FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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

For the quarterly period ended: June 30, 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)	(I.R.S. Employer Identification No.)
1700 LINCOLN STREET, SUITE 1400 DENVER, COLORADO	80203
(Address of principal executive office)	(Zip Code)

(303) 894-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

YES X NO ___

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

Class of Common Stock	Outstanding at August 1, 1999
Common Stock, par value $.01 per share	61,153,953

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q

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Item 1.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

ASSETS	DECEMBER 31, 1998	JUNE 30, 1999 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,796	$ 10,223
Short-term investments	37,082	34,113
Accounts receivable, net of allowance for doubtful accounts of $2,900 and $3,296, respectively	68,830	70,584
Prepaids and other assets	2,811	3,967
Deferred tax asset	3,855	3,909
Total current assets	121,374	122,796
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $38,432 and $50,268, respectively	77,546	97,813
OTHER ASSETS:		
Long-term accounts receivable	4,274	6,575
Goodwill, net of accumulated amortization of $1,599 and $2,328, respectively	15,022	19,736
Contract acquisition cost, net of accumulated amortization of zero and $706, respectively	10,900	10,194
Other assets	1,794	1,964
Total assets	$230,910	$259,078

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1998	JUNE 30, 1999 (Unaudited)
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 7,989	$ 6,905
Bank overdraft	778	1,277
Accounts payable	11,814	5,573
Accrued employee compensation	18,134	19,174
Accrued income taxes	4,191	2,128
Other accrued expenses	11,520	14,257
Customer advances, deposits and deferred income	3,803	4,061
Total current liabilities	58,229	53,375
DEFERRED TAX LIABILITIES	835	1,026
LONG-TERM DEBT, net of current portion:		
Capital lease obligations	4,208	3,025
Line of credit	--	22,000
Other debt	2,145	919
Total liabilities	65,417	80,345
STOCKHOLDERS' EQUITY:		
Common stock; $.01 par value; 150,000,000 shares authorized; 60,769,724 and 61,132,607 shares, respectively, issued and outstanding	606	610
Additional paid-in capital	111,080	113,375
Accumulated other comprehensive income	(1,610)	(934)
Retained earnings	55,417	65,682
Total stockholders' equity	165,493	178,733
Total liabilities and stockholders' equity	$230,910	$259,078

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1999
REVENUES	$88,099	$120,565
OPERATING EXPENSES:		
Costs of services	57,295	79,835
Selling, general and administrative Expenses	23,158	31,565
Total operating expenses	80,453	111,400
INCOME FROM OPERATIONS	7,646	9,165
OTHER INCOME (EXPENSE):		
Interest expense	(231)	(477)
Interest income	830	648
Equity in income of affiliate	72	--
Business combination expenses	(881)	--
Other	(57)	(170)
	(267)	1
INCOME BEFORE INCOME TAXES	7,379	9,166
Provision for income taxes	2,915	3,712
NET INCOME	$ 4,464	$ 5,454
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	59,696	61,095
Diluted	62,373	62,692
NET INCOME PER SHARE		
Basic	$ .07	$ .09
Diluted	$ .07	$ .09

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
REVENUES	$168,343	$231,203
OPERATING EXPENSES:		
Costs of services	109,151	154,203
Selling, general and administrative Expenses	44,420	59,969
Total operating expenses	153,571	214,172
INCOME FROM OPERATIONS	14,772	17,031
OTHER INCOME (EXPENSE):		
Interest expense	(533)	(894)
Interest income	1,720	1,202
Equity in income of affiliate	86	--
Business combination expenses	(881)	--
Other	(152)	(104)
	240	204
INCOME BEFORE INCOME TAXES	15,012	17,235
Provision for income taxes	5,996	6,970
NET INCOME	$ 9,016	$ 10,265
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	59,696	60,933
Diluted	62,373	62,371
NET INCOME PER SHARE		
Basic	$ .15	$ .17
Diluted	$ .14	$ .16

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$9,016	$10,265
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,868	13,983
Allowance for doubtful accounts	237	311
Deferred income taxes	(149)	(64)
Equity in income of affiliate	(86)	--
Deferred compensation expense	64	--
Changes in assets and liabilities:		
Accounts receivable	(10,558)	(1,005)
Prepaids and other assets	166	(2,207)
Accounts payable and accrued expenses	1,803	(5,391)
Customer advances, deposits and deferred income	(364)	(130)
Net cash provided by operating activities	8,997	15,762
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(14,935)	(30,835)
Purchase of Intellisystems	(2,000)	--
Purchase of Pamet River, net of $339 cash acquired	--	(1,462)
Purchase of Smart Call	--	(2,590)
Changes in accounts payable and accrued liabilities related to investing activities	(762)	(55)
Decrease in short-term investments	9,439	2,969
Net cash used in investing activities	(8,258)	(31,973)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in bank overdraft	--	499
Net increase in line of credit	1,715	22,000
Payments on long-term debt and capital leases	(2,326)	(3,546)
Proceeds from exercise of stock options	1,565	545
Net cash provided by financing activities	954	19,498
Effect of exchange rate changes on cash	(1,187)	(1,860)
NET INCREASE IN CASH AND CASH EQUIVALENTS	506	1,427
CASH AND CASH EQUIVALENTS, beginning of period	7,338	8,796
CASH AND CASH EQUIVALENTS, end of period	$ 7,844	$ 10,223

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE (1)--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of TeleTech Holdings, Inc. and subsidiaries as of June 30, 1999 and 1998 and for the periods then ended. Operating results for the three and six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1998.

NOTE (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 deferred income taxes. There are no significant transactions between the reported segments for the periods presented. The Company's three largest clients accounted for 49% of consolidated revenue for the three months ended June 30, 1999 as compared to 45% for the three months ended June 30, 1998. Due to the declines in operating income caused largely by the capacity utilization in several of the Company's North American shared customer interaction centers, these large clients contribution to the operating income of the Company has also increased from prior periods.

(in thousands)	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1999
REVENUES:		
Outsourced	$ 45,484	$ 72,530
Facilities Management	22,262	20,399
International Outsourced	18,429	20,690
Corporate Activities	1,924	6,946
Total	$ 88,099	$120,565
INCOME (LOSS) FROM OPERATIONS:		
Outsourced	$ 7,982	$ 16,801
Facilities Management	3,316	1,406
International Outsourced	2,266	532
Corporate Activities	(5,918)	(9,574)
Total	$ 7,646	$ 9,165

(in thousands)	SIX MONTHS ENDED JUNE 30, 1998	1999
REVENUES:		
Outsourced	$ 89,414	$138,776
Facilities Management	39,590	40,733
International Outsourced	35,779	38,826
Corporate Activities	3,560	12,868
Total	$168,343	$231,203
INCOME (LOSS) FROM OPERATIONS:		
Outsourced	$ 16,754	$ 30,555
Facilities Management	5,415	3,054
International Outsourced	3,550	1,132
Corporate Activities	(10,947)	(17,710)
Total	$ 14,772	$ 17,031

(in thousands)	BALANCE AS OF DECEMBER 31 1998	JUNE 30, 1999
ASSETS:		
Outsourced Assets	$101,105	$120,605
Facilities Management Assets	18,121	17,478
International Outsourced Assets	57,567	58,310
Corporate Activities Assets	54,117	62,685
Total	$230,910	$259,078
GOODWILL:		
International Outsourced Goodwill, Net	$ 6,803	$ 9,059
Corporate Activities Goodwill, Net	8,219	10,677
Total	$ 15,022	$ 19,736

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

	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1999
REVENUES:		
United States	$ 64,232	$ 95,062
Australia	8,535	13,228
Canada	11,126	7,484
Rest of world	4,206	4,791
Total	$ 88,099	$120,565

	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
REVENUES:		
United States	$126,777	$182,653
Australia	17,725	23,947
Canada	17,380	16,404
Rest of world	6,461	8,199
Total	$168,343	$231,203

NOTE (3)--SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES (IN THOUSANDS):

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1999
Cash paid for interest	$ 533	$ 894
Cash paid for income taxes	$ 5,218	$ 9,033
Noncash investing and financing activities:		
Stock issued in purchase of Intellisystems	$ 3,389	$ --
Stock issued in purchase of Pamet River, Inc.	$ --	$ 1,753

NOTE (4)--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 service and systems integration capabilities. The option has been accounted for as an other asset. TeleTech may be required to purchase Connect for $4.3 million to $4.8 million in total consideration if Connect achieves certain operating objectives.

NOTE (5)--COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). The purpose of SFAS 130 is to report a measure of all changes in equity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. The only item of other comprehensive income reported by the Company is the cumulative translation adjustment.

The Company's comprehensive income for the three and six months ended June 30, 1998 and 1999 was as follows (in thousands):

	Three Months Ended June 30,	
	1998	1999
Net income for the period	$ 4,464	$ 5,454
Change in cumulative translation adjustment	(747)	558
Comprehensive income	$ 3,717	$ 6,012

	Six Months Ended June 30,	
	1998	1999
Net income for the period	$ 9,016	$ 10,265
Change in cumulative translation adjustment	(567)	676
Comprehensive income	$ 8,449	$ 10,941

NOTE (6)--SUBSEQUENT EVENT

In July 1999, the Company reached a settlement on the litigation with CompuServe and other parties whereby the Company will receive $12.0 million in final settlement, of which $5.5 million was received on August 10, 1999 and the remainder will be paid in the fourth quarter of 1999 (See "Part II. Other Information, Item 1. Legal Proceedings.")

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations in this Form 10-Q should be read in conjunction with the risk factors included in the Company's Form 10-K for the year ended December 31, 1998. Specifically, the Company has experienced, and in the future could experience, quarterly variations in revenues and earnings as a result of a variety of factors, many of which are outside the Company's control, including: the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; the timing of increased expenses resulting from addressing potential Year 2000 problems; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company has concentrated its marketing efforts towards obtaining larger, more complex, strategic customer care programs. As a result, the time required to negotiate and execute an agreement with the client has increased. This may lead to short-term delays in the anticipated start-up of new client programs and in the Company achieving full capacity utilization.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THREE MONTHS ENDED JUNE 30, 1998

Total consolidated revenues increased $32.5 million or 37% to $120.6 million for the three months ended June 30, 1999 from $88.1 million for the three months ended June 30, 1998. Revenues from the Company's Outsourced segment increased $27.0 million to $72.5 million for the three months ended June 30, 1999 from $45.5 million for the three months ended June 30, 1998. This increase resulted from $9.2 million in revenues from new client programs and $28.3 million in increased revenue from existing client programs. Included in the increased revenue from new programs is approximately $850,000 of revenues related to the resolution of client billings that related to services provided in the first quarter of 1999. Contract expirations and other client reductions offset these increases. Revenues for the three months ended June 30, 1999 include $20.4 million from the Facilities Management segment as compared with $22.3 million for the three months ended June 30, 1998. This decrease is due to reduced volumes in one of the Company's Facilities Management contracts. Revenues from the Company's International Outsourced segment increased $2.3 million to $20.7 million for the three months ended June 30, 1999 from $18.4 million for the three months ended June 30, 1998. This increase is primarily due to increased revenue from existing clients in Australia offset by declines in volumes and capacity utilization in Canada and Mexico. Revenues from the Corporate Activities segment (which includes technology-related revenues) increased $5.0 million to $6.9 million for the three months ended June 30, 1999 from $1.9 million for the three months ended June 30, 1998. This is primarily related to revenues from the Cygnus and Pamet River acquisitions completed in the fourth quarter of 1998 and the first quarter of 1999, respectively.

Costs of services increased $22.5 million, or 39%, to $79.8 million for the three months ended June 30, 1999 from $57.3 million for the three months ended June 30, 1998. Costs of services as a percentage of revenues increased from 65.0% for the three months ended June 30, 1998 to 66.2% for the three months ended June 30, 1999. This is primarily due to the decreased revenues in the Facilities Management segment that results in higher costs of services as a percentage of revenues. Also, increased revenues in several large client programs as they matured through the start-up phase caused a change in the revenue and service mix and resulted in cost of services as a higher percentage of revenues.

Selling, general and administrative expenses increased $8.4 million, or 36% to $31.6 million for the three months ended June 30, 1999 from $23.2 million for the three months ended June 30, 1998. Selling, general and administrative expenses as a percentage of revenues decreased slightly from 26.3% for the three months ended June 30, 1998 to 26.2% for the three months ended June 30, 1999. Normally, the Company would expect selling, general and administrative expenses as a percentage of revenue to decline in periods of significant revenue increases as occurred in the second quarter of 1999. However, selling, general and administrative expenses were negatively impacted in the second quarter of 1999 due to decreased capacity utilization in the Company's North American shared customer interaction centers.

As a result of the foregoing factors, income from operations increased $1.5 million or 20%, to $9.2 million for the three months ended June 30, 1999 from $7.6 million for the three months ended June 30, 1998. Operating income as a percentage of revenues decreased from 8.7% for the three months ended June 30, 1998 to 7.6% for the three months ended June 30, 1999. Income from operations from the Company's Outsourced segment increased $8.8 million to $16.8 million for the three months ended June 30, 1999 from $8.0 million for the three months ended June 30, 1998. Income from operations as a percentage of revenue for the outsourced segment increased from 17.5% for the three months ended June 30, 1998 to 23.2% for the three months ended June 30, 1999. This increase resulted from significant increases in revenues in several large client programs offset by excess capacity in several customer interaction centers. Income from operations for the three months ended June 30, 1999 includes approximately $1.4 million from the Facilities Management segment as compared with $3.3 million for the three months ended June 30, 1998. Income from operations as a percentage of revenue for the Facilities Management segment decreased from 14.9% for the three months ended June 30, 1999 to 6.9% for the three months ended June 30, 1998. This decrease resulted primarily from decreased volumes and increased healthcare costs in one of the Company's Facilities Management contracts. Income from operations in the Company's International Outsourced segment decreased $1.7 million to $532,000 for the three months ended June 30, 1999 from $2.3 million for the three months ended June 30, 1998. Income from operations as a percentage of revenue for the International Outsourced segment decreased from 12.3% for the three months ended June 30, 1999 to 2.6% for the three months ended June 30, 1998. This decrease resulted primarily from lower volumes in Canada and Mexico resulting in decreased capacity utilization. The operating loss from operations from the Corporate Activities segment (which includes technology-related operations) increased $3.7 million to $9.6 million for the three months ended June 30, 1999 from $5.9 million for the three months ended June 30, 1998. This increase is primarily related to the increased expenses resulting from the Company's significant growth over the period and the Company's increased investment in technology. The Company's three largest clients accounted for 49% of the Company's revenues for the three months ended June 30, 1999. Due to the declines in operating income caused largely by the capacity utilization in several of the Company's North American shared customer interaction centers, these large clients contribution to the operating income of the Company has increased from prior periods.

Other income totaled $1,000 for the three months ended June 30, 1999 compared with a $267,000 loss during the three months ended June 30, 1998. This is primarily related to a decrease in business combination expenses and investment income offset by an increase in interest expense due to the borrowings on the line of credit.

As a result of the foregoing factors, net income increased $990,000 or 22.2%, to $5.5 million for the three months ended June 30, 1999 from $4.5 million for the three months ended June 30, 1998.

SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO SIX MONTHS ENDED JUNE 30, 1998

Revenues increased $62.9 million or 37% to $231.2 million for the six months ended June 30, 1999 from $168.3 million for the six months ended June 30, 1998. Revenues from the Company's Outsourced segment increased $49.4 million to $138.8 million for the six months ended June 30, 1999 from $89.4 million for the six months ended June 30, 1998. This increase resulted from $16.7 million in revenues from new client programs and $40.2 million in increased revenue from existing client programs. Revenues for the six months ended June 30, 1999 include $40.7 million from the Facilities Management segment as compared with $39.6 million for the six months ended June 30, 1998. Revenues from the Company's International Outsourced segment increased $3.0 million to $38.8 million for the six months ended June 30, 1999 from $35.8 million for the six months ended June 30, 1998. This increase is primarily due to increased revenue from existing clients in Australia offset by declines in volumes and capacity utilization in Canada and Mexico. Revenues from the Corporate Activities segment (which includes technology-related revenues) increased $9.3 million to $12.9 million for the six months ended June 30, 1999 from $3.6 million for the six months ended June 30, 1998. This is primarily related to revenues from the Cygnus and Pamet River acquisitions completed in the fourth quarter of 1998 and the first quarter of 1999, respectively.

Costs of services increased $45.1 million, or 41%, to $154.2 million for the six months ended June 30, 1999 from $109.2 million for the six months ended June 30, 1998. Costs of services as a percentage of revenues increased from 64.8% for the six months ended June 30, 1998 to 66.7% for the six months ended June 30, 1999. This is primarily a result of increased revenues in several large client programs as they matured through the start-up phase caused a change in the revenue and service mix and resulted in cost of services as a higher percentage of revenues.

Selling, general and administrative expenses increased $15.5 million, or 35% to $60.0 million for the six months ended June 30, 1999 from $44.4 million for the six months ended June 30, 1998. Selling, general and administrative expenses as a percentage of revenues decreased from 26.4% for the six months ended June 30, 1998 to 25.9% for the six months ended June 30, 1999. While the Company expects selling, general and administrative expenses as a percentage of revenue to decline in periods of significant revenue increases as occurred in the second quarter of 1999, selling, general and administrative expenses were negatively impacted in the first half of 1999 due to decreased capacity utilization in the Company's North American shared customer interaction centers.

As a result of the foregoing factors, income from operations increased $2.3 million or 15%, to $17.0 million for the six months ended June 30, 1999 from $14.8 million for the six months ended June 30, 1998. Operating income as a percentage of revenues decreased from 8.8% for the six months ended June 30, 1998 to 7.4% for the six months ended June 30, 1999. Income from operations from the Company's outsourced segment increased $13.8 million to $30.6 million for the six months ended June 30, 1999 from $16.8 million for the six months ended June 30, 1998. Income from operations as a percentage of revenue for the Outsourced segment increased from 18.7% for the six months ended June 30, 1998 to 22.0% for the three months ended June 30, 1999. This increase resulted from significant increases in revenues in several large client programs offset by excess capacity in several customer interaction centers. Income from operations for the six months ended June 30, 1999 includes approximately $3.1 million from the Facilities Management segment as compared with $5.4 million for the six months ended June 30, 1998. Income from operations as a percentage of revenue for the Facilities Management segment decreased from 13.7% for the six months ended June 30, 1999 to 7.5% for the six months ended June 30, 1998. This decrease resulted primarily from decreased volumes and increased healthcare costs in one of the Company's Facilities Management contracts. Income from operations from the Company's International Outsourced segment decreased $2.4 million to $1.1 million for the six months ended June 30, 1999 from $3.5 million for the six months ended June 30, 1998. Income from operations as a percentage of revenue for the International Outsourced segment decreased from 9.9% for the six months ended June 30, 1999 to 2.9% for the six months ended June 30, 1998. This decrease resulted primarily from lower volumes in Canada and Mexico resulting in decreased capacity utilization. The loss from operations from the Corporate Activities segment (which includes technology-related operations) increased $6.8 million to $17.7 million for the six months ended June 30, 1999 from $10.9 million for the six months ended June 30, 1998. This increase is primarily related to the increased expenses resulting from the Company's significant growth over the period and the Company's increased investment in technology.

Other income totaled $204,000 for the six months ended June 30, 1999 compared with $240,000 during the six months ended June 30, 1998. Other expense in 1998 included $881,000 in expenses related to business combinations. Exclusive of the business combination expenses other income decreased $917,000 resulting from decreased investment income of $518,000 resulting from the decrease in cash investments from $60.2 million at June 30, 1998 to $34.1 million at June 30, 1999 and increased interest expense resulting from the increased borrowings at June 30, 1999.

As a result of the foregoing factors, net income increased $1.2 million or 13.9%, to $10.3 million for the six months ended June 30, 1999 from $9.0 million for the six months ended June 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 1999 the Company had cash and cash equivalents of $10.2 million and short-term investments of $34.1 million. Cash provided by operating activities was $15.8 million for the six months ended June 30, 1999, which primarily resulted from income from operations and increased collections of accounts receivable during the period.

Cash used in investing activities was $32.0 million for the six months ended June 30, 1999 resulting primarily from $30.8 million in capital expenditures, $1.5 million toward the purchase of Pamet River and $2.6 million toward the purchase of Smart Call (see Note 4 accompanying the condensed financial statements), offset in part by a decrease of $3.0 million in short term investments.

Cash provided by financing activities was $19.5 million resulting from the increase in borrowings of $22.0 million offset in part by pay downs of capital leases and other debt.

The Company has a $50.0 million unsecured revolving line of credit with a syndicate of five banks. The Company also has the option to secure at any time up to $25.0 million of the line with 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. Borrowings under this agreement totaled $22.0 million at June 30, 1999 of which $15.0 million was secured at the Company's option with temporary short term investments disclosed on the balance sheet. Interest rates under these borrowings averaged 5.5% at June 30, 1999. Under this line of credit, the Company has agreed to maintain certain financial ratios and capital expenditure limits. The Company is in compliance with all covenants of this agreement as of June 30, 1999.

The Company currently expects total capital expenditures in 1999 to be approximately $50 to $60 million of which $30.8 million was expended in the first six months. The Company believes that existing cash on hand and available borrowings under the line of credit together with cash from operations will be sufficient to finance the Company's operations, planned capital expenditures and anticipated growth through 1999.

POTENTIAL YEAR 2000 PROBLEMS

The Year 2000 problem results from date-sensitive computer programs being written using two digits, rather than four digits, to define the applicable year. Computer programs that are not Year 2000 compliant will be unable, for example, to determine whether date references to "00" refers to the year 1900 or 2000. Determining whether the Company's and its clients' systems are Year 2000 compliant is critical because the Company utilizes a significant number of software programs and operating systems throughout its organization, and the Company's systems regularly interface with the various information systems of its clients. The Company's or its clients' failure to detect and remediate Year 2000 related problems in its or their computer and information systems could have a material adverse effect on the business, results of operations or financial condition of the Company.

The Company, in conjunction with an outside consulting firm, has implemented a multiphased program to inventory, assess, remediate and test its systems for Year 2000 compliance (the "Program"). The Company has completed the enterprisewide inventory, assessment and analysis and the target date for the completion of the remediation associated with the Year 2000 issues is September 1999. The targeted completion date includes addressing the technology and non-technology interfaces with its clients and suppliers.

The consulting firm works with full-time Company employees who are dedicated to the Program. The assessments completed to date have 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 has been completed and only minor remediation has been required. The Company anticipates that the need for software conversion caused by Year 2000 issues will not be significant, given the Company's extensive use of off-the-shelf products.

Although the Company has completed its assessment of its internal systems, many of the Company's client programs interact with and are at least partially dependent upon the clients' internal computer systems. The Company has sought representations from each of its clients as to the Year 2000-compliance status of its systems. The Company has only received positive responses from three of its clients, which represent less than 10% of the Company's consolidated revenues, the remainder of the clients are indicated that they are in process of reviewing these systems. The Company will continue to monitor the progress of its clients and is in the process of developing contingency plans for each client program in the event that clients' systems experience Year 2000 problems.

While the cost to address Year 2000 issues continues to be developed as the project nears completion, the Company currently anticipates that the total cost of assessment and remediation will be between $5 million and $6 million. Of this total approximately 70% is anticipated to be new capital expenditures to replace non-compliant computer hardware and software. For the six months ended June 30, 1999, the Company has incurred approximately $3.0 million in inventory, assessment and remediation and equipment and software replacement work on Year 2000 issues. Of this amount, $1.1 million was expensed in the accompanying statement of operations ($500,000 related to the second quarter of 1999) and were funded through cash flow from operations. The remaining expenditures in 1999 will be funded primarily through cash flow from operations and available cash on hand.

FORWARD-LOOKING STATEMENTS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and

Results of Operations" or elsewhere in this quarterly report, that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements include (i) the expectation that selling, general, and administrative expenses will decline in periods of significant revenue increases; (ii) the anticipated level of capital expenditures for 1999; (iii) the Company's belief that existing cash, available borrowings and cash from operations will be sufficient to finance the Company's near term operations; (iv) the Company's estimate of the impact of the Year 2000 issues; (v) the Company's belief that near-term interest rate fluctuations will not result in a material effect on future earnings, fair values or cash flows of the Company; (vi) the Company's belief that foreign currency rate fluctuations may positively or negatively affect revenues and net income attributable to the Company's foreign subsidiaries; and (vii) statements relating to the Company or its operations that are preceded by terms such as "anticipates", "expects", "believes" and similar expressions.

The Company's actual results, performance or achievements may differ materially from those implied by such forward-looking statements as a result of various factors, including the following: TeleTech's agreements with its clients do not ensure that TeleTech will generate a specific level of revenue and may be canceled by the clients on short notice. The amount of revenue TeleTech generates from a particular client is dependent upon customers' interest in and use of the client's products or services, some of which are recently introduced or untested. The loss of a significant client or the termination or completion of a significant client program may have a material adverse effect on TeleTech's capacity utilization and results of operations. There can be no assurance that the Company will be successful in integrating acquired companies into the Company's existing businesses, or that any completed acquisition will enhance the Company's business, results of operations or financial condition. There are certain risks inherent in conducting international business, including without limitation exposure to currency fluctuations, longer payment cycles and greater difficulties in accounts receivable collection.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FOR THE SIX MONTHS ENDED JUNE 30, 1999

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 June 30, 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 June 30, 1999, there was approximately $25 million in borrowings subject to interest rate risk. The Company monitors interest rates frequently and has sufficient cash balances 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. The substantial majority of 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in the Company's 1998 Annual Report on Form 10-K, in late November 1996, CompuServe notified TeleTech that CompuServe was withdrawing its WOW! Internet service from the marketplace and that effective January 31, 1997, it would terminate all the programs TeleTech provided to CompuServe. Pursuant to its agreement with TeleTech, CompuServe was entitled to terminate the agreement for reasonable business purposes upon 120 days' advance notice and payment to TeleTech of a termination fee calculated in accordance with the agreement. In December 1996, TeleTech filed suit against CompuServe in the Federal District Court for the Southern District of Ohio 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 certain accounts receivable it owes to the Company for services rendered against the amount that may be awarded to CompuServe on its counterclaim, if any. These accounts receivable total $4.3 million. 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 will be paid in the fourth quarter of 1999.

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 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

27.1 Financial Data Schedule

SIGNATURES

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

TELETECH HOLDINGS, INC.
(Registrant)

Date: August 11, 1999

/s/ Kenneth D. Tuchman
Kenneth D. Tuchman
Chairman of the Board, and Chief Executive Officer

Date: August 11, 1999

/s/ Steven B. Coburn
Steven B. Coburn, Chief Financial Officer

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

6-MOS
DEC-31-1999
JUN-30-1999
10,223
34,113
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