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

Form 10-Q

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from to

Commission File Number 0-21055

TeleTech Holdings, Inc.
(Exact name of Registrant as specified in its charter)

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

9197 South Peoria Street
Englewood, Colorado 80112
(Address of principal executive offices)

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

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 November 12, 2001
Common Stock, par value $.01 per share	76,394,951

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q

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Item 1.

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

	September 30, 2001	December 31, 2000
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 67,040	$ 58,797
Investment in available-for-sale securities	1,288	16,774
Short-term investments	3,964	8,904
Accounts receivable, net	161,510	193,351
Prepaids and other assets	22,963	17,737
Deferred tax asset	16,395	5,858
Total current assets	273,160	301,421
PROPERTY AND EQUIPMENT, net	182,915	178,760
OTHER ASSETS:		
Long-term accounts receivable	3,550	3,749
Goodwill, net	41,236	41,311
Contract acquisition cost, net	13,434	15,335
Deferred tax asset	8,930	1,862
Other assets	33,898	38,461
Total assets	$ 557,123	$ 580,899
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 6,077	$ 12,529
Accounts payable	10,788	19,740
Accrued employee compensation and benefits	40,438	41,177
Accrued income taxes	439	21,946
Accrued loss on closure of customer interaction center	3,751	--
Accrued restructuring charges	5,617	--
Other accrued expenses	31,430	29,885
Customer advances, deposits and deferred income	12,554	3,021
Contract prepayments received	10,013	--
Total current liabilities	121,107	128,298
LONG-TERM DEBT, net of current portion:		
Line of credit	73,500	62,000
Capital lease obligations	4,948	7,943
Other long-term debt	4,608	4,963
Other liabilities	2,323	1,521
Total liabilities	206,486	204,725
MINORITY INTEREST	14,046	12,809
STOCKHOLDERS' EQUITY:		
Stock purchase warrants	5,100	5,100
Common stock; $.01 par value; 150,000,000 shares authorized; 76,367,930 and 74,683,858 shares, respectively, issued and outstanding	764	747
Additional paid-in capital	206,735	200,268
Accumulated other comprehensive income (loss)	(19,787)	4,828
Deferred compensation	(138)	(603)
Notes receivable from stockholders	(283)	(283)
Retained earnings	144,200	153,308
Total stockholders' equity	336,591	363,365
Total liabilities and stockholders' equity	$ 557,123	$ 580,899

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUES	$ 222,818	$ 231,806	$ 685,909	$ 641,507
OPERATING EXPENSES:				
Costs of services	143,141	144,498	439,285	412,223
Selling, general and administrative expenses	48,001	51,227	154,650	133,860
Depreciation and amortization	15,423	13,058	44,811	34,113
Restructuring charges	5,997	--	18,515	--
Loss on closure of customer interaction center or subsidiary	--	3,419	7,733	3,419
Loss on real estate held for sale	--	--	7,000	--
Total operating expenses	212,562	212,202	671,994	583,615
INCOME FROM OPERATIONS	10,256	19,604	13,915	57,892
OTHER INCOME (EXPENSE):				
Interest, net	(1,356)	622	(2,987)	558
Other than temporary decline in value of equity investment	--	--	(16,500)	--
Share of losses on equity investment	(3,536)	--	(4,187)	--
Gain on sale of securities	--	32,120	147	44,851
Other	(1,215)	426	(2,947)	497
	(6,107)	33,168	(26,474)	45,906
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	4,149	52,772	(12,559)	103,798
Provision (benefit) for income taxes	1,637	19,864	(4,688)	37,610
INCOME (LOSS) BEFORE MINORITY INTEREST	2,512	32,908	(7,871)	66,188
Minority interest	(386)	(526)	(1,237)	(925)
NET INCOME (LOSS)	$ 2,126	$ 32,382	$ (9,108)	$ 65,263
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	76,336	74,287	75,537	73,877
Diluted	76,863	79,517	75,537	79,155
NET INCOME (LOSS) PER SHARE:				
Basic	$ .03	$ .44	$ (.12)	$ .88
Diluted	$ .03	$ .41	$ (.12)	$ .82

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

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

	Nine Months Ended September 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (9,108)	$ 65,263
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	44,811	34,113
Minority interest	1,237	925
Allowance for doubtful accounts	4,413	1,808
Gain on sale of securities	(147)	(44,851)
Loss on closure of customer interaction center or subsidiary	7,733	3,419
Loss on real estate held for sale	7,000	--
Other than temporary decline in value of equity investment	16,500	--
Share of losses on equity investment	4,187	--
Net gain on asset dispositions	--	(545)
Deferred charges	(9,607)	(1,174)
Noncash deal costs	--	1,800
Tax benefit from stock option exercises	1,749	7,886
Changes in assets and liabilities:		
Accounts receivable	20,851	(84,001)
Prepaids and other assets	(8,148)	(1,337)
Accounts payable and accrued expenses	(21,590)	20,064
Customer advances, deposits and deferred income	16,488	(3,285)
Net cash provided by operating activities	76,369	85
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(47,169)	(81,475)
Contract acquisition costs	--	(4,389)
Investment in customer relationship management software company	--	(7,989)
Proceeds from minority interest in subsidiary	--	5,100
Proceeds from sale of available-for-sale securities	801	50,634
Investment in real estate held for sale	(23,904)	--
Changes in other assets related to investing activities	(9,447)	(3,620)
Net decrease in short-term investments	4,939	6,503
Proceeds from sale of assets	--	5,400
Other	--	(578)
Net cash used in investing activities	(74,780)	(30,414)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in lines of credit	11,500	37,000
Proceeds from long-term debt	--	5,909
Payments on long-term debt	(9,059)	(1,799)
Payments on capital lease obligations	(1,491)	(3,277)
Distributions to shareholders	--	(1,171)
Proceeds from issuance of common stock	--	279
Proceeds from exercise of stock options and warrants	5,083	10,354
Net cash provided by financing activities	6,033	47,295
Effect of exchange rate changes on cash	621	(3,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,243	13,633
CASH AND CASH EQUIVALENTS, beginning of period	58,797	22,077
CASH AND CASH EQUIVALENTS, end of period	$ 67,040	$ 35,710

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

(1) BASIS OF PRESENTATION

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

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

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

(2) EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management has not yet determined the effect SFAS No. 143 will have on its financial position, if any.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of." SFAS No. 144 also supersedes the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 also amends APB No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The provisions of this statement are generally to be applied prospectively. Management has not yet determined the effect SFAS No. 144 will have on its financial position, if any.

(3) SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

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

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

	Three Months Ended September 30,	
	2001	2000
	(in thousands)	
Revenues:		
Domestic outsourcing	$ 111,206	$ 124,219
International outsourcing	94,607	85,603
Database marketing and consulting	17,598	19,090
Corporate activities	(593)	2,894
Total	$ 222,818	$ 231,806
Operating Income (Loss):		
Domestic outsourcing	$ 16,639	$ 24,401
International outsourcing	14,521	15,685
Database marketing and consulting	2,011	2,589
Corporate activities	(22,915)	(23,071)
Total	$ 10,256	$ 19,604

	Nine Months Ended September 30,	
	2001	2000
	(in thousands)	
Revenues:		
Domestic outsourcing	$ 349,748	$ 356,451
International outsourcing	284,119	216,295
Database marketing and consulting	53,051	59,687
Corporate activities	(1,009)	9,074
Total	$ 685,909	$ 641,507
Operating Income (Loss):		
Domestic outsourcing	$ 42,007	$ 71,655
International outsourcing	46,971	32,702
Database marketing and consulting	6,092	6,053
Corporate activities	(81,155)	(52,518)
Total	$ 13,915	$ 57,892

	Balance as of	
	September 30, 2001	December 31, 2000
	(in thousands)	
Assets:		
Domestic outsourcing	$147,990	$158,032
International outsourcing	206,695	206,406
Database marketing and consulting	61,551	63,966
Corporate activities	140,887	152,495
Total	$557,123	$580,899
Goodwill:		
Domestic outsourcing goodwill, net	$ 11,556	$ 11,887
International outsourcing goodwill, net	15,836	14,180
Database marketing and consulting goodwill, net	13,844	15,244
Total	$ 41,236	$ 41,311

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

	Three Months Ended September 30,	
	2001	2000
Revenues:		
United States	$128,076	$141,319
Canada	36,408	36,626
Europe	18,672	20,856
Asia Pacific	20,792	16,874
Latin America	18,870	16,131
Total	$222,818	$231,806

	Nine Months Ended September 30,	
	2001	2000
Revenues:		
United States	$401,271	$417,925
Canada	109,113	73,504
Europe	67,842	55,390
Asia Pacific	54,292	51,544
Latin America	53,391	43,144
Total	$685,909	$641,507

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

	Nine Months Ended September 30,	
	2001	2000
	(in thousands)	
Cash paid for interest	$ 4,588	$ 1,260
Cash paid for income taxes	$22,054	$10,138
Noncash investing and financing activities:		
Issuance of stock purchase warrants in connection with formation of joint venture	$ --	$ 5,100

(5) COMPREHENSIVE INCOME

The Company's comprehensive income for the three and nine month periods ended September 30, 2001 and 2000 was as follows (in thousands):

	Three Months Ended September 30,	
	2001	2000
Net income for the period	$ 2,126	$32,382
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(5,701)	(2,148)
Loss on hedging instruments, net of reclassification adjustment	(1,898)	--
Unrealized holding losses on securities arising during the period, net of reclassification adjustment	(1,203)	(24,600)
Other comprehensive loss	(8,802)	(26,748)
Comprehensive income (loss)	$ (6,676)	$ 5,634

	Nine Months Ended September 30,	
	2001	2000
Net income (loss) for the period	$ (9,108)	$65,263
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(13,054)	(4,082)
Unrealized holding gains (losses) on securities arising during the period, net of reclassification adjustment	(9,492)	15,702
Loss on hedging instruments, net of reclassification adjustment	(2,069)	--
Other comprehensive income (loss)	(24,615)	11,620
Comprehensive income (loss)	$ (33,723)	$76,883

(6) INVESTMENT IN COMMON STOCK

In December 1999 and January 2000, the Company invested a total of $10.5 million in a customer relationship management software company. In May 2000, this software company merged with E.piphany, Inc., a publicly traded customer relationship management company. As a result of the merger, the Company received 1,238,400 shares of E.piphany common stock. During the nine months ended September 30, 2001 the Company sold 50,000 shares of E.piphany for total proceeds of $801,500, which resulted in a realized gain of $147,700. During the nine months ended September 30, 2000 the Company sold 663,300 shares of E.piphany for total proceeds of $50.6 million, which resulted in a realized gain of $44.9 million. Through September 30, 2001, the Company has sold a total of 920,300 shares of E.piphany. The remaining 318,100 shares of E.piphany have a cost basis of $2.2 million. At September 30, 2001, these shares are reflected in the accompanying balance sheet as investment in available-for-sale securities, at their fair market value of $1.3 million. The unrealized loss of $900,000 is shown net of tax of $324,000, as a component of other comprehensive income included in stockholders' equity.

(7) EARNINGS (LOSS) PER SHARE

Basic earnings per share are computed by dividing the Company's net income (loss) by the weighted average number of common shares outstanding. The impact of any potentially dilutive securities is excluded. Diluted earnings per share are computed by dividing the Company's net income (loss) by the weighted average number of shares and dilutive potential shares outstanding during the period. The following table sets forth the computation of basic and diluted earnings per share for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	(in thousands)			
Shares used in basic per share calculation	76,336	74,287	75,537	73,877
Effects of dilutive securities:				
Warrants	--	510	--	520
Stock options	527	4,720	--	4,758
Shares used in diluted per share calculation	76,863	79,517	75,537	79,155

For the nine months and the three months ended September 30, 2001, 10,481,447 and 9,954,447 options to purchase shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would have been antidilutive. For the nine months and three months ended September 30, 2000, 8,201,387 and 8,239,387 options to purchase shares of common stock respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

(8) DERIVATIVES

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS No. 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the balance sheet as either an asset or liability measured at its fair value, with changes in the fair value of qualifying hedges recorded in other comprehensive income. SFAS 133 requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivatives gains and losses to offset the related results on the hedged item in the income statement, and requires that a Company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. At September 30, 2001, the Company recorded a derivative liability of $4.0 million included in other accrued expenses in the accompanying condensed consolidated balance sheets and a corresponding entry of approximately $2.4 million (net of tax effect of $1.6 million) included in other comprehensive income in the accompanying condensed consolidated balance sheets.

(9) RESTRUCTURING CHARGES

During the first and third quarters of 2001, the Company implemented certain cost cutting measures. In connection with these actions, the Company's corporate segment recorded a $12.5 million pre-tax charge for severance and other termination benefits related to a reduction in force of approximately 300 employees in the first quarter and a $6.0 million pre-tax charge for similar costs associated with a reduction in force of approximately 300 employees in the third quarter. Additionally in the first quarter of 2001, the Company's domestic outsourcing segment recorded a $7.7 million pre-tax charge associated with the closure of a customer interaction center located in Thornton, Colorado. These restructuring charges are included in operating expenses as a separate line item in the accompanying condensed consolidated statements of operations. At September 30, 2001, $3.8 million of this amount is included in current liabilities as a separate line item in the accompanying condensed consolidated balance sheets.

(10) ASSET ACQUISITIONS

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

In March 2001, the Company acquired the Planned Headquarters Building being constructed on its behalf for approximately $15 million and incurred additional capital expenditures to complete construction of the building. During the second quarter of 2001, after receiving various offers for the Planned Headquarters Building that were less than the estimated completed cost, the Company determined that the fair value of the building, less the cost to complete and sell, exceeded the carrying amount by $7.0 million. The Planned Headquarters Building is included in the Company's corporate segment in other assets at its estimated fair value, less cost to complete and sell, in the accompanying condensed consolidated balance sheets. Subsequent to September 30, 2001, the Company completed and sold the Planned Headquarters Building to a third party receiving net proceeds of approximately $11.8 million.

(11) EQUITY INVESTMENT

In the fourth quarter of 2000, the Company and its enhansiv subsidiary executed a transaction, whereby the Company transferred all of its shares of common stock of enhansiv, inc., a Colorado corporation ("enhansiv"), to enhansiv holdings, inc., a Delaware corporation ("EHI") in exchange for Series A Convertible Preferred Stock of EHI. EHI is developing a centralized, open architecture, CRM solution that incorporates a contact management database across all customer contact channels. The Company believes that the EHI technology will allow it to move to a more centralized technology platform, allowing it to provide more cost effective solutions in a more timely manner. As a part of the transaction, EHI sold shares of common stock to a group of investors, one of which is the Company's Chairman and CEO. These shares represent 100% of the existing common shares of EHI, which in turn owns 100% of the common shares of enhansiv. In addition, the Company has an option to purchase approximately 95% of the common stock of EHI. The Company also agreed to make available to EHI a convertible $7.0 million line of credit which was fully drawn in the second quarter of 2001.

In June 2001, the Company entered into another transaction whereby the Company agreed to fund an additional $5.0 million for certain development activities in exchange for a licensing agreement and the right to convert this additional investment into EHI's common stock. As of September 30, 2001, approximately $3.0 million had been funded under this additional commitment.

As discussed above, the Company's Series A Preferred Stock, its $7.0 million line of credit and its additional $5.0 million investment are each convertible into EHI common stock under certain circumstances. Additionally, the Company's option to purchase 95% of the common stock of EHI is also allowed only under certain circumstances, none of which currently exist. There is no assurance that the Company will either convert its convertible securities or exercise its purchase option.

The Company records all of EHI's losses in excess of the value of all subordinate equity investments in EHI (common stock). The loss is included as a separate line item in other income (expense) in the accompanying condensed consolidated statements of operations. Included in the third quarter 2001 loss of $3.5 million is a $675,000 restructuring charge taken by EHI for severance and other termination benefits related to a reduction in force.

During the second quarter of 2001, after EHI was unsuccessful in raising additional outside capital, the Company concluded that its investment in EHI exceeded its fair value and such decline was other than temporary. As a result, the Company recorded a $16.5 million charge to adjust the investment's carrying value down to its estimated fair value. The investment in EHI of $5.3 million is included in other assets in the accompanying condensed consolidated balance sheets. EHI has no outside debt or other outstanding borrowings other than that owed to the Company.

(12) SUBSEQUENT EVENTS

Subsequent to September 30, 2001, the Company completed a private debt placement of $75 million (the "Placement") of senior notes. The Placement consists of two tranches; $60 million bearing interest at 7% per annum with a seven-year term and $15 million bearing interest at 7.4% per annum with a 10-year term. Both tranches are unsecured.

Item 2.

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

INTRODUCTION

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements that involve risks and uncertainties. The Company has set forth in its Form 10-K for the year ended December 31, 2000 a detailed discussion of risks and uncertainties relating to the Company's business. The projections and statements contained in these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company's future results of operations and performance are subject to numerous factors including: weakening of the global economy; the Company's ability to obtain financing; the Company's ability to manage rapid growth; rapidly changing technology; dependence on key personnel and labor force; difficulties of completing and integrating acquisitions and joint ventures; risk of business interruptions; risks associated with doing business internationally, including foreign currency risk; lower than anticipated customer interaction center capacity utilization; the loss or delay in implementation of a customer management program; the Company's ability to build-out facilities in a timely and economic manner; greater than anticipated competition from new entrants into the customer care market, causing increased price competition or loss of clients; the loss of one or more significant clients; higher than anticipated start-up costs associated with new business opportunities; the Company's ability to predict the potential volume or profitability of any future technology or consulting sales; certain agreements with clients may be canceled on relatively short notice without significant penalties; and, the Company's ability to generate a specific level of revenue is dependent upon customer interest in and use of the Company's clients' products and services. Specifically, the Company has experienced, and in the future could experience, quarterly variations in revenues and earnings as a result of a variety of factors, many of which are outside the Company's control, including: the weakening of the global economy; the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; and the seasonal pattern of certain of the businesses serviced by the Company. Readers should review this quarterly report in combination with the Company's Form 10-K for the year ended December 31, 2000. The Company assumes no obligation to update its forward-looking statements to reflect actual results or changes in factors affecting such forward-looking statements.

RESULTS OF OPERATIONS

Three-Month Period Ended September 30, 2001 Compared to September 30, 2000

Revenues. Revenues decreased $9.0 million or 3.9% to $222.8 million for the three months ended September 30, 2001 from $231.8 million for the three months ended September 30, 2000. This decrease resulted primarily from a decrease in domestic outsourcing revenues partially offset by increases in international outsourcing operations and in the Company's joint venture with Ford Motor Company ("Percepta"). On a segment basis, revenues from international outsourcing increased $9.0 million or 10.5% to $94.6 million for the three months ended September 30, 2001 from $85.6 million for the three months ended September 30, 2000. The increase in international outsourced revenues primarily resulted from increases in the Company's Asia Pacific and Latin American operations. Revenues from domestic outsourcing decreased $13.0 million or 10.5% to $111.2 million for the three months ended September 30, 2001 from $124.2 for the three months ended September 30, 2000. This decrease primarily resulted from a decrease in certain existing client programs due to a weakening domestic economy. Database marketing and consulting revenues decreased $1.5 million or 7.8% for the three months ended September 30, 2001 primarily due to a reduction in active customers.

Costs of Services. Costs of services, which are primarily variable with revenue, decreased $1.4 million, or 1.0%, to $143.1 million for the three months ended September 30, 2001 from $144.5 million for the three months ended September 30, 2000. Costs of services as a percentage of revenues increased from 62.3% for the three months ended September 30, 2000 to 64.2% for the three months ended September 30, 2001. The increase in costs of services as a percentage of revenues is primarily the result of an increase in international outsourced costs.

Selling, General and Administrative. Selling, general and administrative expenses decreased $3.2 million, or 6.3% to $48.0 million for the three months ended September 30, 2001 from $51.2 million for the three months ended September 30, 2000 primarily resulting from the Company's reductions in force during the first and third quarters of 2001. Selling, general and administrative expenses as a percentage of revenues decreased from 22.1% for the three months ended September 30, 2000 to 21.5% for the three months ended September 30, 2001.

Depreciation and Amortization. Depreciation and amortization expense increased $2.4 million, or 18.1% to $15.4 million for the three months ended September 30, 2001 from $13.0 million for the three months ended September 30, 2000 primarily resulting from increases in property and equipment and intangible assets. Depreciation and amortization expense as a percentage of revenues increased to 6.9% for the three months ended September 30, 2001 from 5.6% for the three months ended September 30, 2000.

Income from Operations. As a result of the foregoing factors, in combination with the restructuring charges of $6.0 million, income from operations decreased $9.3 million or 47.7%, from $19.6 million for the three months ended September 30, 2000, to $10.3 million for the three months ended September 30, 2001. Operating income as a percentage of revenues decreased from 8.5% for the three months ended September 30, 2000 to 4.6% for the three months ended September 30, 2001. Income from operations, exclusive of nonrecurring items, decreased $6.7 million or 29.4% to $16.3 million for the three months ended September 30, 2001 from $23.0 million for the three months ended September 30, 2000. Income from operations as a percentage of revenues, exclusive of nonrecurring items, decreased to 7.3% for the three months ended September 30, 2001 from 9.9% for the three months ended September 30, 2000.

Other Income (Expense). Other income decreased $39.3 million to an expense of $6.1 million for the three months ended September 30, 2001 compared to other income of $33.2 million for the three months ended September 30, 2000. This decrease primarily resulted from a $32.1 million gain on sale of securities in 2000 combined with the Company recording losses on its equity investment in EHI of $3.5 million for the three months ended September 30, 2001.

Income Taxes. Taxes on income decreased $18.2 million to $1.6 million for the three months ended September 30, 2001 from $19.9 million for the three months ended September 30, 2000. This decrease was primarily due to the Company recording the gain on sale of securities in 2000 discussed above. The Company's effective tax rate for the three months ended September 30, 2001 was 39.5% compared to 37.6% for the three months ended September 30, 2000. The lower effective tax rate for 2000 was a result of net operating loss carryforwards from the Company's acquired subsidiary, Newgen, which was accounted for under the pooling-of-interest method.

Net Income. As a result of the foregoing factors, net income decreased $30.3 million or 93.4%, to $2.1 million for the three months ended September 30, 2001 from $32.4 million for the three months ended September 30, 2000. Net income, exclusive of nonrecurring items, decreased $7.1 million or 53.8% to $6.2 million for the three months ended September 30, 2001 from $13.3 million (assuming Newgen had utilized the Company's tax rate as discussed above) for the three months ended September 30, 2000.

Nine-Month Period Ended September 30, 2001 Compared to September 30, 2000

Revenue. Revenues increased $44.4 million or 6.9% to $685.9 million for the nine months ended September 30, 2001 from $641.5 million for the nine months ended September 30, 2000. This increase resulted primarily from increases in international outsourcing operations and Percepta. On a segment basis, revenues from international outsourcing increased $67.8 million or 31.4% to $284.1 million for the nine months ended September 30, 2001 from $216.3 million for the nine months ended September 30, 2000. The increase in international outsourced revenues primarily resulted from increases in the Company's Canadian, European and Latin American operations. Revenues from domestic outsourcing decreased $6.7 million or 1.9% to $349.7 million for the nine months ended September 30, 2001 from $356.5 for the nine months ended September 30, 2000. This decrease was primarily associated with losses and ramp-down of revenues from new economy business and initiatives. Revenues from database marketing and consulting decreased $6.6 million or 11.1% to $53.1 million for the nine months ended September 30, 2001 from $59.7 million for the nine months ended December 31, 2000 primarily due to a reduction in active customers.

Costs of Services. Costs of services, which are primarily variable with revenue, increased $27.1 million, or 6.6%, to $439.3 million for the nine months ended September 30, 2001 from $412.2 million for the nine months ended September 30, 2000. Costs of services as a percentage of revenues remained relatively flat between periods decreasing from 64.3% for the nine months ended September 30, 2000 to 64.0% for the nine months ended September 30, 2001.

Selling, General and Administrative. Selling, general and administrative expenses increased $20.8 million, or 15.5% to $154.7 million for the nine months ended September 30, 2001 from $133.9 million for the nine months ended September 30, 2000 primarily resulting from an increase in Percepta between periods. Selling, general and administrative expenses as a percentage of revenues increased from 20.9% for the nine months ended September 30, 2000 to 22.5% for the nine months ended September 30, 2001.

Depreciation and Amortization. Depreciation and amortization expense increased $10.7 million, or 31.4% to $44.8 million for the nine months ended September 30, 2001 from $34.1 million for the nine months ended September 30, 2000 primarily resulting from increases in property and equipment and intangible assets. Depreciation and amortization expense as a percentage of revenue increased to 6.5% for the nine months ended September 30, 2001 from 5.3% for the nine months ended September 30, 2000.

Income from Operations. As a result of the foregoing factors, in combination with the restructuring charges that included $18.5 million for severance and other termination benefits related to reductions in force, a $7.7 million charge for the closure of a customer interaction center and the loss on real estate held for sale of $7.0 million, income from operations decreased $44.0 million or 76.0%, from $57.9 million for the nine months ended September 30, 2000, to $13.9 million for the nine months ended September 30, 2001. Operating income as a percentage of revenues decreased from 9.0% for the nine months ended September 30, 2000 to 2.0% for the nine months ended September 30, 2001. Income from operations, exclusive of nonrecurring items, decreased $14.1 million or 23.1% to $47.2 million for the nine months ended September 30, 2001 from $61.3 million for the nine months ended September 30, 2000. Income from operations as a percentage of revenues, exclusive of nonrecurring items, decreased to 6.9% for the nine months ended September 30, 2001 from 9.6% for the nine months ended September 30, 2000.

Other Income (Expense). Other income decreased $72.4 million to an expense of $26.5 million for the nine months ended September 30, 2001 compared to other income of $45.9 million for the nine months ended September 30, 2000. This decrease primarily resulted from the other than temporary decline in value of an equity investment resulting in the Company recording a $16.5 million loss to adjust the investment's book value to estimated fair value in the nine months ended September 30, 2001, as well as the Company recognizing a gain of $44.9 million on the sale of securities compared to $.1 million in 2001.

Income Taxes. Taxes on income decreased $42.3 million to a tax benefit of $4.7 million for the nine months ended September 30, 2001 from tax expense of $37.6 million for the nine months ended September 30, 2000. This decrease was primarily due to the Company recording restructuring charges and recognizing losses on certain asset write-downs in 2001. The Company's effective tax rate for the nine months ended September 30, 2001 was 37.3% compared to 36.2% for the nine months ended September 30, 2000. The lower effective tax rate for 2000 was a result of net operating loss carryforwards from the Company's acquired subsidiary, Newgen, which was accounted for under the pooling-of-interest method.

Net Income (Loss). As a result of the foregoing factors, net income decreased $74.4 million or 114%, to a net loss of $9.1 million for the nine months ended September 30, 2001 from net income of $65.3 million for the nine months ended September 30, 2000. Net income, exclusive of nonrecurring items decreased $14.8 million or 40.1% to $21.3 million for the nine months ended September 30, 2001 from $36.1 million (assuming Newgen had utilized the Company's tax rate as discussed above) for the nine months ended September 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, the Company had cash and cash equivalents of $67.0 million, securities available for sale of $1.3 million and short-term investments of $4.0 million. Cash provided by operating activities was $76.4 million for the nine months ended September 30, 2001 as compared to $0.1 million for the nine months ended September 30, 2000. The increase in net operating cash flow of $76.3 million primarily resulted from improved collections of accounts receivable and a nonrecurring cash payment of $10.3 million received from Verizon for foregoing the construction of an additional committed customer interaction center, partially offset by a decrease in accounts payable and accrued expenses.

Cash used in investing activities was $74.8 million for the nine months ended September 30, 2001 as compared to $30.4 million for the nine months ended September 30, 2000. For the nine months ended September 30, 2001, the Company had capital expenditures of $47.2 million and spent $23.9 million in connection with the continued construction of the Planned Headquarters Building. These expenditures were partially offset by a reduction of $4.9 million in short-term investments.

Cash provided by financing activities was $6.0 million for the nine months ended September 30, 2001 as compared to $47.3 million for the nine months ended September 30, 2000. The cash provided by financing activities for 2001 primarily resulted from stock option exercises.

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

In October 2001, as more fully described in Note 12 to the condensed consolidated financial statements, the Company completed a private debt placement of $75 million in senior notes. The Company subsequently used proceeds to repay the revolving line of credit balance in full. However, the Company will maintain the line of credit for future financial flexibility.

The Company currently expects total capital expenditures in 2001 to be approximately $60 million (excluding the Planned Headquarters Building and Ford Motor Company's 45% funding share for Percepta), of which $47.2 million was expended through September 30, 2001. The 2001 capital expenditures are primarily for several new international customer interaction centers, completion of North American projects, which were started in 2000, and corporate infrastructure and technology. The Company purchased the Planned Headquarters Building for approximately $15 million and incurred additional capital expenditures to complete construction of the building. In October 2001, the building was completed and sold to a third party for net proceeds of approximately $11.8 million.

The Company believes that existing cash and cash equivalents on hand, along with cash flows from operations and available borrowings under its revolving line of credit will be sufficient to fund the Company's planned business activities for the foreseeable future.

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

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management has not yet determined the effect SFAS No. 143 will have on its financial position, if any.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of." SFAS No. 144 also supersedes the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS No. 144 also amends APB No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The provisions of this statement are generally to be applied prospectively. Management has not yet determined the effect SFAS No. 144 will have on its financial position, if any.

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

FORWARD-LOOKING STATEMENTS

All statements not based on historical fact are forward-looking statements that involve substantial risks and uncertainties. In accordance with the Private Securities Litigation Reform Act of 1995, the following are important factors that could cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements: weakening of the global economy; the Company's ability to obtain financing; the Company's ability to manage rapid growth; rapidly changing technology; dependence on key personnel and labor force; difficulties of completing and integrating acquisitions and joint ventures; risk of business interruptions; risks associated with doing business internationally, including foreign currency risk; lower than anticipated customer interaction center capacity utilization; the loss or delay in implementation of a customer management program; the Company's ability to build-out facilities in a timely and economic manner; greater than anticipated competition from new entrants into the customer care market, causing increased price competition or loss of clients; the loss of one or more significant clients; higher than anticipated start-up costs associated with new business opportunities; the Company's ability to predict the potential volume or profitability of any future technology or consulting sales; certain agreements with clients may be canceled on relatively short notice without significant penalties; and the Company's ability to generate a specific level of revenue is dependent upon customer interest in and use of the Company's clients' products and services. Readers are encouraged to review the Company's 2000 Annual Report on Form 10-K, which describes other important factors that may impact the

Company's business, results of operations and financial condition. However, these factors should not be construed as an exhaustive list. The Company cannot always predict which factors could cause actual results to differ materially from those in its forward-looking statements. In light of these risks and uncertainties the forward-looking statements might not occur. The Company assumes no obligation to update its forward-looking statements to reflect actual results or changes in factors affecting such forward-looking statements.

Item 3.

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

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

Interest Rate Risk

The interest on the Company's line of credit is variable based on the bank's base rate or offshore rate, and therefore, affected by changes in market interest rates. At September 30, 2001, there was approximately $73.5 million outstanding on the line of credit. At September 30, 2001, the Company has an outstanding variable-to-fixed interest rate swap agreement, as amended, with a fixed rate of 6.2%, and a floating rate of LIBOR and a notional amount of $38.2 million. The swap agreement dated December 12, 2000 has a six-year term. If interest rates were to increase 10% from quarter-end levels, the Company would have incurred $472,000 in additional interest expense for the nine months ended September 30, 2001, net of the effect of the swap agreement.

Foreign Currency Risk

The Company has wholly owned subsidiaries in Argentina, Australia, Brazil, Canada, China, Mexico, New Zealand, Singapore, Spain and the United Kingdom. Revenues and expenses from these operations are denominated in local currency, thereby creating exposures to changes in exchange rates. The changes in the exchange rate may positively or negatively affect the Company's revenues and net income attributed to these subsidiaries. For the nine months ended September 30, 2001, revenues from non U.S. countries represented 41.5% of consolidated revenues.

The Company's Spanish subsidiary has factoring lines of credit under which it may borrow up to ESP 1,600 million. At September 30, 2001, there was $1.0 million outstanding under these factoring lines. If the U.S. dollar/Spanish Peseta exchange rate was to increase 10% from period-end levels, the obligation would increase by $100,000.

The Company's Canadian subsidiary receives payment in U.S. dollars for certain of its large customer contracts. As all of its expenditures are in Canadian dollars, the Company must acquire Canadian currency on a monthly basis. Accordingly, the Company has contracted with a commercial bank at no material cost, to acquire a total of $18.0 million Canadian dollars from October 2001 to December 2001 at a fixed price in U.S. dollars of $11.9 million. There is no material difference between the fixed exchange ratio and the current exchange U.S./Canadian dollar ratio. If the U.S./Canadian dollar exchange rate was to increase 10% from period-end levels, the Company would not incur an additional loss on the contract.

Fair Value of Debt and Equity Securities

The Company's investments in debt and equity securities are short-term. The Company's investment in available for sale securities are subject to fluctuations in fair value. If interest rates and equity prices were to decrease 10% from period-end levels, the fair value of the Company's debt and equity securities would have decreased $525,000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 5. Recent Events

Subsequent to September 30, 2001, the Company completed a private debt placement of $75 million (the "Placement") of senior notes. The Placement consists of two tranches: $60 million bearing interest at 7% per annum with a seven-year term and $15 million bearing interest at 7.4% per annum with a 10-year term. Both tranches are unsecured.

Item 6. Exhibits and Reports on Form 8-K

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

3.1 Restated Certificate of Incorporation of TeleTech[1] {Exhibit 3.1}
3.2 Amended and Restated Bylaws of TeleTech[1] {Exhibit 3.2}

(b) Reports on Form 8-K

None.

* Filed Herewith
[ ] Such exhibit previously filed with the Securities and Exchange Commission as exhibits to the filings indicated below, under the exhibit number indicated in brackets { }, and is incorporated by reference.
[1] TeleTech's Registration Statement on Form S-1, as amended (Registration Statement No. 333-04097).

SIGNATURES

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

TELETECH HOLDINGS, INC.
(Registrant)

Date: November 14, 2001 By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer

Date: November 14, 2001 By: /s/ MARGOT O'DELL
Chief Financial Officer and Executive
Vice President of Administration