net of allowance for doubtful accounts of $2,900 and $3,787, respectively	68,830	78,753
Prepaids and other assets	2,811	5,361
Deferred tax asset	3,855	4,889
Total current assets	121,374	145,265
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $38,432 and $65,083, respectively	77,546	108,945
OTHER ASSETS:		
Long-term accounts receivable	4,274	3,930
Goodwill, net of accumulated amortization of $1,599 and $3,103, respectively	15,022	20,633
Contract acquisition cost, net of accumulated amortization of zero and $1,614, respectively	10,900	9,286
Deferred tax asset	--	550
Other assets	1,794	5,121
Total assets	$230,910	$293,730
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 7,989	$ 4,842
Bank overdraft	778	1,323
Accounts payable	11,814	8,217
Accrued employee compensation	18,134	26,282
Accrued income taxes	4,191	1,523
Other accrued expenses	11,520	16,831
Customer advances, deposits and deferred income	3,803	4,510
Total current liabilities	58,229	63,528
DEFERRED TAX LIABILITIES	835	--
LONG-TERM DEBT, net of current portion:		
Capital lease obligations	4,208	1,697
Revolving line-of-credit	--	18,000
Other debt	2,145	5,469
Total liabilities	65,417	88,694
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock; $.01 par value; 150,000,000 shares authorized; 60,769,724 and 61,823,645 shares, respectively, issued; and outstanding	606	617
Additional paid-in capital	111,080	121,060
Accumulated other comprehensive loss	(1,610)	(1,148)
Retained earnings	55,417	84,507
Total stockholders' equity	165,493	205,036
Total liabilities and stockholders' equity	$230,910	$293,730

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	1997	1998	1999
REVENUES	$279,057	$369,045	$509,268
OPERATING EXPENSES:			
Costs of services	178,702	241,230	339,946
Selling, general and administrative expenses	67,208	96,077	127,758
Total operating expenses	245,910	337,307	467,704
INCOME FROM OPERATIONS	33,147	31,738	41,564
OTHER INCOME (EXPENSE):			
Interest expense	(1,166)	(1,270)	(2,185)
Interest income	3,399	3,074	2,372
Equity in income of affiliate	302	70	--
Business combination expenses	--	(1,321)	--
Gain on settlement of long-term contract	--	--	6,726
Other	(225)	(394)	(62)
	2,310	159	6,851
INCOME BEFORE INCOME TAXES	35,457	31,897	48,415
Provision for income taxes	14,123	12,695	19,325
NET INCOME	$ 21,334	$ 19,202	$ 29,090
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	58,435	59,950	61,183
Diluted	61,646	62,052	63,406
NET INCOME PER SHARE			
Basic	$ .37	$ .32	$ .48
Diluted	$ .35	$ .31	$ .46

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999
(AMOUNTS IN THOUSANDS)

	TREASURY STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	UNEARNED COMPENSATION-RESTRICTED STOCK
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCES, December 31, 1996	99	$(988)	57,156	$571	$ 94,059	$ 98	$(254)
Employee stock purchase plan			28		440		
Acquisition of TMI			100	1	1,797		
Translation adjustments						(1,020)	
Compensation expense on restricted stock							127
Exercise of stock options			470	5	5,072		
Issuance of common stock			1,508	15	2,648		
Net income							
Comprehensive income							
Distribution to stockholder							
BALANCES, December 31, 1997	99	(988)	59,262	592	104,016	(922)	(127)
Employee stock purchase plan			28		334		
Acquisition of Intellisystems	(99)	988	245	2	2,089		
Acquisition of Cygnus			325	3	2,658		
Combination with Outsource			606	6			
Translation adjustments						(688)	
Brokerage fee on EDM combination			42		485		
Year-end change for EDM							
Exercise of stock options			249	3	1,457		
Other stock issuances			13		41		
Compensation expense on restricted stock							127
Net income							
Comprehensive income							
BALANCES, December 31, 1998	--	--	60,770	606	111,080	(1,610)	--
Employee stock purchase plan					131		
Acquisition of Pamet			286	3	1,750		
Translation adjustments						462	
Exercise of stock options			767	8	8,099		
Net income							
Comprehensive income							
BALANCES, December 31, 1999	--	$ --	61,823	$617	$121,060	$(1,148)	$ --

	RETAINED EARNINGS	COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
BALANCES, December 31, 1996	$15,044		$108,530
Employee stock purchase plan			440
Acquisition of TMI			1,798
Translation adjustments		$(1,020)	(1,020)
Compensation expense on restricted stock			127
Exercise of stock options			5,077
Issuance of common stock			2,663
Net income	21,334	21,334	21,334
Comprehensive income		$20,314	--
Distribution to stockholder	(697)		(697)
BALANCES, December 31, 1997	35,681		138,252
Employee stock purchase plan			334
Acquisition of Intellisystems			3,079
Acquisition of Cygnus			2,661
Combination with Outsource	804		810
Translation adjustments		$ (688)	(688)
Brokerage fee on EDM combination			485
Year-end change for EDM	(270)		(270)
Exercise of stock options			1,460
Other stock issuances			41
Compensation expense on restricted stock			127
Net income	19,202	19,202	19,202
Comprehensive income		$18,514	--
BALANCES, December 31, 1998	55,417		165,493
Employee stock purchase plan			131
Acquisition of Pamet			1,753
Translation adjustments		462	462

Exercise of stock options........			8,107
Net income.......................	29,090	29,090	29,090

Comprehensive income...............		$29,552	
	-------	=======	--------
BALANCES, December 31, 1999........	$84,507		$205,036
	=======		========

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

(AMOUNTS IN THOUSANDS)

	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 21,334	$ 19,202	$ 29,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,331	19,293	29,887
Allowance for doubtful accounts	865	573	887
Deferred income taxes	(1,169)	(1,235)	(2,620)
Equity in income of affiliate	(302)	(70)	--
Deferred compensation expense	127	127	--
Business combination expenses paid in stock	--	485	--
Changes in assets and liabilities:			
Accounts receivable	(15,421)	(24,585)	(7,304)
Prepaids and other assets	175	(799)	(496)
Accounts payable and accrued expenses	12,012	9,827	3,005
Customer advances, deposits and deferred income	455	2,030	(281)
Net cash provided by operating activities	$ 29,407	$ 24,848	$ 52,168
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	$(34,803)	$(38,246)	$(56,629)
Acquisitions, net of cash acquired	(2,440)	(2,308)	(9,048)
Contract acquisition costs	--	(10,900)	--
Proceeds from sale of interest in Access 24 UK Limited	--	981	--
Temporary deposit	3,000	--	--
Changes in accounts payable and accrued liabilities related to investing activities	(190)	(1,762)	(112)
Decrease (increase) in short-term investments	2,841	32,551	(4,517)
Net cash used in investing activities	$(31,592)	$(19,684)	$(70,306)

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

(AMOUNTS IN THOUSANDS)

	1997	1998	1999
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in bank overdraft	$ 745	$ (316)	$ 545
Net increase (decrease) in short-term borrowings	--	351	(351)
Proceeds from line-of-credit	--	--	18,000
Payments on long-term debt	(216)	(1,126)	(1,692)
Proceeds from long-term debt borrowings	593	3,227	5,000
Payments under capital lease obligations	(4,933)	(7,466)	(5,176)
Proceeds from common stock issuances	3,240	375	--
Proceeds from exercise of stock options	1,917	1,008	5,184
Tax benefit from stock option exercises	3,160	452	2,923
Payments under subordinated notes payable to stockholder	29	--	--
Distributions to stockholder	(678)	--	--
Net cash provided by (used in) financing activities	3,857	(3,495)	24,433
Effect of exchange rate changes on cash	102	(211)	(428)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,774	1,458	5,867
CASH AND CASH EQUIVALENTS, beginning of period	5,564	7,338	8,796
CASH AND CASH EQUIVALENTS, end of period	$ 7,338	$ 8,796	$14,663
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 1,296	$ 1,269	$ 2,185
Cash paid for income taxes	$12,189	$10,553	$21,994
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired through capital leases	$ 5,229	$ 2,811	$ 538
Stock issued in purchase of TMI	$ 1,798	$ --	$ --
Stock issued in purchase of Intellisystems	$ --	$ 3,079	$ --
Stock issued in pooling of EDM (brokerage fee)	$ --	$ 485	$ --
Stock issued in purchase of Cygnus	$ --	$ 2,661	$ --
Stock issued in purchase of Pamet	$ --	$ --	$ 1,753

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

TeleTech Holdings, Inc. (THI or the Company) is a provider of outsourced customer management solutions for large and multinational companies in the United States, Australia, Brazil, Canada, Mexico, New Zealand, Singapore and the United Kingdom. Customer management encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationship between the Company's clients and their customers.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements are composed of the accounts of THI and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

As more fully discussed in Note 14, during June 1998, the Company entered into business combinations with Digital Creators, Inc. (Digital) and EDM Electronic Direct Marketing Ltd. (EDM). The business combinations have been accounted for as pooling of interests, and the historical consolidated financial statements of the Company for all years prior to the business combination have been restated in the accompanying consolidated financial statements to include the financial position, results of operations and cash flows of Digital and EDM.

The consolidated financial statements of the Company include reclassifications made to conform the financial statement presentation of Digital and EDM to that of the Company.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's foreign subsidiaries, whose functional currency is other than the U.S. dollar, are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is accumulated as a separate component of stockholders' equity. During 1998, the net effect of translation gains on the Company's Mexican subsidiary was included in determining net income, as Mexico was considered a highly inflationary economy. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses were not material for any period presented. In 1999, the Mexican economy was no longer considered highly inflationary, and therefore translation gains and losses were included as a component of stockholders' equity.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Additions, improvements and major renewals are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Amounts paid for software licenses and third-party packaged software are capitalized.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, as follows:

Computer equipment and software	4-5 years
Telephone equipment	5-7 years
Furniture and fixtures	5-7 years
Leasehold improvements	5-10 years
Vehicles	5 years

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets acquired under capital lease obligations are amortized over the life of the applicable lease of four to seven years (or the estimated useful lives of the assets, of four to seven years, where title to the leased assets passes to the Company upon termination of the lease).

REVENUE RECOGNITION

The Company recognizes revenues at the time services are performed. The Company has certain contracts that are billed in advance. Accordingly, amounts billed but not earned under these contracts are excluded from revenues and included in deferred income.

The Company maintains ongoing training programs for its employees. The cost of this training is expensed as incurred. In addition, certain contracts require clients to reimburse the Company for specific training. These costs are billed to the clients as incurred.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations when incurred and are included in operating expenses. Research and development costs were not material for any period presented.

INTANGIBLE ASSETS

The excess of cost over the fair market value of tangible net assets and trademarks of acquired businesses is amortized on a straight-line basis over the periods of expected benefit of nine to 25 years. Amortization of goodwill for the years ended December 31, 1997, 1998 and 1999, was $349,000, $1,012,000 and $1,504,000, respectively.

Subsequent to an acquisition, the Company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision or that the remaining balance of an intangible asset may not be recoverable. When factors indicate that an intangible asset should be evaluated for possible impairment, the Company uses an estimate of the related business' undiscounted future cash flows over the remaining life of the asset in measuring whether the intangible asset is recoverable. Management does not believe that any provision for impairment of intangible assets is required.

CONTRACT ACQUISITION COSTS

Amounts paid to a client to obtain a long-term contract are being amortized on a straight-line basis over the term of the contract commencing with the date of the first revenues from the contract. Amortization expense for the year ended December 31, 1999, was $1,614,000. There was no amortization expense during 1998.

INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Net deferred tax assets then may be reduced by a valuation allowance for amounts that do not satisfy the realization criteria of SFAS 109.

EARNINGS 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 dilutive potential common shares outstanding during the period. The difference between diluted and basic shares outstanding relates to outstanding stock options.

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

For the purposes of the statement of cash flows, the Company considers all cash and investments with an original maturity of 90 days or less to be cash equivalents.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

SEGMENT REPORTING

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires those enterprises report selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired when future undiscounted cash flows are

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

estimated to be insufficient to recover the carrying amount. If impaired, an asset is written down to its fair value.

SELF-INSURANCE PROGRAM

The Company self-insures for certain levels of workers' compensation and employee health insurance. Estimated costs of these self-insurance programs were accrued at the projected settlements for known and anticipated claims. Self-insurance liabilities of the Company amounted to $3.2 million and $2.9 million at December 31, 1998 and 1999, respectively.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," effective for fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. It also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset 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. SFAS 133 may not be applied retroactively and must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1997 (and, at the Company's election, before January 1, 1998). Management believes that the impact of SFAS 133 will not significantly affect its financial reporting.

In December 1999, the staff of the Securities and Exchange Commission issued its Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." SAB No. 101 provides guidance on the measurement and timing of revenue recognition in financial statements of public companies. Changes in accounting policies to apply the guidance of SAB No. 101 must be adopted by recording the cumulative effect of the change in the fiscal quarter ending March 31, 2000. Management has not yet determined the effect SAB No. 101 will have on its accounting policies or the amount of the cumulative effect to be recorded from adopting SAB No. 101, if any.

(2) SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

The Company classified its business activities into four fundamental areas: outsourced operations in the United States, facilities management operations, international outsourced operations, and technology services and consulting. These areas are separately managed and each has significant differences in capital requirements and cost structures. Outsourced, facilities management and international outsourced operations are reportable business segments with their respective financial performance detailed herein. Technology services and consulting is included in corporate activities as it is not a material business segment. Also included in corporate activities are general corporate expenses and overall operational management expenses. Assets of corporate activities include unallocated cash, short-term investments and

(2) SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS (CONTINUED)
deferred income taxes. There are no significant transactions between the reported segments for the periods presented.

(AMOUNTS IN THOUSANDS)	1997	1998	1999
REVENUES:			
Outsourced	$143,627	$200,514	$299,379
Facilities Management	84,033	85,694	94,461
International Outsourced	50,314	74,065	94,608
Corporate Activities	1,083	8,772	20,820
Total	$279,057	$369,045	$509,268
OPERATING INCOME (LOSS):			
Outsourced	$ 30,243	$ 41,495	$ 69,463
Facilities Management	16,159	11,648	6,849
International Outsourced	4,258	5,675	6,074
Corporate Activities	(17,513)	(27,080)	(40,822)
Total	$ 33,147	$ 31,738	$ 41,564
DEPRECIATION AND AMORTIZATION INCLUDED IN OPERATING INCOME:			
Outsourced	$ 7,463	$ 12,688	$ 16,514
Facilities Management	522	239	483
International Outsourced	3,102	5,054	7,247
Corporate Activities	244	1,312	5,643
Total	$ 11,331	$ 19,293	$ 29,887
ASSETS:			
Outsourced	$ 88,829	$101,105	$ 76,401
Facilities Management	6,759	18,121	11,290
International Outsourced	42,229	57,567	88,643
Corporate Activities	54,550	54,117	117,396
Total	$192,367	$230,910	$293,730
GOODWILL (INCLUDED IN TOTAL ASSETS):			
International Outsourced Goodwill, Net	$ 7,295	$ 6,803	$ 10,496
Corporate Activities Goodwill, Net	--	8,219	10,137
Total	$ 7,295	$ 15,022	$ 20,633
CAPITAL EXPENDITURES (INCLUDING CAPITAL LEASES):			
Outsourced	$ 22,337	$ 28,144	$ 23,562
Facilities Management	50	1,169	434
International Outsourced	15,963	4,697	19,261
Corporate Activities	1,682	7,047	16,520
Total	$ 40,032	$ 41,057	$ 59,777

(2) SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS (CONTINUED)

The following geographic data includes revenues based on the location the services are provided and gross property and equipment based on the physical location (in thousands).

	1997	1998	1999
REVENUES:			
United States	$228,743	$281,077	$394,141
Australia	29,790	36,958	49,925
Canada	14,497	36,852	35,814
Rest of world	6,027	14,158	29,388
Total	$279,057	$369,045	$509,268
GROSS PROPERTY AND EQUIPMENT:			
United States	$ 54,912	$ 86,189	$125,969
Australia	10,622	11,956	16,684
Canada	4,790	5,645	8,943
Rest of world	5,226	12,188	22,432
Total	$ 75,550	$115,978	$174,028

The Company's revenues from major customers (revenues in excess of 10% of total sales) are from entities involved in the telecommunications and transportation industries. The revenues from such customers as a percentage of total revenues for each of the three years ended December 31 are as follows:

	1997	1998	1999
Customer A	18%	8%	8%
Customer B	23%	13%	10%
Customer C	15%	25%	27%
	56%	46%	45%

At December 31, 1999, accounts receivable from Customers A, B and C were $5.2 million, $4.7 million and $8.2 million, respectively. At December 31, 1998, accounts receivable from Customers A, B and C were $7.1 million, $7.3 million, and $13.4 million, respectively. There were no other customers with receivable balances in excess of 10% of consolidated accounts receivable. Customers A and C are included in the outsourced reporting segment. Customer B is included in the facilities management reporting segment.

The loss of one or more of its significant customers could have a materially adverse effect on the Company's business, operating results or financial condition. To limit the Company's credit risk, management performs ongoing credit evaluations of its customers and maintains allowances for potentially uncollectible accounts. Although the Company is directly impacted by economic conditions in the telecommunications, technology, transportation, healthcare, financial services and government services industries, management does not believe significant credit risk exists at December 31, 1999.

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 1998 and 1999 (in thousands):

	1998	1999
Computer equipment and software	$ 55,547	$ 75,085
Telephone equipment	7,773	12,631
Furniture and fixtures	23,350	28,880
Leasehold improvements	29,280	56,264
Other	28	1,168
	115,978	174,028
Less accumulated depreciation	(38,432)	(65,083)
	$ 77,546	$108,945

Included in the cost of property and equipment is the following equipment obtained through capitalized leases as of December 31, 1998 and 1999 (in thousands):

	1998	1999
Computer equipment and software	$ 16,928	$ 14,974
Telephone equipment	1,906	1,615
Furniture and fixtures	8,071	2,381
	26,905	18,970
Less accumulated depreciation	(14,160)	(14,377)
	$ 12,745	$ 4,593

Depreciation expense was $10.3 million, $18.3 million and $26.8 million for the years ended December 31, 1997, 1998 and 1999, respectively. Depreciation expense related to leased equipment under capital leases was $4.7 million, $5.1 million and $4.6 million for the years ended December 31, 1997, 1998 and 1999, respectively.

(4) CAPITAL LEASE OBLIGATIONS

The Company has financed property and equipment under non-cancelable capital lease obligations. Accordingly, the fair value of the equipment has been capitalized and the related obligation recorded. The average implicit interest rate on these leases was 8.3% at December 31, 1999. Interest is charged to expense at a level rate applied to declining principal over the period of the obligation.

(4) CAPITAL LEASE OBLIGATIONS (CONTINUED)

The future minimum lease payments under capitalized lease obligations as of December 31, 1999, are as follows (in thousands):

Year Ended December 31,	
2000	$ 3,358
2001	697
2002	496
	4,551
Less amount representing interest	(433)
	4,118
Less current portion	(2,421)
	$ 1,697

Interest expense on the outstanding obligations under such leases was $1,106,000, $1,015,000 and $818,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

(5) LONG-TERM DEBT

As of December 31, 1998 and 1999, long-term debt consisted of the following notes (in thousands):

	1998	1999
Note payable, interest at 8% per annum, principal and interest payable monthly, maturing May 2000	$ 58	$ --
Note payable, interest at 5% per annum, principal and interest payable quarterly, maturing December 1999	222	--
Note payable, interest at 8% per annum, principal and interest payable quarterly, maturing March 2001	1,673	1,090
Note payable, interest at 7% per annum, principal and interest payable quarterly, maturing December 1999	449	--
Note payable, interest at 8% per annum, principal and interest payable monthly, maturing January 2001	1,448	842
Note payable, interest at 5% per annum, principal and interest payable monthly, maturing November 2009	--	4,935
Note payable, interest at 7% per annum, principal and interest payable monthly, maturing July 2002	--	271
Note payable, interest at 7% per annum, principal and interest payable monthly, maturing May 2002	--	348
Other notes payable	580	404
	4,430	7,890
Less current portion	(2,285)	(2,421)
	$ 2,145	$ 5,469

(5) LONG-TERM DEBT (CONTINUED)
Annual maturities of the long-term debt are as follows (in thousands):

Year Ended December 31,	
2000	$2,421
2001	1,017
2002	648
2003	529
2004	551
Thereafter	2,724
	$7,890

(6) REVOLVING LINE OF CREDIT

In November 1998, the Company entered into a three-year unsecured revolving line of credit agreement with a syndicate of five commercial banks under which it may borrow up to $50 million. Interest is payable at various interest rates. The borrowings can be made at (a) the bank's base rate or (b) the bank's offshore rate (approximating LIBOR) plus a margin ranging from 50 to 150 basis points depending upon the Company's leverage. In addition, the Company, at its option, can elect to secure up to $25 million of the line with existing cash investments. Advances under the secured portion will be made at a margin of 22.5 basis points. At December 31, 1999, there was $18 million outstanding under this agreement. At December 31, 1998, there were no amounts outstanding under this facility. The Company is required to comply with certain minimum financial ratios under covenants in connection with the agreement described above, the most restrictive of which requires the Company to maintain a fixed charge coverage ratio of 3 to 1. Under this agreement, the Company has voluntarily pledged $15 million of short-term investments at December 31, 1999, as collateral to reduce the interest rate on short-term borrowings. The Company may at its option, elect to unsecure the borrowings at any time. As of December 31, 1998 and 1999, the Company was in compliance with all covenants under the agreement.

The Company's Canadian subsidiary has available an operating loan of CDN$2.0 million, which is due on demand and bears interest at the bank's prime rate, which was 6.75% at December 31, 1998 and 1999. The operating loan is collateralized by a general security agreement, a partial assignment of accounts receivable insurance in the amount of CDN$500,000, a partial assignment of life insurance on the former majority shareholder in the amount of CDN$400,000 and an assignment of fire insurance. As of December 31, 1998 and 1999, there was $778,000 and $1,323,000, respectively, outstanding under this operating loan.

(7) INCOME TAXES

The components of income before income taxes are as follows (in thousands):

	1997	1998	1999
Domestic	$31,325	$23,518	$41,653
Foreign	4,132	8,379	6,762
Total	$35,457	$31,897	$48,415

The components of the provision for income taxes are as follows (in thousands):

	1997	1998	1999
Current provision:			
Federal	$11,116	$ 8,297	$14,776
State	2,490	1,865	3,359
Foreign	1,686	3,768	3,609
	15,292	13,930	21,744
Deferred provision:			
Federal	(1,036)	(834)	(1,724)
State	(190)	(195)	(303)
Foreign	57	(206)	(392)
	(1,169)	(1,235)	(2,419)
	$14,123	$12,695	$19,325

The following reconciles the Company's effective tax rate to the federal statutory rate for the years ended December 31, 1997, 1998 and 1999 (in thousands):

	1997	1998	1999
Income tax expense per federal statutory rate	$12,410	$11,152	$16,945
State income taxes, net of federal deduction	1,491	1,100	1,883
Permanent differences	(100)	(315)	150
Foreign income taxed at higher rate	322	758	347
	$14,123	$12,695	$19,325

(7) INCOME TAXES (CONTINUED)

The Company's deferred income tax assets and liabilities are summarized as follows (in thousands):

	1998	1999
Deferred tax assets:		
Allowance for doubtful accounts	$1,024	$1,278
Vacation accrual	1,202	1,265
Compensation	954	1,025
Insurance reserves	644	796
State tax credits	--	502
Other	31	23
	3,855	4,889
Long-term deferred tax assets:		
Depreciation and amortization	--	550
Deferred tax liabilities:		
Depreciation and amortization	(835)	--
Net deferred income tax asset	$3,020	$5,439

A valuation allowance has not been recorded as the Company expects that all deferred tax assets will be realized in the future.

(8) COMMITMENTS AND CONTINGENCIES

LEASES. The Company has various operating leases for equipment, customer interaction centers and office space. Lease expense under operating leases was approximately $8,163,000, $12,336,000 and $15,368,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

The future minimum rental payments required under non-cancelable operating leases as of December 31, 1999, are as follows (in thousands):

Year ended December 31,	
2000	$15,469
2001	12,833
2002	10,052
2003	8,908
2004	6,890
Thereafter	30,844
	$84,996

LEGAL PROCEEDINGS. In November 1996, the Company received notice that CompuServe Incorporated (CompuServe) was withdrawing its WOW! Internet service from the marketplace and that effective January 31, 1997, it would terminate all the programs provided to CompuServe by the Company. Pursuant to the terms of its agreement with the Company, CompuServe was entitled to terminate the agreement for reasonable business purposes upon 120 days advance notice and by payment of a termination fee

(8) COMMITMENTS AND CONTINGENCIES (CONTINUED)

calculated in accordance with the agreement. In December 1996, the Company filed suit against CompuServe to enforce these termination provisions and collect the termination fee. CompuServe filed a counterclaim in December 1996 alleging that the Company breached other provisions of this agreement and seeking unspecified monetary damages. In March 1997, CompuServe asserted a right to offset, against the amount that may be awarded to CompuServe on its counterclaim, if any, certain accounts receivable it owed to the Company for services rendered. These accounts receivable totaled $4.3 million.

In mid-1997, CompuServe announced it had agreed to sell its worldwide on-line services business to America Online, Inc. and its network services business to a wholly owned subsidiary of WorldCom, Inc. In July 1999, the Company reached a settlement with CompuServe and other parties whereby the Company would receive $12.0 million in final settlement, of which $5.5 million was received on August 10, 1999, and the remainder was paid in the fourth quarter of 1999. As a result, the Company recorded a gain of $6.7 million during 1999.

(9) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing plan that covers all employees who have completed one year of service, as defined, and are 21 or older. Participants may defer up to 15% of their gross pay up to a maximum limit determined by law. Participants are always 100% vested in their contributions. Participants are also eligible for a matching contribution by the Company of 50% of the first 5% of compensation a participant contributes to the plan. Participants vest in all matching contributions over a four-year period.

(10) STOCK COMPENSATION PLANS

The Company adopted a stock option plan during 1995 and amended and restated the plan in January 1996 for directors, officers, employees, consultants and independent contractors. The plan reserves 7.0 million shares of common stock and permits the award of incentive stock options, non-qualified options, stock appreciation rights and restricted stock. Outstanding options vest over a three- to five-year period and are exercisable for 10 years from the date of grant.

In January 1996, the Company adopted a stock option plan for non-employee directors (the Director Plan), covering 750,000 shares of common stock. All options are to be granted at fair market value at the date of grant. Options vest as of the date of the option and are not exercisable until six months after the option date. Options granted are exercisable for 10 years from the date of grant unless a participant is terminated for cause or one year after a participant's death. The Director Plan had options to purchase 423,000, 418,750 and 337,500 shares outstanding at December 31, 1999, 1998 and 1997, respectively.

In July 1996, the Company adopted an employee stock purchase plan (the ESPP). Pursuant to the ESPP, an aggregate of 200,000 shares of common stock of the Company will be sold in periodic offerings to eligible employees of the Company. The price per share purchased in any offering period is equal to the lesser of 90% of the fair market value of the common stock on the first day of the offering period or on the purchase date. The offering periods have a term of six months. Contributions to the plan for the years ended December 31, 1997, 1998 and 1999 were $419,000, $334,000 and $279,000, respectively.

In February 1999, the Company adopted the TeleTech Holdings, Inc. 1999 Stock Option and Incentive Plan (the 1999 Option Plan). The purpose of the 1999 Option Plan is to enable the Company to continue to (a) attract and retain high quality directors, officers, employees and potential employees, consultants

(10) STOCK COMPENSATION PLANS (CONTINUED)

and independent contractors of the Company or any of its subsidiaries, (b) motivate such persons to promote the long-term success of the business of the Company and its subsidiaries and (c) to induce employees of companies that are acquired by TeleTech to accept employment with TeleTech following such an acquisition. The 1999 Option Plan supplements the TeleTech Holdings, Inc. Stock Plan, as amended and restated, which was adopted by the Company in January 1995.

An aggregate of 5.0 million shares of common stock have been reserved for issuance under the 1999 Option Plan and permits the award of incentive stock options, non-qualified stock options and shares of restricted common stock. The 1999 Option Plan also authorizes the award of phantom stock and appreciation rights (SARs).

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123 (SFAS 123). The FASB's SFAS 123, "Accounting for Stock Based Compensation," defines a fair value based method of accounting for an employee stock option, employee stock purchase plan or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the method of accounting prescribed by the Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in APB 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS 123 has been applied.

The Company has elected to account for its stock-based compensation plans under APB 25; however, the Company has computed, for pro forma disclosure purposes, the value of all options granted using the Black-Scholes option pricing model as prescribed by SFAS 123 and the following weighted average assumptions used for grants:

	1997	1998	1999
Risk-free interest rate	5.4%	5.2%	5.9%
Expected dividend yield	0%	0%	0%
Expected lives	3.2 years	6.0 years	5.3 years
Expected volatility	70%	70%	79%

The pro forma compensation expense was computed to be the following approximate amounts:

Year ended December 31, 1997	$4,121,000
Year ended December 31, 1998	$8,652,000
Year ended December 31, 1999	$8,196,000

(10) STOCK COMPENSATION PLANS (CONTINUED)

If the Company had accounted for these plans in accordance with SFAS 123, the Company's net income and pro forma net income per share would have been reported as follows:

NET INCOME (AMOUNTS IN THOUSANDS)

	1997	1998	1999
As reported	$21,334	$19,202	$29,090
Pro forma	$18,820	$14,010	$24,008

PRO FORMA NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

	1997	1998	1999
As reported:			
Basic	$.37	$.32	$.48
Diluted	$.35	$.31	$.46
Pro forma:			
Basic	$.32	$.23	$.39
Diluted	$.31	$.23	$.38

(10) STOCK COMPENSATION PLANS (CONTINUED)

A summary of the status of the Company's three stock option plans for the three years ended December 31, 1999, together with changes during each of the years then ended, is presented in the following table:

	SHARES	WEIGHTED AVERAGE PRICE PER SHARE
Outstanding, December 31, 1996	5,039,690	$ 5.79
Grants	880,500	17.79
Exercises	(470,272)	4.08
Forfeitures	(519,600)	9.95
Outstanding, December 31, 1997	4,930,318	7.61
Grants	3,163,074	12.03
Exercises	(249,440)	4.03
Forfeitures	(1,563,802)	13.73
Outstanding, December 31, 1998	6,280,150	8.54
Grants	6,735,643	8.40
Exercises	(768,210)	6.91
Forfeitures	(1,800,384)	10.29
Outstanding, December 31, 1999	10,447,199	8.55
Options exercisable at year-end:		
1997	1,498,425	$ 4.90
1998	2,076,578	$ 5.62
1999	2,385,596	$ 6.04
Weighted average fair value of options granted during the year:		
1997		$ 7.68
1998		$ 8.14
1999		$ 4.81

(10) STOCK COMPENSATION PLANS (CONTINUED)

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives at December 31, 1999:

EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE
$ 1.29-$ 5.00	1,594,296	$ 2.34	6
$ 5.62-$ 6.00	587,084	$ 5.88	9
$ 6.13-$ 6.13	1,380,684	$ 6.13	9
$ 6.18-$ 7.00	1,630,000	$ 6.56	9
$ 7.06-$ 9.50	1,698,273	$ 8.72	8
$ 9.56-$12.75	1,494,608	$11.50	9
$12.88-$14.50	1,507,754	$13.46	9
$15.50-$34.06	554,500	$19.43	9

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents and other current accounts receivable and payable approximate the carrying amounts due to their short-term nature. Short-term investments include primarily U.S. government Treasury bills, investments in commercial paper, short-term corporate bonds and other short-term corporate obligations. These investments are classified as held to maturity securities and are measured at amortized cost. The carrying values of these investments approximate their fair values.

Debt and long-term receivables carried on the Company's consolidated balance sheet at December 31, 1998 and 1999 have a carrying value that is not significantly different than its estimated fair value. The fair value is based on discounting future cash flows using current interest rates adjusted for risk. The fair value of the short-term debt approximates its recorded value due to its short-term nature.

(12) RELATED PARTY TRANSACTIONS

The Company has entered into agreements pursuant to which the Company uses aircraft services which Kenneth D. Tuchman, chairman of the board of the Company, has a direct or indirect beneficial interest. During 1998 and 1999, the Company paid an aggregate of $480,000 and $440,000, respectively, for use of the aircraft services.

During 1998, the Company entered into an employment agreement with Morton H. Meyerson, a director of the Company, pursuant to which Mr. Meyerson has agreed to render certain advisory and consulting services to the Company. As compensation for such services, the Company has granted to Mr. Meyerson an option with an exercise price of $9.50 per share. The option vests over five years and is subject to accelerated vesting if and to the extent that the closing sales price of the common stock during the term equals or exceeds certain levels. Under the terms of the option, the exercise price is required to be paid by delivery of TeleTech shares to the Company and provides that Mr. Meyerson will receive no more than 200,000 shares of common stock, net of the shares received by the Company for exercise consideration.

(12) RELATED PARTY TRANSACTIONS (CONTINUED)

The Company utilizes the services of EGI Risk Services, Inc. for reviewing, obtaining and/or renewing various insurance policies. EGI Risk Services, Inc. is a wholly-owned subsidiary of Equity Group Investments, Inc. Rod Dammeyer, a director of the Company, is the managing partner of Equity Group Investments, Inc., and Samuel Zell, a former director of the Company, is chairman of the board. During the years ended December 31, 1997, 1998 and 1999, the Company incurred $1,166,000, $2,288,000 and $3,521,000, respectively, for such services.

The Company provided reservation call handling services to Midway Airlines Corporation (Midway), a majority-owned subsidiary of Zell/Chilmark Fund, L.P. Samuel Zell, a former director of the Company, is an affiliate of Zell/Chilmark Fund, L.P., and Rod Dammeyer, a director of the Company and a member of the Audit Committee of the board of directors, is the managing director of Zell/Chilmark Fund, L.P. During the years ended December 31 1997, the Company charged Midway an aggregate of $841,000 for services rendered by the Company. Services to Midway were discontinued in 1997.

(13) CONTRACT ACQUISITION COSTS

In September 1998, the Company paid $10.9 million to obtain a long-term contract with a significant client in the telecommunications industry. This amount is recorded as contract acquisition cost in the accompanying balance sheet and is being amortized over the six-year term of the contract commencing with the opening of the first customer interaction center in the first quarter of 1999. Amortization expense for the year ended December 31, 1999, was $1,614,000.

(14) ACQUISITIONS

On March 18, 1999, the Company acquired 100% of the common stock of Pamet River, Inc. (Pamet) for approximately $1,821,000 in cash and 285,711 shares of common stock in the Company. Pamet is a global marketing company offering end-to-end marketing solutions by leveraging Internet and database technologies. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Pamet for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

On March 31, 1999, the Company acquired 100% of the common stock of Smart Call S.A. (Smart Call) for approximately $2,350,000 in cash including costs related to the acquisition. Smart Call is based in Buenos Aires, Argentina, and provides a wide range of customer management solutions to Latin American and multinational companies. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Smart Call for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

As a part of the Smart Call acquisition, the Company paid $300,000, including costs associated with the transaction, for the option to acquire Connect S.A. (Connect), a sister company with additional customer management systems integration capabilities. The option has been accounted for as an other asset.

On October 12, 1999, the Company acquired 100% of the common stock of Connect for approximately $2,300,000 in cash including costs related to the acquisition. The former owners of Connect will also

(14) ACQUISITIONS (CONTINUED)

be entitled to an earn-out premium based on the results of the Company's consolidated operations in Argentina in 2000. Connect is located in Buenos Aires, Argentina, and provides customer relationship management solutions to Latin American and multinational companies in a variety of industries. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 20 years. The operations of Connect for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

The previous owners of Smart Call and Connect have the ability to earn a contingent payment of between $250,000 and $2,500,000 during 2000 and 2001. The contingent payment is based on reaching revenue and profitability targets.

On December 15, 1999, the Company invested $2.5 million in a customer relationship management software company. On January 27, 2000, an additional investment of $7.1 million was made in the same customer relationship management software company. The total ownership interest after the two investments is in excess of 7%. This investment is accounted for in long-term other assets.

On February 17, 1998, the Company acquired the assets of Intellisystems, Inc. (Intellisystems) for $2.0 million in cash and 344,487 shares of common stock, which included 98,810 shares of treasury stock. Intellisystems is a leading developer of patented automated product support systems. Intellisystems' products can electronically resolve a significant percentage of customer interactions coming into customer interaction centers through telephone, Internet or fax-on-demand. The acquisition has been accounted for as a purchase.

On June 8, 1998, and June 17, 1998, the Company consummated business combinations with Digital Creators, Inc. (Digital), which included the issuance of 1,069,000 shares of Company common stock, and Electronic Direct Marketing, Ltd. (EDM), which included the obligation to issue 1,783,444 shares of Company common stock. These business combinations were accounted for as poolings of interests and, accordingly, the historical financial statements of the Company have been restated to include the financial statements of Digital and EDM for all periods presented.

The consolidated balance sheet of the Company as of December 31, 1997, includes the balance sheet of EDM for the fiscal year ended February 28, 1998. Accordingly, the Company's retained earnings have been adjusted during the quarter ended March 31, 1998, for the effect of utilizing different fiscal year-ends for this period. During 1998, the fiscal year-end of EDM has been changed from February to December to conform to the Company's year-end.

The consolidated financial statements have been prepared to give retroactive effect to the business combinations with Digital and EDM.

(14) ACQUISITIONS (CONTINUED)

The table below sets forth the results of operations of the previously separate enterprises for the period prior to the consummation of the June 1998 business combinations during the periods ended December 31, 1998 and 1997 (in thousands):

	TELETECH	DIGITAL	EDM	ADJUSTMENTS	COMBINED
1998:					
Revenues	$136,244	$2,038	$10,258	$(1,171)	$147,369
Net income	6,972	136	654	--	7,762
1997:					
Revenues	$263,477	$2,521	$14,497	$(1,438)	$279,057
Net income	20,273	276	785	--	21,334

On August 26, 1998, the Company consummated a business combination with Outsource Informatica Ltda. (Outsource), a leading Brazilian customer management provider, which included the issuance of 606,343 shares of Company common stock. This business combination was accounted for as a pooling of interests. The operations of Outsource prior to the acquisition are immaterial to all periods presented.

On December 31, 1998, the Company acquired 100% of the common stock of Cygnus Computer Associates Ltd. (Cygnus) for approximately $660,000 in cash and 324,744 shares of common stock in the Company. Cygnus is a Canadian provider of systems integration and call center solutions. The transaction has been accounted for as a purchase and goodwill will be amortized using the straight-line method over 10 years. The Company has also agreed to pay contingent consideration of up to CDN$4.8 million if Cygnus achieves certain levels of operating income in 1999 and 2000. Due to the uncertainty surrounding the achievement of these targets, none of the contingent consideration has been reflected as a liability in the accompanying financial statements. The operations of Cygnus for all periods prior to the acquisition are immaterial to the results of the Company and, accordingly, no pro forma financial information has been presented.

In May 1997, the Company acquired 100% of the common stock of Telemercadeo Integral, S.A. (TMI) for total consideration of $4.2 million, consisting of 100,000 shares of the Company's common stock and cash of $2.4 million. TMI is a customer management provider in Mexico. The acquisition was accounted for using the purchase method. The excess of cost of the acquisition over the underlying net assets of $4.4 million is being amortized using the straight-line method over 25 years.

(15) SALE OF JOINT VENTURE

On September 21, 1998, the Company sold its 50% interest in Access 24 UK to Priplan Investments, Ltd. for cash consideration of approximately $1.0 million. The Company incurred $129,000 in costs relating to the disposal of this joint venture in the third quarter 1998.

(16) QUARTERLY FINANCIAL DATA (UNAUDITED) (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 1999:				
Revenues	$110,638	$120,565	$126,131	$151,934
Income from operations	7,866	9,165	10,988	13,545
Net income	4,811	5,454	10,831	7,993
Net income per common share:				
Basic	.08	.09	.18	.13
Diluted	.08	.09	.17	.12

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 1998:				
Revenues	$ 80,244	$ 88,099	$ 92,366	$108,336
Income from operations	7,126	7,646	8,138	8,828
Net income	4,552	4,464	4,715	5,471
Net income per common share:				
Basic	.08	.07	.08	.09
Diluted	.07	.07	.08	.09

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF TELETECH HOLDINGS, INC.

	NAME OF SUBSIDIARY*	JURISDICTION OF INCORPORATION
1.	T-TEC Labs, Inc. [f/k/a TeleTech (Technology Development and Integration), Inc.]	State of Delaware
	(a) Digital Creators, Inc.	State of Colorado
	(b) Apoyo Empresarial de Servicios S. de RL de C.V.	Mexico
2.	TeleTech Customer Care Management (California), Inc. [f/k/a TeleTech Telecommunications, Inc.]	State of California
3.	TeleTech Customer Care Management (Colorado), Inc. [f/k/a TeleTech Teleservices, Inc.]	State of Colorado
4.	TeleTech Canada Inc. [f/k/a EDM Electronic Direct Marketing Ltd.]	Province of Ontario, Canada
5.	TeleTech South American Holdings, Inc	State of Delaware
	(a) TeleTech Brasil Servicios de Informatica Ltda. [f/k/a Outsource Informatica Ltda.]	Brazil
	(b) TeleTech Brasil Ltda	Brazil
	(c) Connect S.A.	Argentina
	(d) Comlink S.A.	Argentina
6.	Cygnus Computer Associates Ltd	Province of Ontario, Canada
7.	TTEC Nevada, Inc	State of Nevada
	(a) TeleTech Customer Services, Inc	State of Nevada
8.	TeleTech (UK) Limited	United Kingdom
9.	TeleTech Customer Care Management (Ireland) Ltd	Ireland
10.	TeleTech Argentina S.A.	Argentina
	(a) Smart Call S.A.	Argentina
11.	TeleTech Services Corporation	State of Colorado
	(a) TeleTech Mexico S.A. de C.V. [f/k/a Telemercadeo Integral, S.A. de C.V.]	Mexico
	(b) TeleTech Financial Services Management, Inc	State of Delaware

NAME OF SUBSIDIARY*	JURISDICTION OF INCORPORATION
(c) TeleTech Facilities Management (Postal Customer Support), Inc.	State of Delaware
(d) TeleTech Facilities Management (Parcel Customer Support), Inc.	State of Delaware
(e) TeleTech Health Services Management, Inc.	State of Delaware
(f) TeleTech Customer Care Management (West Virginia), Inc.	State of West Virginia
(g) TeleTech Customer Care Management (New York), Inc.	State of New York
(h) TeleTech Customer Care Management, Inc.	State of Delaware
(i) TeleTech Customer Care Management (Pennsylvania), Inc.	State of Pennsylvania
(j) TeleTech Customer Care Solutions (Japan), Inc.	State of Delaware
(k) TeleTech Customer Care Management (General), Inc. [f/k/a Maxwell Leasing Company, Inc.]	State of Delaware
(l) TeleTech Customer Care Management (Telecommunications), Inc.	State of Delaware
(m) TeleTech Customer Care Management (Texas), Inc.	State of Texas
(n) TeleTech Customer Care Management (South America), Inc.	State of Delaware
(o) TeleTech Customer Care Management (GS), Inc.	State of Delaware
(p) TeleTech Financial Services Management (WV), Inc.	State of Delaware
(q) Pamet River, Inc.	State of Delaware
(r) TeleTech International Pty Ltd [f/k/a Access 24 Pty Limited]	New South Wales, Australia
(i) TeleTech Ltd (NZ)	New Zealand
(ii) High Performance Healthcare Pty Ltd	Queensland, Australia
(iii) High Performance Healthcare Ltd (NZ)	New Zealand
(iv) TeleTech Customer Management Pte Ltd	Singapore

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* Each of the subsidiaries conducts business under its legal corporate name listed above.

EXHIBIT 23.1

ARTHUR ANDERSEN

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference to our Report included in this Form 10-K, into TeleTech Holdings, Inc.'s previously filed Registration Statement File Nos. 333-82405 and 333-78477.

/s/ Arthur Andersen

Denver, Colordo
March 28, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TELETECH HOLDINGS, INC.'S 1999 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K FILING.

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